

**TOWN OF SUNAPEE,
NEW HAMPSHIRE**

ANNUAL FINANCIAL REPORT

**AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2022**

TOWN OF SUNAPEE, NEW HAMPSHIRE
ANNUAL FINANCIAL REPORT
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2022

TABLE OF CONTENTS

PAGES

INDEPENDENT AUDITOR'S REPORT

1 - 3

BASIC FINANCIAL STATEMENTS

Government-wide Financial Statements

A Statement of Net Position

B Statement of Activities

Fund Financial Statements

Governmental Funds

C-1 Balance Sheet

C-2 Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position.....

C-3 Statement of Revenues, Expenditures, and Changes in Fund Balances.....

C-4 Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds to the Statement of Activities

Budgetary Comparison Information

D Statement of Revenues, Expenditures, and Changes in Fund Balance –
Budget and Actual (Non-GAAP Budgetary Basis) – General Fund

Proprietary Fund

E-1 Statement of Net Position

E-2 Statement of Revenues, Expenses, and Changes in Net Position

E-3 Statement of Cash Flows

Fiduciary Funds

F-1 Statement of Fiduciary Net Position.....

F-2 Statement of Changes in Fiduciary Net Position

NOTES TO THE BASIC FINANCIAL STATEMENTS

4

5

6

7

8

9

10

11

12

13

14

15

16 - 42

REQUIRED SUPPLEMENTARY INFORMATION

G Schedule of the Town's Proportionate Share of Net Pension Liability

H Schedule of Town Contributions – Pensions

**NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION -
PENSION LIABILITY**

I Schedule of the Town's Proportionate Share of Net Other Postemployment Benefits Liability

J Schedule of Town Contributions – Other Postemployment Benefits

**NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION -
OTHER POSTEMPLOYMENT BENEFITS LIABILITY.....**

43

44

45

46

47

48

TOWN OF SUNAPEE, NEW HAMPSHIRE
ANNUAL FINANCIAL REPORT
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2022

TABLE OF CONTENTS

		<u>PAGES</u>
COMBINING AND INDIVIDUAL FUND SCHEDULES		
Governmental Funds		
<i>Major General Fund</i>		
1	Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis).....	49
2	Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis)	50-51
3	Schedule of Changes in Unassigned Fund Balance.....	52
<i>Nonmajor Governmental Funds</i>		
4	Combining Balance Sheet	53
5	Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances.....	54
Fiduciary Funds		
<i>Custodial Funds</i>		
6	Combining Schedule of Fiduciary Net Position	55
7	Combining Schedule of Changes in Fiduciary Net Position	56
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING		
AND COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL		
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS 57 - 61		



PLODZIK & SANDERSON

Professional Association/Certified Public Accountants

193 North Main Street • Concord • New Hampshire • 03301-5063 • 603-225-6996 • FAX 603-224-1380

INDEPENDENT AUDITOR'S REPORT

To the Members of the Board of Selectmen and Town Manager
Town of Sunapee
Sunapee, New Hampshire

Report on the Financial Statements

Adverse and Unmodified Opinions

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major governmental and proprietary fund, and aggregate remaining fund information of the Town of Sunapee as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Adverse
Business-type Activities	Adverse
Water Enterprise Fund	Adverse
Sewer Enterprise Fund	Adverse
Hydroelectric Enterprise Fund	Adverse
General Fund	Unmodified
Aggregate Remaining Fund Information	Unmodified

Adverse Opinion on Governmental Activities and Business-type Activities and Proprietary Funds

In our opinion, because of the significance of the matters described in the "Matters Giving Rise to Adverse Opinion on Governmental Activities, Business-type Activities and Proprietary Funds" paragraphs, the financial statements referred to above do not present fairly the financial position of the governmental activities financial statements of the Town of Sunapee, as of December 31, 2022, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions on The Major Governmental Fund and Aggregate Remaining Fund Information

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major governmental and proprietary fund and aggregate remaining fund information of the Town of Sunapee as of December 31, 2022, and the respective changes in financial position and, the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Adverse and Unmodified Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the Town of Sunapee and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Town of Sunapee
Independent Auditor's Report***

Matters Giving Rise to Adverse Opinion on Governmental Activities, Business-type Activities and Proprietary Funds

As discussed in Note 1-B to the financial statements, management has not recorded the capital assets and related accumulated depreciation in the governmental activities, business-type activities, and proprietary funds, and accordingly, has not recorded depreciation expense on those assets. Accounting principles generally accepted in the United States of America require that capital assets, be capitalized and depreciated, which would increase the assets, net position, and expenses of the governmental activities and business-type activities and proprietary funds. The amount by which this departure would affect the assets, net position, and expenses of the governmental activities and business-type activities and proprietary funds is not reasonably determinable.

As discussed in Note 15-B to the financial statements, management has not recorded the long-term costs of retirement healthcare costs and obligations for other postemployment benefits for the single employer plan in the governmental activities and business-type activities and proprietary funds. Accounting principles generally accepted in the United States of America require that those costs be recorded, which would increase the liabilities, decrease the net position, and increase the expenses of the governmental activities and business-type activities and proprietary funds. The amount by which this departure would affect the liabilities, net position, and expenses on the governmental activities, business-type activities, and proprietary funds, is not readily determinable.

Responsibilities of Management for the Financial Statements

The Town of Sunapee's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Sunapee's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Town of Sunapee's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Sunapee's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

***Town of Sunapee
Independent Auditor's Report***

Change in Accounting Principle

As discussed in Note 2-D to the financial statements, in fiscal year 2022 the Town adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. Our opinions are not modified with respect to this matter.

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:

- Schedule of the Town's Proportionate Share of Net Pension Liability,
- Schedule of Town Contributions – Pensions,
- Schedule of the Town's Proportionate Share of the Net Other Postemployment Benefits Liability,
- Schedule of Town Contributions – Other Postemployment Benefits, and
- Notes to the Required Supplementary Information.

Such information is the responsibility of management and, 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.

Management's Discussion and Analysis – Management has omitted a Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by the missing information.

Supplementary Information – Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Sunapee's basic financial statements. The accompanying combining and individual fund schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund schedules 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 and individual fund schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2023, on our consideration of the Town of Sunapee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Sunapee's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Sunapee's internal control over financial reporting and compliance.

Sheryl A. Platt, CPA

October 20, 2023
Concord, New Hampshire

PLODZIK & SANDERSON
Professional Association

BASIC FINANCIAL STATEMENTS

EXHIBIT A
TOWN OF SUNAPEE, NEW HAMPSHIRE
Statement of Net Position
December 31, 2022

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 10,621,520	\$ 4,435,819	\$ 15,057,339
Investments	241,526	-	241,526
Taxes receivables (net)	840,022	-	840,022
Account receivables	-	465,102	465,102
Intergovernmental receivable	223,361	679,041	902,402
Prepaid items	87,299	-	87,299
Tax deeded property, subject to resale	6,361	-	6,361
Total assets	12,020,089	5,579,962	17,600,051
DEFERRED OUTFLOWS OF RESOURCES			
Amounts related to pensions	557,663	106,221	663,884
Amounts related to other postemployment benefits	7,782	1,482	9,264
Total deferred outflows of resources	565,445	107,703	673,148
LIABILITIES			
Accounts payable	116,149	65,326	181,475
Accrued salaries and benefits	155,699	-	155,699
Accrued interest payable	13,078	28,910	41,988
Intergovernmental payable	5,430,630	-	5,430,630
Internal balances	19,927	(19,927)	-
Other	12,225	-	12,225
Long-term liabilities:			
Due within one year	119,790	199,930	319,720
Due in more than one year	4,912,458	3,019,513	7,931,971
Total liabilities	10,779,956	3,293,752	14,073,708
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	40,085	-	40,085
Unavailable revenue - grants	280,595	-	280,595
Unavailable revenue - received in advance	95,890	14,926	110,816
Amounts related to pensions	11,997	2,285	14,282
Total deferred inflows of resources	428,567	17,211	445,778
NET POSITION			
Net investment in capital assets	(1,286,305)	(2,540,714)	(3,827,019)
Restricted	465,358	4,917,416	5,382,774
Unrestricted	2,197,958	-	2,197,958
Total net position	\$ 1,377,011	\$ 2,376,702	\$ 3,753,713

The Notes to the Basic Financial Statements are an integral part of this statement.

EXHIBIT B
TOWN OF SUNAPEE, NEW HAMPSHIRE
Statement of Activities
For the Fiscal Year Ended December 31, 2022

	Program Revenues			Net (Expense) Revenue and	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Change in Net Position
Governmental activities:					
General government	\$ 1,813,869	\$ 16,030	\$ -	\$ -	\$ (1,797,839)
Public safety	1,618,562	6,185	54,247	-	(1,558,130)
Highways and streets	2,040,045	-	41,635	226,445	(1,771,965)
Sanitation	669,547	244,406	88,090	-	(337,051)
Health	15,843	-	-	-	(15,843)
Welfare	28,394	-	-	-	(28,394)
Culture and recreation	737,937	91,046	15,052	-	(631,839)
Conservation	12,723	-	-	-	(12,723)
Interest on long-term debt	15,666	-	-	-	(15,666)
Total governmental activities	6,952,586	357,667	199,024	226,445	(6,169,450)
Business-type activities:					
Water	571,845	674,540	2,193	-	104,888
Sewer	1,058,687	1,393,584	13,670	-	348,567
Hydroelectric	138,085	238,458	-	-	100,373
Total business-type activities	1,768,617	2,306,582	15,863	-	553,828
Total	\$ 8,721,203	\$ 2,664,249	\$ 214,887	\$ 226,445	(5,615,622)
General revenues:					
Taxes:					
Property				4,818,871	4,818,871
Other				231,784	231,784
Motor vehicle permit fees				1,080,705	1,080,705
Licenses and other fees				92,829	92,829
Grants and contributions not restricted to specific programs				294,330	294,330
Unrestricted investment earnings				80,092	8,144
Miscellaneous				49,420	49,420
Total general revenues				6,648,031	6,576,083
Principal forgiveness on long-term debt				-	164,000
Total general revenues and transfers				6,648,031	6,740,083
Change in net position				478,581	1,124,461
Net position, beginning, as restated (see Note 20)				898,430	2,629,252
Net position, ending				\$ 1,377,011	\$ 3,753,713

The Notes to the Basic Financial Statements are an integral part of this statement.

EXHIBIT C-1
TOWN OF SUNAPEE, NEW HAMPSHIRE
Governmental Funds
Balance Sheet
December 31, 2022

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 8,344,205	\$ 599,928	\$ 8,944,133
Receivables:			
Taxes	850,004	-	850,004
Intergovernmental receivable	8,807	50,000	58,807
Interfund receivable	151,560	97,489	249,049
Prepaid items	87,299	-	87,299
Tax deeded property, subject to resale	6,361	-	6,361
Restricted assets:			
Cash and cash equivalents	1,677,387	-	1,677,387
Investments	241,526	-	241,526
Total assets	<u>\$ 11,367,149</u>	<u>\$ 747,417</u>	<u>\$ 12,114,566</u>
LIABILITIES			
Accounts payable	\$ 116,149	\$ -	\$ 116,149
Accrued salaries and benefits	155,699	-	155,699
Intergovernmental payable	5,430,630	-	5,430,630
Interfund payable	173,091	95,885	268,976
Other	12,225	-	12,225
Total liabilities	<u>5,887,794</u>	<u>95,885</u>	<u>5,983,679</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - Property taxes	102,590	-	102,590
Unavailable revenue - grants	280,595	-	280,595
Unavailable revenue - received in advance	-	95,890	95,890
Total deferred inflows of resources	<u>383,185</u>	<u>95,890</u>	<u>479,075</u>
FUND BALANCES (DEFICIT)			
Nonspendable	93,660	70,833	164,493
Restricted	309,111	85,414	394,525
Committed	1,613,312	400,566	2,013,878
Assigned	378,279	-	378,279
Unassigned (deficit)	2,701,808	(1,171)	2,700,637
Total fund balances	<u>5,096,170</u>	<u>555,642</u>	<u>5,651,812</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 11,367,149</u>	<u>\$ 747,417</u>	<u>\$ 12,114,566</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

EXHIBIT C-2
TOWN OF SUNAPEE, NEW HAMPSHIRE
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position
December 31, 2022

Amounts reported for governmental activities in the Statement of Net Position are different because:

Total fund balances of governmental funds (Exhibit C-1)		\$ 5,651,812
Differences between expected and actual experiences, assumption changes and net differences between projected and actual earnings and contributions subsequent to the measurement date for the post-retirement benefits (pension and OPEB) are recognized as deferred outflows of resources and deferred inflows of resources on the Statement of Net Position.		
Deferred outflows of resources related to pensions	\$ 557,663	
Deferred inflows of resources related to pensions	(11,997)	
Deferred outflows of resources related to OPEB	<u>7,782</u>	
		553,448
Interfund receivables and payables between governmental funds are eliminated on the Statement of Net Position.		
Receivables	\$ (249,049)	
Payables	<u>249,049</u>	
		-
Other long-term assets are not available to pay for current period expenditures, and therefore, are reported as deferred inflows of resources in the governmental funds.		164,554
Property taxes not collected within 60 days of fiscal year-end are not available to pay for current period expenditures, and therefore are deferred in the governmental funds.		
Deferred property taxes	\$ 62,505	
Allowance for uncollectible taxes	<u>(9,982)</u>	
		52,523
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(13,078)
Long-term liabilities that are not due and payable in the current period, therefore, are not reported in the governmental funds.		
Bonds	\$ 1,231,113	
Unamortized bond premium	55,192	
Compensated absences	193,616	
Accrued landfill postclosure care costs	285,000	
Net pension liability	3,125,172	
Other postemployment benefits	<u>142,155</u>	
		(5,032,248)
Net position of governmental activities (Exhibit A)		<u><u>\$ 1,377,011</u></u>

EXHIBIT C-3
TOWN OF SUNAPEE, NEW HAMPSHIRE
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended December 31, 2022

	General	Other Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	\$ 4,943,394	\$ 97,918	\$ 5,041,312
Licenses and permits	1,173,534	-	1,173,534
Intergovernmental	806,585	54,247	860,832
Charges for services	131,937	98,300	230,237
Miscellaneous	125,034	2,098	127,132
Total revenues	<u>7,180,484</u>	<u>252,563</u>	<u>7,433,047</u>
EXPENDITURES			
Current:			
General government	1,726,542	-	1,726,542
Public safety	1,508,605	59,141	1,567,746
Highways and streets	1,984,626	-	1,984,626
Sanitation	552,192	-	552,192
Health	15,843	-	15,843
Welfare	28,394	-	28,394
Culture and recreation	607,151	114,337	721,488
Conservation	4,323	8,400	12,723
Debt service:			
Principal	140,477	-	140,477
Interest	33,429	-	33,429
Capital outlay	130,836	-	130,836
Total expenditures	<u>6,732,418</u>	<u>181,878</u>	<u>6,914,296</u>
Excess of revenues over expenditures	<u>448,066</u>	<u>70,685</u>	<u>518,751</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	40,000	40,000
Transfers out	(40,000)	-	(40,000)
Proceeds from refunded bonds	534,263	-	534,263
Premium from refunded bonds	55,191	-	55,191
Payments to currently refund bonds	(581,887)	-	(581,887)
Debt issuance costs	(7,567)	-	(7,567)
Total other financing sources (uses)	<u>(40,000)</u>	<u>40,000</u>	<u>-</u>
Net change in fund balances	408,066	110,685	518,751
Fund balances, beginning, as restated (see Note 20)	4,688,104	444,957	5,133,061
Fund balances, ending	<u>\$ 5,096,170</u>	<u>\$ 555,642</u>	<u>\$ 5,651,812</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

EXHIBIT C-4
TOWN OF SUNAPEE, NEW HAMPSHIRE
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds to the Statement of Activities
For the Fiscal Year Ended December 31, 2022

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

Net change in fund balances of governmental funds (Exhibit C-3)		\$ 518,751
Transfers in and out between governmental funds are eliminated on the Statement of Activities.		
Transfers in	\$ (40,000)	
Transfers out	<u>40,000</u>	
		-
Revenue in the Statement of Activities that does not provide current financial resources are not reported as revenue in the governmental funds.		
Change in deferred tax revenue	\$ 9,343	
Change in long-term state aid receivables	<u>(11,223)</u>	
		(1,880)
Bond and other debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond and other debt principal is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the Statement of Net Position.		
Proceeds of debt	\$ (534,263)	
Bond premium on new issuance	(55,192)	
Repayment of bond principal	746,190	
Amortization of bond premium	<u>24,993</u>	
		181,728
Some expenses reported in the Statement of Activities do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds.		
Decrease in accrued interest expense	\$ 339	
Increase in compensated absences payable	(193,616)	
Increase in accrued landfill postclosure care costs	(9,000)	
Net change in net pension liability, and deferred outflows and inflows of resources related to pensions	(14,260)	
Net change in net other postemployment benefits liability and deferred outflows and inflows of resources related to other postemployment benefits	<u>(3,481)</u>	
		(220,018)
Change in net position of governmental activities (Exhibit B)		<u>\$ 478,581</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

EXHIBIT D
TOWN OF SUNAPEE, NEW HAMPSHIRE
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Fiscal Year Ended December 31, 2022

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Taxes	\$ 4,926,361	\$ 4,952,737	\$ 26,376
Licenses and permits	1,133,280	1,173,534	40,254
Intergovernmental	543,749	707,075	163,326
Charges for services	136,200	131,937	(4,263)
Miscellaneous	50,000	87,809	37,809
Total revenues	<u>6,789,590</u>	<u>7,053,092</u>	<u>263,502</u>
EXPENDITURES			
Current:			
General government	1,755,987	1,761,127	(5,140)
Public safety	1,564,355	1,533,028	31,327
Highways and streets	1,963,883	2,032,126	(68,243)
Sanitation	640,288	565,092	75,196
Health	16,138	15,843	295
Welfare	43,149	28,394	14,755
Culture and recreation	722,418	647,117	75,301
Conservation	4,500	4,323	177
Debt service:			
Principal	135,328	140,477	(5,149)
Interest	39,594	33,429	6,165
Capital outlay	195,000	171,978	23,022
Total expenditures	<u>7,080,640</u>	<u>6,932,934</u>	<u>147,706</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(291,050)</u>	<u>120,158</u>	<u>411,208</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	195,000	66,002	(128,998)
Transfers out	<u>(488,250)</u>	<u>(488,250)</u>	<u>-</u>
Total other financing sources (uses)	<u>(293,250)</u>	<u>(422,248)</u>	<u>(128,998)</u>
Net change in fund balances	<u>\$ (584,300)</u>	<u>(302,090)</u>	<u>\$ 282,210</u>
Increase in nonspendable fund balance		(87,299)	
Decrease in restricted fund balance		3,092	
Unassigned fund balance, beginning, as restated (see Note 20)		<u>3,140,628</u>	
Unassigned fund balance, ending		<u>\$ 2,754,331</u>	

The Notes to the Basic Financial Statements are an integral part of this statement.

EXHIBIT E-1
TOWN OF SUNAPEE, NEW HAMPSHIRE
Proprietary Funds
Statement of Net Position
December 31, 2022

	Business-type Activities			
	Enterprise Funds			Total
	Water	Sewer	Hydroelectric	Enterprise Funds
ASSETS				
Cash and cash equivalents	\$ 1,040,662	\$ 2,819,453	\$ 575,704	\$ 4,435,819
Receivables:				
Accounts	213,596	251,506	-	465,102
Intergovernmental	74,078	604,963	-	679,041
Internal balances	428	-	75,858	76,286
Total assets	1,328,764	3,675,922	651,562	5,656,248
DEFERRED OUTFLOWS OF RESOURCES				
Amounts related to pensions	33,194	73,027	-	106,221
Amounts related to other postemployment benefits	463	1,019	-	1,482
Total deferred outflows of resources	33,657	74,046	-	107,703
LIABILITIES				
Current liabilities:				
Accounts payable	5,580	16,660	43,086	65,326
Accrued interest payable	4,399	24,511	-	28,910
Internal balances	8,264	48,095	-	56,359
Long term liabilities:				
Due within one year	129,874	70,056	-	199,930
Due in more than one year	724,768	2,294,745	-	3,019,513
Total liabilities	872,885	2,454,067	43,086	3,370,038
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - received in advance	3,954	10,972	-	14,926
Amounts related to pensions	714	1,571	-	2,285
Total deferred inflows of resources	4,668	12,543	-	17,211
NET POSITION				
Net investment in capital assets	(631,968)	(1,908,746)	-	(2,540,714)
Restricted	1,116,836	3,192,104	608,476	4,917,416
Total net position	\$ 484,868	\$ 1,283,358	\$ 608,476	\$ 2,376,702

The Notes to the Basic Financial Statements are an integral part of this statement.

EXHIBIT E-2
TOWN OF SUNAPEE, NEW HAMPSHIRE
Proprietary Funds
Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended December 31, 2022

For the Fiscal Year Ending December 31, 2022

	Business-type Activities			
	Enterprise Funds			Total
	Water	Sewer	Hydroelectric	Enterprise Funds
Operating revenues:				
User charges	\$ 602,927	\$ 799,450	\$ 238,458	\$ 1,640,835
Other sales	67,815	484,076	-	551,891
Fees and interest	3,798	28,411	-	32,209
Miscellaneous	-	81,647	-	81,647
Total operating revenues	<u>674,540</u>	<u>1,393,584</u>	<u>238,458</u>	<u>2,306,582</u>
Operating expenses:				
Salaries and wages	219,173	542,192	39,733	801,098
Operation and maintenance	189,662	425,020	95,957	710,639
Contractual services	43,019	26,826	1,838	71,683
Materials and supplies	32,358	62,195	557	95,110
Total operating expenses	<u>484,212</u>	<u>1,056,233</u>	<u>138,085</u>	<u>1,678,530</u>
Operating income	<u>190,328</u>	<u>337,351</u>	<u>100,373</u>	<u>628,052</u>
Nonoperating revenue (expense):				
Intergovernmental revenues	-	13,670	-	13,670
Interest income	6,289	8,437	1,313	16,039
Contributions and donations	2,193	-	-	2,193
Principal forgiveness on debt	164,000	-	-	164,000
Interest expense	(23,137)	(64,850)	-	(87,987)
Other	(87,633)	(2,454)	-	(90,087)
Total nonoperating revenues (expense)	<u>61,712</u>	<u>(45,197)</u>	<u>1,313</u>	<u>17,828</u>
Change in net position	252,040	292,154	101,686	645,880
Net position, beginning, as restated (see Note 20)	232,828	991,204	506,790	1,730,822
Net position, ending	<u>\$ 484,868</u>	<u>\$ 1,283,358</u>	<u>\$ 608,476</u>	<u>\$ 2,376,702</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

EXHIBIT E-3
TOWN OF SUNAPEE, NEW HAMPSHIRE
Proprietary Funds
Statement of Cash Flows
For the Fiscal Year Ended December 31, 2022

	Business-type Activities			
	Enterprise Funds			Total
	Water	Sewer	Hydroelectric	Enterprise Funds
Cash flows from operating activities:				
Receipts from customers and users	\$ 637,836	\$ 1,386,866	\$ 238,458	\$ 2,263,160
Payments to employees for salaries and benefits	(219,173)	(542,192)	(39,733)	(801,098)
Payments to suppliers	(264,482)	(470,826)	(505,618)	(1,240,926)
Net cash provided by (used for) operating activities	154,181	373,848	(306,893)	221,136
Cash flows from capital and related financing activities:				
Intergovernmental grants	16,758	48,632	-	65,390
State revolving loan drawdowns	87,634	4,310	-	91,944
Bond and note issuances	-	1,708,663	-	1,708,663
Premium on bonds issued	-	170,143	-	170,143
Principal paid on and refunding payments capital debt	(123,908)	(1,864,218)	-	(1,988,126)
Debt issuance costs	-	(49,088)	-	(49,088)
Acquisition and construction of capital assets	(87,633)	(43,790)	-	(131,423)
Interest paid on capital debt	(23,137)	(31,542)	-	(54,679)
Net cash used for capital and related financing activities	(130,286)	(56,890)	-	(187,176)
Cash flows from investing activities:				
Interest received	6,289	8,437	1,313	16,039
Net increase (decrease) in cash and cash equivalents	30,184	325,395	(305,580)	49,999
Cash and cash equivalents, beginning	1,010,478	2,494,058	881,284	4,385,820
Cash and cash equivalents, ending	\$ 1,040,662	\$ 2,819,453	\$ 575,704	\$ 4,435,819

Reconciliation of Operating Income to Net Cash Provided by (Used for) Operating Activities

Operating income	\$ 190,328	\$ 337,351	\$ 100,373	\$ 628,052
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:				
Increase in other receivables	(36,854)	(18,388)	-	(55,242)
Decrease in intergovernmental receivables	-	9,731	-	9,731
(Increase)/Decrease in internal balances	22,547	35,924	(450,352)	(391,881)
Increase/(Decrease) in accounts payable	(1,495)	10,979	43,086	52,570
Decrease in retainage payable	(20,286)	-	-	(20,286)
Decrease in intergovernmental payable	(209)	(3,688)	-	(3,897)
Increase in deferred inflows of resources	150	1,939	-	2,089
Total adjustments	(36,147)	36,497	(407,266)	(406,916)
Net cash provided by (used for) operating activities	\$ 154,181	\$ 373,848	\$ (306,893)	\$ 221,136

The Notes to the Basic Financial Statements are an integral part of this statement.

EXHIBIT F-1
TOWN OF SUNAPEE, NEW HAMPSHIRE
Fiduciary Funds
Statement of Fiduciary Net Position
December 31, 2022

	Private Purpose Trust Funds	All Custodial Funds
ASSETS		
Cash and cash equivalents	\$ 159,170	\$ 943,296
Intergovernmental receivable	-	5,402,814
Total assets	<u>159,170</u>	<u>6,346,110</u>
LIABILITIES		
Intergovernmental payables:		
School	-	5,159,622
Escrow payable	-	7,885
Due to others	700	-
Total liabilities	<u>700</u>	<u>5,167,507</u>
NET POSITION		
Restricted	<u>\$ 158,470</u>	<u>\$ 1,178,603</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

EXHIBIT F-2
TOWN OF SUNAPEE, NEW HAMPSHIRE
Fiduciary Funds
Statement of Changes in Fiduciary Net Position
For the Fiscal Year Ended December 31, 2022

	Private Purpose Trust Funds	All Custodial Funds
ADDITIONS		
Contributions	\$ -	\$ 100,000
Investment earnings	1,393	7,856
Tax collections for other governments	-	15,735,029
State motor vehicle fees collected	-	346,769
Other	-	26,856
Total additions	1,393	16,216,510
DEDUCTIONS		
Benefits paid	3,000	-
Payments for escrow purposes	-	10,909
Payments of taxes to other governments	-	15,735,029
Payments of motor vehicle fees to State	-	346,769
Total deductions	3,000	16,092,707
Net increase (decrease) in fiduciary net position	(1,607)	123,803
Net position, beginning	160,077	1,054,800
Net position, ending	\$ 158,470	\$ 1,178,603

The Notes to the Basic Financial Statements are an integral part of this statement.

TOWN OF SUNAPEE, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2022

	<u>NOTE</u>
Summary of Significant Accounting Policies	1
Reporting Entity	1-A
Basis of Accounting and Measurement Focus	1-B
Cash and Cash Equivalents	1-C
Restricted Assets	1-D
Statement of Cash Flows	1-E
Investments	1-F
Receivables	1-G
Prepaid Items	1-H
Interfund Activities	1-I
Property Taxes	1-J
Accounts Payable	1-K
Deferred Outflows/Inflows of Resources	1-L
Compensated Absences	1-M
Long-term Obligations	1-N
Defined Benefit Pension Plan	1-O
Postemployment Benefits Other Than Pensions (OPEB)	1-P
Net Position/Fund Balances	1-Q
Use of Estimates	1-R
Stewardship, Compliance, and Accountability	2
Budgetary Information	2-A
Budgetary Reconciliation to GAAP Basis	2-B
Deficit Fund Balance	2-C
Accounting Change	2-D

DETAILED NOTES ON ALL FUNDS

Cash and Cash Equivalents	3
Restricted Assets	4
Investments	5
Taxes Receivable	6
Other Receivables	7
Prepaid Items	8
Interfund Balances and Transfers	9
Intergovernmental Payables	10
Deferred Outflows/Inflows of Resources	11
Debt Refunding	12
Long-term Liabilities	13
Defined Benefit Pension Plan	14
Postemployment Benefits Other Than Pensions (OPEB)	15
New Hampshire Retirement System (NHRS)	15-A
Town of Sunapee Retiree Health Benefit Program	15-B
State Aid to Water Pollution Projects	16
Encumbrances	17
Governmental and Business-Type Activities and Fiduciary Funds Net Position	18

TOWN OF SUNAPEE, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2022

Governmental Fund Balances	19
Prior Period Adjustments	20
Risk Management	21
Cafeteria Benefit Plan	22
Tax Abatements	23
COVID-19	24
Contingent Liabilities	25
Subsequent Events	26

TOWN OF SUNAPEE, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Sunapee, New Hampshire (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 Sunapee is a municipal corporation governed by an elected 5-member Board of Selectmen and Town Manager. 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 basis of funds, 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, with the exception of the capital assets and related accumulated depreciation/amortization, which have been omitted because they have not been inventoried at historical cost. In addition, long-term costs of retirement healthcare and obligations for other postemployment benefits of the Town's single employer plan have also been omitted because the liability and expense have not been determined. 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. As in the Statement of Net Position the Town has not recorded depreciation expense nor other postemployment benefit expense in the Town's single employer plan in this statement. 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, except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column.

Governmental Fund Financial Statements – Include a Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balances for all major governmental funds 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

TOWN OF SUNAPEE, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2022

be susceptible to accrual and so have been recognized as revenues of the current fiscal 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.

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, debt service and capital outlay. Under GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, guidance the library, bandstand, drug forfeiture, ARPA grants, and expendable trust funds are consolidated in the general fund.

Additionally, the Town reports the following fund types:

Special Revenue Funds – are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Permanent Fund – are held in the custody of the Trustees of Trust Funds and are used to account for resources held in trust for use by the Town. These include legal trusts for which the interest on the corpus provides funds for the Town’s cemetery operations.

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

Proprietary Fund Financial Statements – Include a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Net Position, and a Statement of Cash Flows for each major proprietary fund.

Proprietary funds are reported using the “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflows of resources, liabilities (whether current or noncurrent), and deferred inflows of resources are included on the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Net Position presents increases (revenues) and decreases (expenses) in total 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.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

The Town reports the following major proprietary funds:

Water Fund – accounts for the activities related to the operation of the water treatment plant, wells, and water system. Under GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, guidance the water expendable trust funds are consolidated in the water fund.

Sewer Fund – accounts for the activities related to the operation of the sewer treatment plant, pumping station, and sewer lines. Under GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, guidance the sewer expendable trust funds are consolidated in the sewer fund.

Hydroelectric Fund – accounts for the operation of the Town’s hydroelectric plant.

Fiduciary Fund Financial Statements – Include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. The Town’s fiduciary funds are private purpose trust and custodial funds, which are custodial in nature. These funds are accounted for on a spending, or “economic resources” measurement focus and the accrual basis of accounting as are the proprietary funds explained above.

TOWN OF SUNAPEE, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2022

The Town reports the following fiduciary funds:

Private Purpose Trust Fund – is used to report trust arrangements, other than pension and investment trusts, under which principal and income benefit individuals, private organizations, or other governments.

Custodial Fund – is custodial in nature and do not belong to the primary government. A custodial fund is used to account for assets held on behalf of outside parties, including other governments.

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. A cash pool is maintained that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption "cash and cash equivalents."

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 Restricted Assets

Certain Town assets are classified as restricted assets because their use is restricted by statutory limitation, and they are earmarked for a specific purposes.

1-E Statement of Cash Flows

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

1-F Investments

State statutes place certain limitations on the nature of deposits and investments available as follows:

New Hampshire law authorizes the Town to invest in the following type of obligations:

- Obligations of the United States government,
- The public deposit investment pool established pursuant to RSA 383:22,
- Savings bank deposits,
- Certificates of deposit and repurchase agreements of banks incorporated under the laws of the State of New Hampshire or in banks recognized by the State treasurer.

Any person who directly or indirectly receives any such funds or moneys for deposit or for investment in securities of any kind shall, prior to acceptance of such funds, make available at the time of such deposit or investment an option to have such funds secured by collateral having a value at least equal to the amount of such funds. Such collateral shall be segregated for the exclusive benefit of the Town. Only securities defined by the bank commissioner as provided by rules adopted pursuant to RSA 386:57 shall be eligible to be pledged as collateral.

Fair Value Measurements of Investments – In accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, except for investments measured using net asset value (NAV) as a practical expedient to estimate fair value, the Town categorizes the fair value measurements of its investments within the fair value hierarchy established by US GAAP. The fair value hierarchy categorizes the inputs to valuation techniques used for fair value measurement into three levels as follows:

Level 1 – Inputs 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 are other than quoted prices that are observable for the assets or liabilities, either directly or indirectly, including inputs in markets that are not considered to be active. Because they most often are priced on the basis of transactions involving similar but not identical securities or do not trade with sufficient frequency.

TOWN OF SUNAPEE, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2022

Level 3 – Inputs are significant unobservable inputs, using assumptions in determining the fair value of investments and derivative instruments.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. In certain instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, is the level in the fair value hierarchy based on the lowest level of input that is significant to the fair value measurement. Investments are reported at fair value. If an investment is held directly by the Town and an active market with quoted prices exists, such as for domestic equity securities, the market price of an identical security is used to report fair value and is classified in Level 1. Corporate fixed income securities and certain governmental securities utilize pricing that may involve estimation using similar securities or trade dates and are classified in Level 2. Fair values for shares in registered mutual funds and exchange-traded funds are based on published share prices and classified in Level 1.

In determining fair value, the Town utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible.

1-G Receivables

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

1-H Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. The nonspendable fund balance at the governmental fund level is equal to and includes the amount of prepaid items at year-end to indicate a portion of the governmental fund balance that is nonspendable.

1-I Interfund Activities

Interfund activities are reported as follows:

Interfund Receivables and Payables – Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds” (i.e., the current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business activities are reported in the government-wide financial statements as “internal balances.” Interfund receivables and payables between funds are eliminated in the Statement of Net Position.

Interfund Transfers – Interfund 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 proprietary funds, transfers are reported after nonoperating revenues and expenses. In the government-wide financial statements, all interfund transfers between individual governmental funds have been eliminated.

1-J Property Taxes

Property tax billings occur semi-annually and are based on the assessed inventory values as of April 1 of each year. Warrants for the year were issued on May 16, 2022 and November 17, 2022, and due on July 1, 2022 and December 19, 2022. For any regular property taxes issued, the interest accrues at a rate of 8% on bills outstanding after the due date and 14% on tax liens outstanding.

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, 2022 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 receivable 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.

TOWN OF SUNAPEE, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2022

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, Sunapee School District, and Sullivan County, which are remitted to these entities as required by law.

The Town net assessed valuation as of April 1, 2022 utilized in the setting of the tax rate was as follows:

Total assessment valuation with utilities	\$ 1,456,025,412
Total assessment valuation without utilities	\$ 1,481,348,412

The tax rates and amounts assessed for the year ended December 31, 2022 were as follows:

	Per \$1,000 of Assessed Valuation	Property Taxes Assessed
Municipal portion	\$3.35	\$ 4,957,635
School portion:		
State of New Hampshire	\$1.24	1,812,575
Local	\$6.51	9,646,153
County portion	\$2.89	4,276,301
Total	<u>\$13.99</u>	<u>\$ 20,692,664</u>

I-K 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, 2022.

I-L 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 (expenses) until then. The Town has two items that qualify for reporting in this category. Deferred outflows related to pensions and deferred outflows related to OPEB are reported in the government-wide Statement of Net Position for various estimate differences that will be amortized and recognized over future years.

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. The Town has three types of items which qualify for reporting in this category. Deferred inflows of resources related to pensions and OPEB are reported in the government-wide Statement of Net Position for various estimate differences that will be amortized and recognized over future years. In addition, unavailable revenues from grants and other payments arises when the related eligible expenditures will not be made until the subsequent period.

I-M Compensated Absences

General leave for the Town includes vacation, sick, and compensatory pay. General leave is based on an employee's length of employment and is earned ratably during the span of employment. Upon retirement or termination, employees are paid full value for any accrued general leave earned as set forth by the Town's personnel policy.

Vested or accumulated general leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated general leave that are not expected to be liquidated with expendable available resources are maintained separately and represent a reconciling item between the fund and government-wide presentations.

TOWN OF SUNAPEE, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2022

1-N Long-term Obligations

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities, business-type activities, and proprietary fund Statement of Net Position. Bond premiums are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the bond premium.

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 is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

In accordance with GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Director Borrowings and Direct Placements*, the Town utilizes the following classifications to categorize the financial transactions:

Direct Borrowings – financial transactions for a note or a loan where the Town negotiates certain terms with a single lender and are not offered for public sale.

Direct Placements – financial transactions for the sale of bonds where the Town engages with a single buyer or limited number of buyers without a public offering.

1-O Defined Benefit Pension Plan

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* and GASB Statement No. 82 *Pension Issues – an amendment of GASB Statement No. 67, No. 68 and No. 73* requires participating employers to recognize their proportionate share of collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense, and schedules have been prepared to provide employers with their calculated proportionate share of these amounts. The collective amounts have been allocated based on employer contributions during the respective fiscal years. Contributions from employers are recognized when legally due, based on statutory requirements.

The schedules prepared by New Hampshire Retirement System, and audited by the plan's independent auditors, require management to make a number of estimates and assumptions related to the reported amounts. Due to the inherent nature and uncertainty of these estimates, actual results could differ, and the differences may be material.

1-P Postemployment Benefits Other Than Pensions (OPEB)

The Town maintains two separate other postemployment benefit plans, as follows:

New Hampshire Retirement System Plan – For the purposes of measuring the total other postemployment benefit (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 OPEB Plan (the plan) and additions to/deductions from the plan's fiduciary net position has been determined on the same basis as they are reported by the New Hampshire Retirement System. For this purpose, the plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except money market investments and participating interest earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Single Employer Plan – The Town maintains a single employer plan but has not obtained an actuarial report calculating the other postemployment benefit liability, deferred outflows of resources, and deferred inflows of resources in accordance with Government Accounting Standards Board pronouncement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

TOWN OF SUNAPEE, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2022

1-Q 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. Because the Town has not reported its capital assets, this amount is a negative balance.

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 further 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:

Nonspendable – 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.

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 and Town Manager through the budgetary process.

Unassigned – Amounts that are available for any purpose. Positive amounts are reported only in the general fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by the offsetting of assigned fund balance amounts.

When multiple net position/fund balance classifications are available for use, it is the government'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.

In the general fund, the Town strives to maintain an unassigned fund balance to be used for unanticipated emergencies of approximately 5-17% of the total appropriations of the community (this is calculated by adding the municipalities appropriations, the statewide enhanced education amount, the local school net tax commitment, and the county appropriation).

1-R 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/expenditures during the period reported. These estimates include assessing the collectability of receivables, net pension liability, other postemployment benefit liability, deferred outflows and inflows of resources related to both pension and other postemployment benefits, and accrued landfill closure and postclosure care costs, among others. Estimates and assumptions are reviewed periodically, 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.

TOWN OF SUNAPEE, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2022

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 fund, as well as the major water, sewer, and hydroelectric enterprise funds. Except as reconciled below, the budget was adopted on a basis consistent with US 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 balanced budgets but provide for the use of beginning unassigned fund balance to achieve that end. For the fiscal year 2022, \$500,000 of the beginning general fund unassigned fund balance was applied for this purpose and \$84,300 was voted from unassigned fund balance as a transfer to the capital reserve funds.

2-B Budgetary Reconciliation to GAAP Basis

While the Town reports financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual is presented for the major governmental fund which had a budget. Differences between the budgetary basis and GAAP basis of accounting for the general fund are as follows:

Revenues and other financing sources:	
Per Exhibit D (budgetary basis)	\$ 7,119,094
Adjustments:	
Basis differences:	
Proceeds from refunded bonds	589,454
GASB Statement No. 54:	
To record miscellaneous income of the blended funds	136,735
To eliminate transfers between blended funds expendable trust funds and general fund	(66,002)
Change in deferred tax revenue relating to 60-day revenue recognition	(9,343)
Per Exhibit C-3 (GAAP basis)	<u>\$ 7,769,938</u>
Expenditures and other financing uses:	
Per Exhibit D (budgetary basis)	\$ 7,421,184
Adjustments:	
Basis differences:	
Payment to currently refund bonds and debt issuance costs	589,454
Encumbrances, beginning	79,400
Encumbrances, ending	(378,279)
GASB Statement No. 54:	
To record expenditures of the blended funds during the year	98,363
To eliminate transfers between general and blended expendable trust funds	(448,250)
Per Exhibit C-3 (GAAP basis)	<u>\$ 7,361,872</u>

TOWN OF SUNAPEE, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2022

2-C Deficit Fund Balances

The public safety services special revenue fund had a deficit fund balance of \$1,171 at December 31, 2022. This deficit will be financed through future revenues of the fund.

2-D Accounting Change

Governmental Accounting Standards Board Statement No. 87, *Leases*, was implemented during fiscal year 2022. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. As a result of implementation of this Statement, prior year capital leases payable were reclassified as notes payable.

DETAILED NOTES ON ALL FUNDS

NOTE 3 – CASH AND CASH EQUIVALENTS

The Town's deposits and certificates of deposit are entirely covered by Federal Depository Insurance Corporation (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 \$16,159,805 and the bank balances totaled \$16,264,888. Petty cash totaled \$696.

Cash and cash equivalents reconciliation:

Cash per Statement of Net Position (Exhibit A)	\$ 15,057,339
Cash per Statement of Fiduciary Net Position (Exhibit F-1)	<u>1,102,466</u>
Total cash and cash equivalents	<u><u>\$ 16,159,805</u></u>

Custodial Credit Risk – The Town's repurchase agreements are all with banking institutions; therefore, are subject to custodial credit risk. The custodial credit risk is the risk that in the event of bank failure, the Town's deposits may not be recovered.

Interest Rate Risk – The term repurchase agreements are also subject to interest rate risk. Interest rate risk is the risk that changes in interest rates will adversely affect the value of the Town's investments.

NOTE 4 – RESTRICTED ASSETS

Cash and investments are classified as restricted for the following purposes:

Cash and cash equivalents:

General fund:

Library \$ 63,236

Capital reserve funds 1,609,386

Drug forfeiture 4,765

Total restricted cash and cash equivalents 1,677,387

Investments:

General fund:

Library 241,526

Total restricted assets \$ 1,918,913

TOWN OF SUNAPEE, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2022

NOTE 5 – INVESTMENTS

Note 1-F describes statutory requirements covering the investment of the Town funds. The Town holds investments that are measured at fair value on a recurring basis. Because investing is not a core part of the Town's mission, the Town determines that the disclosures related to these investments only need to be disaggregated by major type. The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Town has the following recurring fair value measurements and maturities as of December 31, 2022:

	Valuation Measurement Method	Reported Balance	1-5 Years
Investments type:			
Certificates of deposit	Level 1	<u>\$ 241,526</u>	<u>\$ 241,526</u>

Interest Rate Risk – This 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. The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Custodial Credit Risk – This is the risk that in the event of the failure of the counterparty (e.g., broker/dealer) to honor a transaction, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All the Town's investments are held by third parties in the Town's name. The Town does not have custodial credit risk policies for investments.

Concentration of Credit Risk – The Town places no limit on the amount it may invest in any one issuer. More than 5% of the Town's investments are in certificates of deposits.

NOTE 6 – TAXES RECEIVABLE

Taxes receivable represent the amount of current and prior year taxes which have not been collected as of December 31, 2022. The amount has been reduced by an allowance for an estimated uncollectible amount of \$9,982. Taxes receivable by year are as follows:

	As reported on:	
	Exhibit A	Exhibit C-1
Property:		
Levy of 2022	\$ 773,585	\$ 773,585
Unredeemed (under tax lien):		
Levy of 2021	50,426	50,426
Levy of 2020	25,993	25,993
Less: allowance for estimated uncollectible taxes	(9,982) *	-
Net taxes receivable	<u>\$ 840,022</u>	<u>\$ 850,004</u>

*The allowance for uncollectible property taxes is not recognized under the modified accrual basis of accounting (Exhibit C-1 and C-3) due to the 60-day rule as explained in Note 1-B. However, the allowance is recognized under the full accrual basis of accounting (Exhibits A and B).

NOTE 7 – OTHER RECEIVABLES

Receivables at December 31, 2022, consisted of accounts (billings for police details, water, sewer, and other user charges) and intergovernmental amounts arising from grants. Receivables are recorded on the Town's financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and collectability.

TOWN OF SUNAPEE, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2022

NOTE 8 – PREPAID ITEMS

Prepaid items at December 31, 2022 in the governmental activities and general fund consisted of the following:

Health insurance	\$ 58,199
Software services	29,100
Total prepaid items	<u>\$ 87,299</u>

NOTE 9 – INTERFUND BALANCES AND TRANSFERS

Interfund Balances - The composition of interfund balances as of December 31, 2022 is as follows:

Receivable Fund	Payable Fund	Amount
General	Nonmajor	\$ 95,629
Nonmajor	General	97,233
Hydroelectric enterprise	General	75,858
General	Water enterprise	8,264
General	Sewer enterprise	47,667
Nonmajor	Nonmajor	256
Water enterprise	Sewer enterprise	428
		<u>\$ 325,335</u>

The outstanding balances among funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund Transfers - The composition of interfund transfers for the year ended December 31, 2022 is as follows:

	Transfers In:
	Nonmajor
	Fund
Transfers out:	
General fund	<u>\$ 40,000</u>

During the year, transfers are used to (1) move revenues from the fund with collection authority to the fund responsible for expenditure and (2) move general fund resources to provide an annual subsidy.

NOTE 10 – INTERGOVERNMENTAL PAYABLES

Amounts due to other governments at December 31, 2022 consist of the following:

	Governmental Fund General	Fiduciary Funds
Miscellaneous fees due to the State of New Hampshire	\$ 5,639	\$ -
Balance due to the Town of Newbury	22,177	-
Balance due to the custodial funds	243,192	-
Property taxes due to the custodial funds	¹ 5,159,622	-
Property taxes due to the Sunapee School District	² -	5,159,622
Total intergovernmental payables due	<u>\$ 5,430,630</u>	<u>\$ 5,159,622</u>

¹ Property taxes due to the custodial fund represent amounts collected by the Town on behalf of Sunapee School District and are reported as a component of general fund cash at year-end.

² Property taxes due to the Sunapee School District represent amounts collected by the Town that will be paid to the School District in incremental payments based upon an agreed schedule in the next calendar year.

TOWN OF SUNAPEE, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2022

NOTE 11 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Deferred outflows of resources are as follows:

	Governmental Activities	Business-type activities		
		Water	Sewer	Total
Amounts related to pensions, see Note 14	\$ 557,663	\$ 33,194	\$ 73,027	\$ 106,221
Amounts related to OPEB, see Note 15	7,782	463	1,019	1,482
Total deferred outflows of resources	<u>\$ 565,445</u>	<u>\$ 33,657</u>	<u>\$ 74,046</u>	<u>\$ 107,703</u>

Deferred inflows of resources are as follows:

	Government- wide	Governmental Funds			Business-type Activities and Proprietary Funds		
		General	Nonmajor	Total	Water	Sewer	Total
Deferred property taxes not collected within 60 days of fiscal year-end	\$ -	\$ 62,505	\$ -	\$ 62,505	\$ -	\$ -	\$ -
Property taxes received in advance	40,085	40,085	-	40,085	-	-	-
Federal grant revenue collected in advance of eligible expenditures being made	280,595	280,595	-	280,595	-	-	-
Other payments received in advance	95,890	-	95,890	95,890	3,954	10,972	14,926
Amounts related to pensions, see Note 14	11,997	-	-	-	714	1,571	2,285
Total deferred inflows of resources	<u>\$ 428,567</u>	<u>\$ 383,185</u>	<u>\$ 95,890</u>	<u>\$ 479,075</u>	<u>\$ 4,668</u>	<u>\$ 12,543</u>	<u>\$ 17,211</u>

NOTE 12 – DEBT REFUNDING

On January 31, 2022, the Town issued \$2,242,926 of general obligation refunding bonds at a premium of \$225,334, with an average interest rate of 2.44%. The net proceeds of \$2,537,261, after issuance costs of \$56,655, plus premium of \$225,334 and cash contributions of \$69,003, were used to refund two loans for water and sewer improvements dated August 28, 2015 and March 13, 2015, with a total principal and interest of \$3,246,790 and an average interest rate of 3%. This refunding was undertaken to reduce total debt service payments over the next 20 years by \$227,008.

NOTE 13 – LONG-TERM LIABILITIES

Changes in the Town's long-term liabilities consisted of the following for the year ended December 31, 2022:

	Balance January 1, 2022	Additions	Reductions	Balance December 31, 2022	Due Within One Year	Due In More Than One Year
Governmental activities:						
Bonds payable:						
Direct placements	\$ 785,463	\$ 534,263	\$ (673,613)	\$ 646,113	\$ 45,354	\$ 600,759
Note/loan payable - direct borrowing	657,577	-	(72,577)	585,000	48,750	536,250
Premium	24,993	55,192	(24,993)	55,192	2,760	52,432
Total bonds/notes payable	1,468,033	589,455	(771,183)	1,286,305	96,864	1,189,441
Compensated absences	-	193,616	-	193,616	13,426	180,190
Accrued landfill postclosure care costs	276,000	9,000	-	285,000	9,500	275,500
Net pension liability	2,411,197	713,975	-	3,125,172	-	3,125,172
Net other postemployment benefits	138,067	4,088	-	142,155	-	142,155
Total long-term liabilities	<u>\$ 4,293,297</u>	<u>\$ 1,510,134</u>	<u>\$ (771,183)</u>	<u>\$ 5,032,248</u>	<u>\$ 119,790</u>	<u>\$ 4,912,458</u>

(Continued)

TOWN OF SUNAPEE, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2022

Long-term liabilities continued:

	Balance January 1, 2022	Additions	Reductions	Balance December 31, 2022	Due Within One Year	Due In More Than One Year
Business-type activities:						
Bonds payable:						
Direct placements	\$ 2,384,094	\$ 1,708,663	\$ (1,979,703)	\$ 2,113,054	\$ 177,871	\$ 1,935,183
Notes/loans payable - direct borrowings	337,996	91,944	(172,423)	257,517	10,680	246,837
Premium	-	170,143	-	170,143	8,507	161,636
Total bonds/notes payable	2,722,090	1,970,750	(2,152,126)	2,540,714	197,058	2,343,656
Compensated absences	-	56,380	-	56,380	2,872	53,508
Net pension liability	459,276	135,995	-	595,271	-	595,271
Net other postemployment benefits	26,298	780	-	27,078	-	27,078
Total long-term liabilities	<u>\$ 3,207,664</u>	<u>\$ 2,163,905</u>	<u>\$ (2,152,126)</u>	<u>\$ 3,219,443</u>	<u>\$ 199,930</u>	<u>\$ 3,019,513</u>

Long-term bonds/notes are comprised of the following:

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at December 31, 2022	Current Portion
Governmental activities:						
Bonds payable:						
Direct placements:						
Perkins pond- refunded	\$ 1,068,525	2022	2042	2.41%	\$ 534,263	\$ 22,113
Water filtration	\$ 1,248,260	2012	2027	5.00%	111,850	23,241
Total direct placements					<u>646,113</u>	<u>45,354</u>
Note/loan payable - direct borrowing:						
Abbott Library	\$ 975,000	2014	2034	2.76%	585,000	48,750
Bond premium					55,192	2,760
Total					<u>\$ 1,286,305</u>	<u>\$ 96,864</u>
Business-type activities:						
Bonds payable:						
Direct placements:						
Perkins pond- refunded	\$ 1,068,525	2022	2042	2.41%	\$ 534,263	\$ 22,113
Lake Avenue	\$ 706,741	2013	2024	2.60%	54,241	45,000
Wastewater treatment plant-refunded	\$ 1,174,400	2022	2042	2.46%	1,174,400	38,000
Water filtration	\$ 1,248,260	2012	2027	5.00%	350,150	72,758
Total direct placements					<u>2,113,054</u>	<u>177,871</u>
Notes/loans payable - direct borrowings:						
Asset management - State revolving loan*	\$ 25,630	2020	-	-	29,940	-
UV Light - State revolving loan	\$ 400,000	2022	2041	1.26%	227,577	10,680
Total direct borrowing					<u>257,517</u>	<u>10,680</u>
Bond premium					170,143	8,507
Total					<u>\$ 2,540,714</u>	<u>\$ 197,058</u>

***State Revolving Loan Program** – Drawdowns received under the various State Revolving Loan Programs will be consolidated by promissory notes upon substantial completions of the related projects. As of December 31, 2022, drawdowns received to date totaling \$29,940 are recorded on the Town's financial statements, exclusive of any anticipated forgiveness on the loans.

TOWN OF SUNAPEE, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2022

The annual requirements to amortize all general obligation bonds/notes outstanding as of December 31, 2022, including interest payments, are as follows:

Governmental activities:

Fiscal Year Ending December 31,	Bonds - Direct Placements			Note/Loan - Direct Borrowing		
	Principal	Interest	Total	Principal	Interest	Total
2023	\$ 45,354	\$ 23,559	\$ 68,913	\$ 48,750	\$ 15,471	\$ 64,221
2024	48,102	21,218	69,320	48,750	14,126	62,876
2025	49,763	18,780	68,543	48,750	12,780	61,530
2026	51,665	16,780	68,445	48,750	11,435	60,185
2027	36,479	15,514	51,993	48,750	10,089	58,839
2028-2032	132,400	59,189	191,589	243,750	30,265	274,015
2033-2037	139,750	30,421	170,171	97,500	2,687	100,187
2038-2042	142,600	10,926	153,526	-	-	-
Totals	<u>\$ 646,113</u>	<u>\$ 196,387</u>	<u>\$ 842,500</u>	<u>\$ 585,000</u>	<u>\$ 96,853</u>	<u>\$ 681,853</u>

Business-type activities:

Fiscal Year Ending December 31,	Bonds - Direct Placements			Note/Loan - Direct Borrowing		
	Principal	Interest	Total	Principal	Interest	Total
2023	\$ 177,871	\$ 75,094	\$ 252,965	\$ 10,680	\$ 2,858	\$ 13,538
2024	149,439	67,266	216,705	10,814	2,724	13,538
2025	146,437	60,016	206,453	10,950	2,588	13,538
2026	153,635	54,199	207,834	11,088	2,451	13,539
2027	107,221	50,621	157,842	11,227	2,312	13,539
2028-2032	399,700	198,899	598,599	58,285	9,407	67,692
2033-2037	462,151	113,481	575,632	62,038	5,654	67,692
2038-2042	516,600	40,127	556,727	52,495	1,659	54,154
Totals	<u>\$ 2,113,054</u>	<u>\$ 659,703</u>	<u>\$ 2,772,757</u>	<u>\$ 227,577</u>	<u>\$ 29,653</u>	<u>\$ 257,230</u>

All debt is general obligation debt of the Town, which is backed by its full faith and credit, and will be repaid from general governmental revenues.

Accrued Landfill Postclosure Care Costs –The Town ceased operating its landfill in 1978. Federal and State laws and regulations require that the Town place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site after closure. A liability is being recognized based on the future postclosure care costs that will be incurred. The recognition of these landfill postclosure care costs is based on the amount of the landfill used through the end of the year. The estimated liability for landfill postclosure care costs has a balance of \$285,000 as of December 31, 2022. The estimated total current cost of the landfill postclosure care (\$9,500) is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfill were acquired as of December 31, 2022. However, the actual cost of postclosure care may be higher or lower due to inflation, changes in technology, or changes in landfill laws and regulations.

Bonds Authorized and Unissued – Bonds and notes authorized and unissued as of December 31, 2022 were as follows:

Per Town Meeting Vote of	Purpose	Unissued Amount
March 10, 2020	Wastewater Asset Management	<u>\$ 30,000</u>

TOWN OF SUNAPEE, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2022

NOTE 14 – DEFINED BENEFIT PENSION PLAN

Plan Description – The New Hampshire Retirement System (NHRS or the System) is a public employee retirement system that administers one cost-sharing multiple-employer defined benefit pension plan (Pension Plan), a component unit of the State of New Hampshire, as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans* – an amendment of GASB Statement No. 25. The Pension Plan was established in 1967 by RSA 100-A:2 and is qualified as a tax-exempt organization under Sections 401(a) and 501(a) of the Internal Revenue Code. The Pension Plan is a contributory, defined benefit plan providing service, disability, death and vested retirement benefits to members and their beneficiaries. Substantially all full-time state employees, public school teachers and administrators, permanent firefighters and permanent police officers within the State are eligible and required to participate in the Pension Plan. The System issues a publicly available financial report that may be obtained by writing the New Hampshire Retirement System, 54 Regional Drive, Concord, NH 03301.

Benefits Provided – Benefit formulas and eligibility requirements for the Pension Plan are set by state law (RSA 100-A). 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.

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 benefit multiplier depending on vesting status as of 1/1/12. The maximum retirement allowance for Group II members vested by 1/1/12 (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 1/1/12 the benefit is calculated the same way, but the multiplier used in the calculation will change depending on age and years of creditable service as follows:

Years of Creditable Service as of 1/1/12	Minimum Age	Minimum Service	Benefit Multiplier
At least 8 but less than 10 years	46	21	2.4%
At least 6 but less than 8 years	47	22	2.3%
At least 4 but less than 6 years	48	23	2.2%
Less than 4 years	49	24	2.1%

Members of both groups may qualify for vested deferred allowances, disability allowances and death benefit allowances, subject to meeting various eligibility requirements. Benefits are based on AFC or earnable compensation and/or service.

Contributions – The System is financed by contributions from both the employees and the Town. Member contribution rates are established and may be amended by the State legislature while employer contribution rates are set by the System trustees based on an actuarial valuation. Group I members are required to contribute 7% of earnable compensation and group II members (police and fire) are required to contribute 11.55% and 11.80% respectively. For fiscal year 2022, the Town contributed 30.67% for police, 29.78% for fire and 13.75% for other employees. The contribution requirement for the fiscal year 2022 was \$374,772, which was paid in full.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions – At December 31, 2022 the Town reported a liability of \$3,720,443 (\$3,125,172 in the governmental activities and \$595,271 in the business-type activities) for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating towns and school districts, actuarially determined. At June 30, 2022, the Town's proportion was 0.06% which was the same as its proportion measured as of June 30, 2021.

TOWN OF SUNAPEE, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2022

For the year ended December 31, 2022, the Town recognized pension expense of \$380,056. At December 31, 2022 the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion	\$ 74,301	\$ -
Changes in assumptions	197,898	-
Net difference between projected and actual investment earnings on pension plan investments	141,000	-
Differences between expected and actual experience	69,826	14,282
Contributions subsequent to the measurement date	180,859	-
Total	<u>\$ 663,884</u>	<u>\$ 14,282</u>

The \$180,859 reported as deferred outflows of resources related to pensions results from the Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2023.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending December 31,	
2023	\$ 177,212
2024	151,882
2025	(55,346)
2026	194,995
Thereafter	-
Totals	<u>\$ 468,743</u>

Actuarial Assumptions – The collective total pension liability was determined by a roll forward of the actuarial valuation as of June 30, 2021, using the following actuarial assumptions which, accordingly, apply to 2022 measurements:

Inflation:	2.0%
Salary increases:	5.4% average, including inflation
Wage inflation:	2.75% (2.25% for teachers)
Investment rate of return:	6.75% net of pension plan investment expense, including inflation

Mortality rates were based on the Pub-2010 Health Retiree Mortality Tables with credibility adjustments for each group (Police and Fire combined) and projected fully generational mortality improvements using Scale MP-2019.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2015 – June 30, 2019.

Long-term Rates of Return – The long-term expected rate of return on pension plan investment 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 rate of return net of investment expenses by the target asset allocation percentage and by adding expected inflation.

TOWN OF SUNAPEE, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2022

Following is a table presenting target allocations and long-term rates of return for 2022:

Asset Class	Target Allocation	30 Year Geometric Return
Broad US Equity (1)	30.00%	7.60%
Global Ex-US Equity (2)	20.00%	7.90%
Total public equity	50.00%	
Real Estate Equity	10.00%	6.60%
Private Equity	10.00%	8.85%
Total private market equity	20.00%	
Private Debt	5.00%	7.25%
Core U.S. Fixed Income (3)	25.00%	3.60%
Total	100.00%	7.30%

Discount Rate – The discount rate used to measure the collective total pension liability was 6.75%. 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 service cost contributions are projected based on the expected payroll of current members only. Employer contributions are determined based on the Pension Plan's actuarial funding policy as required by RSA 100-A:16. Based on those assumptions, the Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on Pension Plan investment was applied to all periods of projected benefit payments to determine the collective total pension liability.

Sensitivity of the Town's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following table presents the Town's proportionate share of the net pension liability calculated using the discount rate of 6.75% 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 (5.75%) or 1-percentage point higher (7.75%) than the current rate:

Actuarial Valuation Date	1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
June 30, 2022	\$ 4,991,897	\$ 3,720,443	\$ 2,663,347

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is available in the separately issued New Hampshire Retirement System Cost-Sharing Multiple Employer Defined Benefit Pension Plan financial report.

Reconciliation of the deferred outflows, inflows of resources and net pension liability:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Pension Liability
Governmental activities	\$ 557,663	\$ 11,997	\$ 3,125,172
Business-type activities and proprietary funds	106,221	2,285	595,271
Total	\$ 663,884	\$ 14,282	\$ 3,720,443

TOWN OF SUNAPEE, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2022

NOTE 15 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

15-A New Hampshire Retirement System (NHRS)

Plan Description – The New Hampshire Retirement System (NHRS or the System) administers a cost-sharing multiple-employer other postemployment benefit plan medical subsidy healthcare plan (OPEB Plan). For additional system information, please refer to the 2022 Comprehensive Annual Financial Report, which can be found on the system’s website at www.nhrs.org.

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 four membership types are Group II, Police Officers, and Firefighters; Group I, Teachers; Group I, Political Subdivision Employees; and Group I, State Employees. The OPEB Plan provides a medical insurance subsidy to qualified retired members. 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. The OPEB plan is closed to new entrants.

Maximum medical subsidy rates paid during fiscal year 2022 were as follows:

For qualified retirees not eligible for Medicare, the amounts were \$375.56 for a single-person plan and \$751.12 for a two-person plan.

For those qualified retirees eligible for Medicare, the amounts were \$236.84 for a single-person plan and \$473.68 for a two-person plan.

Contributions – The OPEB Plan is funded by allocating to the 401(h) subtrust the lesser of: 25% of all employer contributions made in accordance with RSA 100-A:16 or the percentage of employer contributions determined by the actuary to be the minimum rate necessary to maintain the benefits provided under RSA 100-A:53-b, RSA 100-A:53-c, and RSA 100-A:53-d. For fiscal year 2022, the minimum rates determined by the actuary to maintain benefits were the lesser of the two options and were used to determine the employer contributions due to the 401(h) subtrust. The State Legislature has the authority to establish, amend and discontinue the contribution requirements of the OPEB Plan. Administrative costs are allocated to the OPEB Plan based on fund balances. For fiscal year 2022, the Town contributed 3.21% for police and fire, and 0.31% for other employees. The contribution requirement for the fiscal year 2022 was \$18,155 which was paid in full.

OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB – At December 31, 2022, the Town reported a liability of \$169,233 (\$142,155 in the governmental activities and \$27,078 in the business-type activities) for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2021. The Town’s proportion of the net OPEB liability was based on a projection of the Town’s long-term share of contributions to the OPEB plan relative to the projected contributions of all participating towns and school districts, actuarially determined. At June 30, 2022, the Town’s proportion was 0.04% which was the same as its proportion measured as of June 30, 2021.

TOWN OF SUNAPEE, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2022

For the year ended December 31, 2022, the Town recognized OPEB expense of \$21,183. At December 31, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings on OPEB plan investments	\$ 462	\$ -
Contributions subsequent to the measurement date	8,802	-
Total	<u>\$ 9,264</u>	<u>\$ -</u>

The \$8,802 reported as deferred outflows of resources related to OPEB results from the Town contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending December 31,	
2023	\$ 77
2024	20
2025	(182)
2026	547
Thereafter	-
Totals	<u>\$ 462</u>

Actuarial Assumptions – The total OPEB liability in this report is based on an actuarial valuation performed as of June 30, 2021 and a measurement date of June 30, 2022. The total OPEB liability was determined using the following actuarial assumptions applied to all periods included in the measurement, unless otherwise specified:

Price inflation:	2.0% per year
Wage inflation:	2.75% (2.25% for teachers)
Salary increases:	5.4% average, including inflation
Investment rate of return:	6.75% net of OPEB plan investment expense, including inflation
Health care trend rate:	Not applicable, given that the benefits are fixed stipends

Mortality rates were based on the Pub-2010 Health Retiree Mortality Tables with credibility adjustments for each group (Police and Fire combined) and projected fully generational mortality improvements using Scale MP-2019.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2015 – June 30, 2019.

Long-term Rates of Return – The long-term expected rate of return on OPEB plan investment 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 rate of return net of investment expenses by the target asset allocation percentage and by adding expected inflation.

TOWN OF SUNAPEE, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2022

Following is a table presenting target allocations and long-term rates of return for 2022:

Asset Class	Target Allocation	30 Year Geometric Return
Broad US Equity (1)	30.00%	7.60%
Global Ex-US Equity (2)	20.00%	7.90%
Total public equity	50.00%	
Real Estate Equity	10.00%	6.60%
Private Equity	10.00%	8.85%
Total private market equity	20.00%	
Private Debt	5.00%	7.25%
Core U.S. Fixed Income (3)	25.00%	3.60%
Total	100.00%	7.30%

Discount Rate – The discount rate used to measure the total OPEB liability as of June 30, 2022 was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made under the current statute RSA 100-A:16 and that plan member contributions will be made under RSA 100-A:16. Based on those assumptions, the OPEB Plan's fiduciary net position was projected to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB Plan investments was applied to all periods of projected benefit payments to determine the collective total OPEB liability.

Sensitivity of the Town's Proportionate Share of the OPEB Liability to Changes in the Discount Rate – The following table presents the Town's proportionate share of the OPEB liability calculated using the discount rate of 6.75% as well as what the Town's proportionate share of the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.75%) or 1-percentage point higher (7.75%) than the current rate:

Actuarial Valuation Date	1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
June 30, 2022	\$ 183,730	\$ 169,233	\$ 156,605

OPEB Plan Fiduciary Net Position – Detailed information about the OPEB plan's fiduciary net position is available in the separately issued New Hampshire Retirement System Cost-Sharing Multiple Employer Defined Benefit OPEB Plan financial report.

Reconciliation of the deferred outflows, inflows of resources and net OPEB liability:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net OPEB Liability
Governmental activities	\$ 7,782	\$ -	\$ 142,155
Business-type activities and proprietary funds	1,482	-	27,078
Total	\$ 9,264	\$ -	\$ 169,233

15-B Town of Sunapee Retiree Health Benefit Program

The Town provides postemployment benefit options for health care to eligible retirees, terminated employees, and their dependents in accordance with the provisions of various employment contracts. The benefit levels, employee contributions, and employer contributions are governed by the Town's contractual agreements. Expenses for the cost of providing health insurance for currently enrolled retirees are recognized in the general fund of the funds financial statements as payments are made.

TOWN OF SUNAPEE, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2022

The Governmental Accounting Standards Board (GASB) issued Statement No. 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* in 2015. GASB Statement No. 75 requires state and local government employers to recognize the net OPEB liability and the OPEB expense on their financial statements, along with the related deferred outflows and inflows of resources. The Town has not fully implemented GASB Statement No. 75 at December 31, 2022, or contracted with an actuarial firm to assist in evaluating the impact of this standard on the Town. The amounts that should be recorded as the net OPEB liability and the OPEB expense is unknown.

NOTE 16 – STATE AID TO WATER POLLUTION PROJECTS

The Town is due to receive from the State of New Hampshire the following amounts in the form of state aid to water pollution projects:

Project	Purpose	Amount
C-893	Wastewater treatment	\$ 324,157
C-894	Perkins pond	281,780
95-2271010	Water filtration	97,743
	Total	<u>\$ 703,680</u>

Under New Hampshire RSA Chapter 486, the Town receives from the State of New Hampshire a percentage of the annual amortization charges on the original costs resulting from the acquisition and construction of sewage disposal facilities. At December 31, 2022 the Town is due to receive the following annual amounts to offset debt payments:

Governmental activities		Business-type activities	
Fiscal Year Ending		Fiscal Year Ending	
December 31,	Amount	December 31,	Amount
2023	\$ 11,177	2023	\$ 51,819
2024	11,175	2024	52,065
2025	11,161	2025	30,133
2026	11,208	2026	30,550
2027	8,293	2027	21,702
2028-2032	29,350	2028-2032	75,129
2033-2037	29,350	2033-2037	83,720
2038-2042	29,350	2038-2042	93,926
2043-2047	23,490	2043-2047	100,082
Total	<u>\$ 164,554</u>	Total	<u>\$ 539,126</u>

NOTE 17 - ENCUMBRANCES

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at December 31, 2022 are as follows:

General fund:	
General government	\$ 44,585
Public safety	24,423
Highways and streets	47,500
Sanitation	12,900
Culture and Recreation	53,871
Capital outlay	195,000
Total encumbrances	<u>\$ 378,279</u>

TOWN OF SUNAPEE, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2022

NOTE 18 – GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES AND FIDUCIARY FUNDS
NET POSITION

Governmental and business-type activities and fiduciary fund net position reported on the Statements of Net Position at December 31, 2022 include the following:

	Government-wide Financial Statements			Fiduciary Funds
	Governmental Activities	Business-type Activities	Total	
Net investment in capital assets:				
Net book value, all capital assets	\$ -	\$ -	\$ -	\$ -
Less:				
General obligation bonds/notes payable	(1,231,113)	(2,370,571)	(3,601,684)	-
Unamortized bond premiums	(55,192)	(170,143)	(225,335)	-
Total net investment in capital assets	(1,286,305)	(2,540,714)	(3,827,019)	-
Restricted net position:				
Perpetual care - nonexpendable	70,833	-	70,833	-
Perpetual care - expendable	85,414	-	85,414	-
Library	304,346	-	304,346	-
Drug forfeiture	4,765	-	4,765	-
Water	-	1,116,836	1,116,836	-
Sewer	-	3,192,104	3,192,104	-
Hydroelectric	-	608,476	608,476	-
Individuals, organizations, and other governments	-	-	-	1,337,073
Total restricted net position	465,358	4,917,416	5,382,774	1,337,073
Unrestricted	2,197,958	-	2,197,958	-
Total net position	\$ 1,377,011	\$ 2,376,702	\$ 3,753,713	\$ 1,337,073

NOTE 19 – GOVERNMENTAL FUND BALANCES

Governmental fund balances reported on the fund financial statements at December 31, 2022 include the following:

	General Fund	Nonmajor Funds	Total Governmental Funds
Nonspendable:			
Prepaid items	\$ 87,299	\$ -	\$ 87,299
Tax deeded property	6,361	-	6,361
Permanent fund - principal balance	-	70,833	70,833
Total nonspendable fund balance	93,660	70,833	164,493
Restricted:			
Library	304,346	-	304,346
Drug forfeiture	4,765	-	4,765
Permanent - income balance	-	85,414	85,414
Total restricted fund balance	309,111	85,414	394,525

(Continued)

TOWN OF SUNAPEE, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2022

Governmental fund balances continued:

	General Fund	Nonmajor Funds	Total Governmental Funds
Committed:			
Expendable trusts	1,613,062	-	1,613,062
Bandstand	250	-	250
Conservation	-	228,039	228,039
Recreation	-	124,963	124,963
Bartlett Tyler	-	28,682	28,682
Dewey Woods	-	1,619	1,619
Town Forest	-	17,263	17,263
Total committed fund balance	1,613,312	400,566	2,013,878
Assigned:			
Encumbrances	378,279	-	378,279
Unassigned (deficit)	2,701,808	(1,171)	2,700,637
Total governmental fund balances	\$ 5,096,170	\$ 555,642	\$ 5,651,812

NOTE 20 – PRIOR PERIOD ADJUSTMENTS

Net position/fund balance at January 1, 2022 was restated to give retroactive effect to the following prior period adjustments:

	Government-wide Statements	General Fund (Exhibit C-3)	General Fund (Schedule 3)	Business-type Activities		
				Water	Sewer	Total
To restate for amounts recorded as accrued payroll that was not paid in 2022	\$ 21,445	\$ 21,445	\$ 21,445	\$ -	\$ -	\$ -
To record prior year receivables for unbilled warrants	-	-	-	139,047	186,566	325,613
Net position/fund balance, as previously reported	876,985	4,666,659	3,119,183	93,781	804,638	898,419
Net position/fund balance, as restated	\$ 898,430	\$ 4,688,104	\$ 3,140,628	\$ 232,828	\$ 991,204	\$ 1,224,032

NOTE 21 – RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. During fiscal year 2022, the Town was a member of the New Hampshire Public Risk Management Exchange (Primex³) Workers' Compensation and Property/Liability Programs.

The New Hampshire Public Risk Management Exchange (Primex³) Workers' Compensation and Property/Liability Programs are pooled risk management programs under RSAs 5-B and 281-A. Coverage was provided from January 1, 2022 to December 31, 2022 by Primex³, which retained \$2,000,000 of each workers' compensation loss, \$500,000 of each liability loss, and for each property loss it is based upon the Town's property schedule on file with Primex³. The Board has decided to self-insure the aggregate exposure and has allocated funds based on actuarial analysis for that purpose. The workers' compensation section of the self-insurance membership agreement permits Primex³ to make additional assessments to members should there be a deficiency in contributions for any member year, not to exceed the member's annual contribution. GASB Statement No. 10 requires members of a pool with a sharing risk to disclose if such an assessment is probable, and a reasonable estimate of the amount, if any. In fiscal year 2022 the Town paid \$64,593 and \$41,730 respectively, to Primex for property, liability, and worker's compensation. At this time, Primex³ foresees no likelihood of any additional assessment for this or any prior year.

The Town continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

TOWN OF SUNAPEE, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2022

NOTE 22 – CAFETERIA BENEFIT PLAN

The Town implemented a cafeteria benefit plan pursuant to Section 125 of the IRS code. Under this plan, eligible employees may direct a contribution, made by the Town, into any combination of the following benefit categories:

1. Medical Insurance Premium Account;
2. Out of Pocket Medical Spending Account; or
3. Dependent Care Spending Account

In addition to directing the Town's contribution to the above categories, eligible employees may elect to contribute pre-tax dollars to these categories. Under no circumstances may an employee direct more than \$5,000 annually into the Dependent Care Spending Account, and \$2,000 into the medical spending account. This cap applies to both Town contributions and employee pre-tax contributions.

All regular full-time and part-time employees employed on a regular and continuous basis, including certain contractual employees, are eligible to participate in this plan. Temporary and casual employees are not eligible. The plan year adopted by the Town begins on January 1 and ends on December 31. To obtain reimbursement of expenses incurred within a plan year within the spending accounts (items 2 and 3 above), employees must submit claims within 90 days of the end of the plan year or separation of service from the Town, whichever occurs first. Funds unclaimed after 90 days of the close of the plan year are then remitted to the Town.

NOTE 23 – TAX ABATEMENTS

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

The Town had no such agreements for the year ended December 31, 2022.

NOTE 24 – COVID-19

As a result of the spread of COVID-19, Coronavirus, economic uncertainties continue. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

The Town was allotted a total of \$365,052 in federal funding from the American Rescue Plan Act (ARPA) in 2021. A total of \$182,526 or 50% of the funding was received in 2021. The remaining 50% was received in 2022. Eligible uses of these funds include pandemic response or its negative impacts, workforce/personnel, including payroll and hazard/premium pay, provision of government services to the extent of reduced revenue and necessary water, sewer, and broadband investment. For the year ended December 31, 2022 the Town spent \$84,457 of the funds received. The remaining funds are included in deferred inflows of resources until eligible expenditures have been made.

The full extent of the financial impact cannot be determined as of the date of the financial statements.

NOTE 25 – CONTINGENT LIABILITIES

The Town participates in various federal grant programs, the principal of which are subject to program compliance audits pursuant to the Single Audit Act as amended. Accordingly, the government's compliance with applicable grant requirements will be established at a future date. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the government anticipates such amounts, if any, will be immaterial.

TOWN OF SUNAPEE, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2022

NOTE 26 – 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. Nonrecognized 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 October 20, 2023, the date the December 31, 2022 financial statements were available to be issued, and the following event occurred that require recognition or disclosure:

- At the Town's March 2023 annual meeting the voters approved one warrant article for \$3,800 that involves the use of December 31, 2022 unassigned fund balance to be added to the Cemetery Expendable Trust Fund.

REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT G
TOWN OF SUNAPEE, NEW HAMPSHIRE
Schedule of the Town's Proportionate Share of Net Pension Liability
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended December 31, 2022

Fiscal year-end	Unaudited									
	December 31, 2013	December 31, 2014	December 31, 2015	December 31, 2016	December 31, 2017	December 31, 2018	December 31, 2019	December 31, 2020	December 31, 2021	December 31, 2022
Measurement date	June 30, 2013	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022
Town's:										
Proportion of the net pension liability	0.07%	0.07%	0.07%	0.06%	0.07%	0.06%	0.06%	0.06%	0.06%	0.06%
Proportionate share of the net pension liability	\$ 2,904,344	\$ 2,497,942	\$ 2,625,454	\$ 3,356,147	\$ 3,215,890	\$ 2,938,239	\$ 2,991,833	\$ 4,073,165	\$ 2,870,473	\$ 3,720,443
Covered payroll	\$ - *	\$ - *	\$ 1,774,027	\$ 1,704,498	\$ 1,722,872	\$ 1,819,570	\$ 1,951,640	\$ 2,075,426	\$ 2,238,077	\$ 2,272,975
Proportionate share of the net pension liability as a percentage of its covered payroll	-% *	-% *	147.99%	196.90%	186.66%	161.48%	153.30%	196.26%	128.26%	163.68%
Plan fiduciary net position as a percentage of the total pension liability	59.81%	66.32%	65.50%	58.30%	62.66%	64.73%	65.59%	58.72%	72.22%	65.12%
*Information not available										

The Note to the Required Supplementary Information – Pension Liability is an integral part of this schedule.

EXHIBIT H
TOWN OF SUNAPEE, NEW HAMPSHIRE
Schedule of Town Contributions - Pensions
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended December 31, 2022

Unaudited

Fiscal year-end	December 31, 2013	December 31, 2014	December 31, 2015	December 31, 2016	December 31, 2017	December 31, 2018	December 31, 2019	December 31, 2020	December 31, 2021	December 31, 2022
Measurement date	June 30, 2013	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022
Contractually required contributions	\$ 167,800	\$ 215,897	\$ 218,780	\$ 225,285	\$ 246,009	\$ 264,786	\$ 282,265	\$ 281,213	\$ 343,120	\$ 372,154
Contributions in relation to the contractually required contributions	(167,800)	(215,897)	(218,780)	(225,285)	(246,009)	(264,786)	(282,265)	(281,213)	(343,120)	(372,154)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered payroll	\$ -	\$ -	\$ 1,704,798	\$ 1,722,872	\$ 1,819,570	\$ 1,951,640	\$ 2,075,426	\$ 2,103,121	\$ 2,268,087	\$ 2,245,834
Contributions as a percentage of covered payroll	-%	-%	-12.83%	-13.08%	-13.52%	-13.57%	-13.60%	-13.37%	-15.13%	-16.57%

* Information not available

The Note to the Required Supplementary Information – Pension Liability is an integral part of this schedule.

TOWN OF SUNAPEE, NEW HAMPSHIRE
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION –
PENSION LIABILITY
FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2022

***Schedule of the Town's Proportionate Share of Net Pension Liability and
Schedule of Town Contributions - Pensions***

Changes in Benefit Terms – There were no changes in benefit terms for the current period.

Changes in Assumptions – Salary increases changed to 5.4% from 5.6% in the current period.

Methods and Assumptions Used to Determine Contribution Rates – A full list of the methods and assumptions used to determine the contribution rates can be found in the most recent actuarial valuation report. This report can be located at www.nhrs.org.

As required by GASB Statement No. 68, and as amended by GASB Statement No. 71, Exhibits G and H represent the actuarial determined costs associated with the Town's pension plan at December 31, 2022. These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

EXHIBIT I
TOWN OF SUNAPEE, NEW HAMPSHIRE
Schedule of the Town's Proportionate Share of the Net Other Postemployment Benefits Liability
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended December 31, 2022
Unaudited

Fiscal year-end	December 31, 2017	December 31, 2018	December 31, 2019	December 31, 2020	December 31, 2021	December 31, 2022
Measurement date	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022
Town's proportion of the net OPEB liability	0.03%	0.04%	0.04%	0.04%	0.04%	0.04%
Town's proportionate share of the net OPEB liability (asset)	\$ 138,196	\$ 198,818	\$ 193,998	\$ 178,687	\$ 164,365	\$ 169,233
Town's covered payroll	\$ 1,821,232	\$ 1,906,032	\$ 1,951,640	\$ 2,075,426	\$ 2,238,077	\$ 2,272,975
Town's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	7.59%	10.43%	9.94%	8.61%	7.34%	7.45%
Plan fiduciary net position as a percentage of the total OPEB liability	7.91%	7.53%	7.75%	7.74%	11.06%	10.64%

The Notes to the Required Supplementary Information – Other Postemployment Benefit Liability is an integral part of this schedule.

EXHIBIT J
TOWN OF SUNAPEE, NEW HAMPSHIRE
Schedule of Town Contributions - Other Postemployment Benefits
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended December 31, 2022
Unaudited

Fiscal year-end	December 31, 2017	December 31, 2018	December 31, 2019	December 31, 2020	December 31, 2021	December 31, 2022
Measurement date	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022
Contractually required contribution	\$ 17,914	\$ 20,299	\$ 19,964	\$ 18,813	\$ 19,635	\$ 18,782
Contributions in relation to the contractually required contribution	(17,914)	(20,299)	(19,964)	(18,813)	(19,635)	(18,782)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered payroll	\$ 1,819,570	\$ 1,951,640	\$ 2,075,426	\$ 2,103,121	\$ 2,268,087	\$ 2,245,834
Contributions as a percentage of covered payroll	-0.98%	-1.04%	-0.96%	-0.89%	-0.87%	-0.84%

The Notes to the Required Supplementary Information – Other Postemployment Benefit Liability is an integral part of this schedule.

TOWN OF SUNAPEE, NEW HAMPSHIRE
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION –
OTHER POSTEMPLOYMENT BENEFIT LIABILITY
FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2022

***Schedule of the Town's Proportionate Share of Net Other Postemployment Benefits Liability and
Schedule of Town Contributions – Other Postemployment Benefits***

Changes in Benefit Terms – There were no changes in benefit terms for the current period.

Changes in Assumptions – Salary increases changed to 5.4% from 5.6% in the current period.

Methods and Assumptions Used to Determine Contribution Rates – A full list of the methods and assumptions used to determine the contribution rates can be found in the most recent actuarial valuation report. This report can be located at www.nhrs.org.

As required by GASB Statement No. 75, Exhibits I and J represent the actuarial determined costs associated with the Town's other postemployment benefits at December 31, 2022. These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

COMBINING AND INDIVIDUAL FUND SCHEDULES

SCHEDULE 1
TOWN OF SUNAPEE, NEW HAMPSHIRE
Major General Fund
Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2022

	Estimated	Actual	Variance Positive (Negative)
Taxes:			
Property	\$ 4,836,361	\$ 4,818,871	\$ (17,490)
Land use change	48,000	97,917	49,917
Yield	2,000	1,027	(973)
Interest and penalties on taxes	40,000	34,922	(5,078)
Total from taxes	<u>4,926,361</u>	<u>4,952,737</u>	<u>26,376</u>
Licenses, permits, and fees:			
Business licenses, permits, and fees	1,280	1,587	307
Motor vehicle permit fees	1,067,000	1,081,245	14,245
Building permits	46,200	69,202	23,002
Other	18,800	21,500	2,700
Total from licenses, permits, and fees	<u>1,133,280</u>	<u>1,173,534</u>	<u>40,254</u>
Intergovernmental:			
State:			
Meals and rooms distribution	294,330	294,330	-
Highway block grant	122,420	226,445	104,025
Water pollution grants	7,508	14,856	7,348
Other	9,491	-	(9,491)
Federal:			
FEMA	-	41,635	41,635
From other governments	110,000	129,809	19,809
Total from intergovernmental	<u>543,749</u>	<u>707,075</u>	<u>163,326</u>
Charges for services:			
Income from departments	<u>136,200</u>	<u>131,937</u>	<u>(4,263)</u>
Miscellaneous:			
Interest on investments	35,000	62,186	27,186
Other	15,000	25,623	10,623
Total from miscellaneous	<u>50,000</u>	<u>87,809</u>	<u>37,809</u>
Other financing sources:			
Transfers in	<u>195,000</u>	<u>66,002</u>	<u>(128,998)</u>
Total revenues and other financing sources	6,984,590	<u>\$ 7,119,094</u>	<u>\$ 134,504</u>
Unassigned fund balance used to reduce tax rate	500,000		
Amounts voted from fund balance	84,300		
Total revenues, other financing sources, and use of fund balance	<u>\$ 7,568,890</u>		

See Independent Auditor's Report.

SCHEDULE 2
TOWN OF SUNAPEE, NEW HAMPSHIRE
Major General Fund
Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2022

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
General government:					
Executive	\$ -	\$ 325,455	\$ 342,729	\$ -	\$ (17,274)
Election and registration	10,000	280,570	272,057	10,000	8,513
Financial administration	-	357,040	441,295	26,400	(110,655)
Revaluation of property	-	101,301	73,043	-	28,258
Legal	-	18,000	66,935	-	(48,935)
Personnel administration	-	1,000	9,531	-	(8,531)
Planning and zoning	-	290,399	135,669	-	154,730
General government buildings	-	313,904	300,202	8,185	5,517
Cemeteries	-	14,392	11,471	-	2,921
Insurance, not otherwise allocated	-	8,068	6,983	-	1,085
Advertising and regional associations	-	13,890	12,490	-	1,400
Other	-	31,968	54,137	-	(22,169)
Total general government	10,000	1,755,987	1,726,542	44,585	(5,140)
Public safety:					
Police	-	977,826	958,616	18,168	1,042
Ambulance	-	64,980	63,743	-	1,237
Fire	-	373,949	346,432	-	27,517
Emergency management	-	500	309	-	191
Other	-	147,100	139,505	6,255	1,340
Total public safety	-	1,564,355	1,508,605	24,423	31,327
Highways and streets:					
Highways and streets	-	1,948,883	1,974,245	47,500	(72,862)
Street lighting	-	15,000	10,381	-	4,619
Total highways and streets	-	1,963,883	1,984,626	47,500	(68,243)
Sanitation:					
Solid waste disposal	-	640,288	552,192	12,900	75,196
Health:					
Administration	-	462	819	-	(357)
Pest control	-	500	-	-	500
Health agencies	-	15,176	15,024	-	152
Total health	-	16,138	15,843	-	295
Welfare:					
Administration and direct assistance	-	43,149	28,394	-	14,755
Culture and recreation:					
Parks and recreation	-	199,554	155,996	53,871	(10,313)
Library	-	470,814	420,221	-	50,593
Patriotic purposes	-	300	50	-	250
Other	-	51,750	16,979	-	34,771
Total culture and recreation	-	722,418	593,246	53,871	75,301
Conservation	-	4,500	4,323	-	177

(Continued)

SCHEDULE 2 (Continued)
TOWN OF SUNAPEE, NEW HAMPSHIRE
Major General Fund
Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2022

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Debt service:					
Principal of long-term debt	-	135,328	140,477	-	(5,149)
Interest on long-term debt	-	38,594	33,429	-	5,165
Interest on tax anticipation notes	-	1,000	-	-	1,000
Total debt service	-	174,922	173,906	-	1,016
Capital outlay	69,400	195,000	46,378	195,000	23,022
Other financing uses:					
Transfers out	-	488,250	488,250	-	-
Total appropriations, expenditures, other financing uses, and encumbrances	\$ 79,400	\$ 7,568,890	\$ 7,122,305	\$ 378,279	\$ 147,706

SCHEDULE 3
TOWN OF SUNAPEE, NEW HAMPSHIRE
Major General Fund
Schedule of Changes in Unassigned Fund Balance
For the Fiscal Year Ended December 31, 2022

Unassigned fund balance, beginning (Non-GAAP Budgetary Basis), as restated (see Note 19)		\$ 3,140,628
Changes:		
Unassigned fund balance used to reduce 2022 tax rate		(500,000)
Amounts voted from fund balance		(84,300)
2022 Budget summary:		
Revenue surplus (Schedule 1)	\$ 134,504	
Unexpended balance of appropriations (Schedule 2)	<u>147,706</u>	
2022 Budget surplus		282,210
Increase in nonspendable fund balance		(87,299)
Decrease in restricted fund balance		<u>3,092</u>
Unassigned fund balance, ending (Non-GAAP Budgetary Basis)		2,754,331
Reconciliation on Non-GAAP Budgetary Basis to GAAP Basis		
To record deferred property taxes not collected within 60 days of the fiscal year-end, not recognized on a budgetary basis		(62,505)
Elimination of the allowance for uncollectible taxes		<u>9,982</u>
Unassigned fund balance, ending, GAAP basis (Exhibit C-1)		<u><u>\$ 2,701,808</u></u>

SCHEDULE 4
TOWN OF SUNAPEE, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2022

Special Revenue Funds										
	Conservation Commission	Recreation	Bartlett Tyler	Dewey Woods	Coffin Memorial	Town Forest	Public Safety Services	Grants	Permanent Fund	Total
ASSETS										
Cash and cash equivalents	\$ 130,806	\$ 223,376	\$ 28,682	\$ 1,619	\$ 256	\$ 17,263	\$ -	\$ 41,935	\$ 155,991	\$ 599,928
Intergovernmental receivables	-	-	-	-	-	-	-	50,000	-	50,000
Interfund receivable	97,233	-	-	-	-	-	-	-	256	97,489
Total assets	\$ 228,039	\$ 223,376	\$ 28,682	\$ 1,619	\$ 256	\$ 17,263	\$ -	\$ 91,935	\$ 156,247	\$ 747,417
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES										
Liabilities:										
Interfund payable	\$ -	\$ 94,458	\$ -	\$ -	\$ 256	\$ -	\$ 1,171	\$ -	\$ -	\$ 95,885
Deferred inflows of resources:										
Unavailable revenue - received in advance	-	3,955	-	-	-	-	-	91,935	-	95,890
Fund balances (deficit):										
Nonspendable	-	-	-	-	-	-	-	-	70,833	70,833
Restricted	-	-	-	-	-	-	-	-	85,414	85,414
Committed	228,039	124,963	28,682	1,619	-	17,263	-	-	-	400,566
Unassigned (deficit)	-	-	-	-	-	-	(1,171)	-	-	(1,171)
Total fund balances (deficit)	228,039	124,963	28,682	1,619	-	17,263	(1,171)	-	156,247	555,642
Total liabilities, deferred inflows of resources, and fund balances	\$ 228,039	\$ 223,376	\$ 28,682	\$ 1,619	\$ 256	\$ 17,263	\$ -	\$ 91,935	\$ 156,247	\$ 747,417

SCHEDULE 5
TOWN OF SUNAPEE, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended December 31, 2022

	Special Revenue Funds									
	Conservation Commission	Recreation	Bartlett Tyler	Dewey Woods	Coffin Memorial	Town Forest	Public Safety Services	Grants	Permanent Fund	Total
Revenues:										
Taxes	\$ 97,918	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 97,918
Intergovernmental	-	-	-	-	-	-	-	54,247	-	54,247
Charges for services	-	92,375	-	-	-	-	5,925	-	-	98,300
Miscellaneous	65	557	55	4	-	53	-	-	1,364	2,098
Total revenues	97,983	92,932	55	4	-	53	5,925	54,247	1,364	252,563
Expenditures:										
Current:										
Public safety	-	-	-	-	-	-	4,894	54,247	-	59,141
Culture and recreation	-	108,637	-	-	-	5,700	-	-	-	114,337
Conservation	8,400	-	-	-	-	-	-	-	-	8,400
Total expenditures	8,400	108,637	-	-	-	5,700	4,894	54,247	-	181,878
Excess (deficiency) of revenues (under) over expenditures	89,583	(15,705)	55	4	-	(5,647)	1,031	-	1,364	70,685
Other financing sources:										
Transfers in	40,000	-	-	-	-	-	-	-	-	40,000
Net change in fund balances	129,583	(15,705)	55	4	-	(5,647)	1,031	-	1,364	110,685
Fund balances (deficit), beginning	98,456	140,668	28,627	1,615	-	22,910	(2,202)	-	154,883	444,957
Fund balances (deficit), ending	\$ 228,039	\$ 124,963	\$ 28,682	\$ 1,619	\$ -	\$ 17,263	\$ (1,171)	\$ -	\$ 156,247	\$ 555,642

See Independent Auditor's Report.

SCHEDULE 6
TOWN OF SUNAPEE, NEW HAMPSHIRE
Combining Schedule of Custodial Funds Fiduciary Net Position
December 31, 2022

	Custodial Funds					Total
	Taxes	School Trust Funds	Land Disturbance	Planning & Zoning Escrows	State Motor Vehicle	
ASSETS						
Cash and cash equivalents	\$ -	\$ 933,436	\$ 9,860	\$ -	\$ -	\$ 943,296
Intergovernmental receivables	5,159,622	-	96,193	146,999	-	5,402,814
Total assets	5,159,622	933,436	106,053	146,999	-	6,346,110
LIABILITIES						
Intergovernmental payables:						
School	5,159,622	-	-	-	-	5,159,622
Escrow payable	-	-	-	7,885	-	7,885
Total liabilities	5,159,622	-	-	7,885	-	5,167,507
NET POSITION						
Restricted	\$ -	\$ 933,436	\$ 106,053	\$ 139,114	\$ -	\$ 1,178,603

See Independent Auditor's Report.

SCHEDULE 7
TOWN OF SUNAPEE, NEW HAMPSHIRE
Combining Schedule of Custodial Funds Changes in Fiduciary Net Position
For the Fiscal Year Ended December 31, 2022

	Custodial Funds					Total
	Taxes	School Trust Funds	Land Disturbance	Planning & Zoning Escrows	State Motor Vehicle	
Additions:						
Contributions	\$ -	\$ 100,000	\$ -	\$ -	\$ -	\$ 100,000
Investment earnings	-	7,856	-	-	-	7,856
Tax collections for other governments	15,735,029	-	-	-	-	15,735,029
State motor vehicle fees collected	-	-	-	-	346,769	346,769
Other	-	-	26,855	1	-	26,856
Total additions	15,735,029	107,856	26,855	1	346,769	16,216,510
Deductions:						
Payments for escrow purposes	-	-	9,500	1,409	-	10,909
Payments of taxes to other governments	15,735,029	-	-	-	-	15,735,029
Payments of motor vehicle fees to State	-	-	-	-	346,769	346,769
Total deductions	15,735,029	-	9,500	1,409	346,769	16,092,707
Net increase (decrease) in fiduciary net position	-	107,856	17,355	(1,408)	-	123,803
Net position, beginning	-	825,580	88,698	140,522	-	1,054,800
Net position, ending	\$ -	\$ 933,436	\$ 106,053	\$ 139,114	\$ -	\$ 1,178,603

See Independent Auditor's Report.



PLODZIK & SANDERSON

Professional Association/Certified Public Accountants

193 North Main Street • Concord • New Hampshire • 03301-5063 • 603-225-6996 • FAX 603-224-1380

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Members of the Board of Selectmen and Town Manager
Town of Sunapee
Sunapee, New Hampshire

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major governmental and proprietary fund, and aggregate remaining fund information of the Town of Sunapee, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Town of Sunapee's basic financial statements and have issued our report thereon dated October 20, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Sunapee's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Sunapee's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Sunapee's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described below, we identified certain deficiencies in internal control that we consider to be a material weakness and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Town's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described below to be material weaknesses:

2022-01 General Town Policies

During our audit, we noted that at the end of 2022, the Town has experienced a high turnover in its accounting positions. As a result, well-defined accounting policies and procedures have not been established and many review and reconciliation policies and procedures have not been consistently or continuously maintained. We suggest that a formal accounting policies and procedures manual be developed, documented, and distributed to all employees. A well-structured accounting policies and procedures manual can be very helpful in ensuring that proper procedures and related internal controls are in place and consistently followed.

The Town is lacking formal policies over investments, purchasing, anti-fraud, transfers of appropriations, credit card use and capital assets. In addition, the Town is receiving federal funds and should have policies in accordance with 2 CFR 200 in place which include procurement, cash management and allowable costs. An investment policy is required per NH State statute RSA 41:9 *Financial Duties* and should be adopted and reviewed by the Board of Selectmen annually. Credit card use by

***Town of Sunapee
Independent Auditor's Report on Internal Control Over Financial Reporting and Compliance and
Other Matters Based on an Audit of Financial Statements Performed in Accordance With
Government Auditing Standards***

employees should be controlled via a detailed credit card policy which includes cardholder responsibilities, limitations on card use, processes for submitting documentation etc. A capital asset policy is an integral part of the recording and maintenance of the Town's capital asset records. Without such a policy in place there can be inconsistency in the tracking, recording, and disposal of assets. We recommend that the Town establish and formally adopt the above noted policies.

Management's Response:

- Our overarching response, to all audit recommendations, is that current team members were not in place in FY2021 and cannot speak to the management of Town finances. The current team is taking the recommendations, from the FY2021 audit, and using them as a roadmap to course correct significant deficiencies and to establish industry standard financial management systems.
- A new Town Manager joined the team in November of 2021. An Assistant Administrator/Finance Director joined in April of 2022 and a Finance Associate joined at the end of July 2022. Recommendations, in the FY2021 Audit, will be used to help rebuild the financial management systems employed by the Town of Sunapee's Finance Team and Department Heads.
- The newly appointed team will begin to craft a formal accounting policies and procedures manual. Concurrently, and as part of the overall policies and procedures development process, the team will craft policies addressing purchasing, credit card usage, anti-fraud, transfers of appropriations, credit card use, and tracking capital assets.
- The Town Manager, Treasurer, and interim Finance Director will work with the Board of Selectmen to establish an investment policy.

2022-02 Staffing of Accounting Department

We noted the Town is experiencing significant delays in its accounting and reporting processes, as well as timely account reconciliations being performed in the accounting department, due to turnover in finance positions at the end of 2022. Best practices suggest that an accounting department be properly staffed so that there is a clear segregation of duties and allows those in the department to report financial information on an accurate and timely basis. It will also allow the Town to properly track the Town's capital assets which is not presently being done. Adequate time must be spent on preparation, review, and reconciliation of records to properly and efficiently accomplish the accounting process at the Town. Continued problems in receiving timely and current financial information can significantly impact senior management's abilities, such as providing relevant oversight and budgetary control. In addition, the Town presently receives an adverse opinion because the Town's capital assets are not being reported. We suggest the Town evaluate the staffing of the accounting department as soon as possible, because time must be allowed for training any new hires. The Town should give the accounting department staffing issue the highest priority in upcoming months.

Management's Response:

- The previous administration's response to the retirement of the longtime Finance Director was to hire an out-side contractor and to increase the hours of the account clerk. That arrangement did not allow for the creation of clear segregation of duties and resulted in burdening one position with too many responsibilities.
- In response to the recommendation, a full-time Assistant Administrator/Finance Director has been hired and has a full-time Finance Associate. Because of the level of clean-up work still required, a full-time interim Finance Director has been contracted from a third-party vendor. While this has created incredibly large costs to the Town, the level of effort is required to design and implement the vast number of systems required.
- The aforementioned staffing structure affords the Town the opportunity to begin to institute clear segregation of duties.

2022-03 Accounting Discipline

In the process of performing our audit, we noted that there was a certain lack of review and reconciliation in many areas of the accounting function. Accounting tasks such as monthly reconciliations, cross checks, and reviews play a key role in proving the accuracy of accounting data and financial information that comprise interim and year-end financial statements. This can increase the chance of accounting data and financial information that is not accurate or misstated could be reported in any interim and/or year-end financial statements. We strongly suggest that the Town establish effective review and reconciliation policies and procedures as a customary part of the accounting process.

***Town of Sunapee
Independent Auditor's Report on Internal Control Over Financial Reporting and Compliance and
Other Matters Based on an Audit of Financial Statements Performed in Accordance With
Government Auditing Standards***

Management's Response:

- A clear review and reconciliation process is being undertaken. A new policy is currently being drafted.

2022-04 Town Treasurer

The following was noted during review of processes and procedures related to the activities of the Town Treasurer:

- i. The Treasurer is not completing a bank reconciliation for any Town accounts and is not reviewing the reconciliations completed by the Finance Office.
- ii. The Treasurer is not maintaining a cash book to use in comparison with the Town's general ledger.

The Treasurer should be approving the Finance Office's reconciliation as well as creating their own reconciliation for each account. State RSA 41:29-a, *Duties of Elected and Appointed Town Treasurers*, requires the Treasurer to maintain a cashbook for each account in their custody. We recommend that the Treasurer review and sign off on the Finance Office's reconciliation. The Treasurer also should create their own reconciliation and make sure that it ties out to the Finance Office's reconciliation for each account in their custody. Further, a cashbook should be maintained for each account in the Treasurer's custody.

Management's Response:

- A new Treasurer was elected in March of 2022. In FY2022, efforts will be made to institute the recommendations above.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in the Town of Sunapee's internal control to be significant deficiencies:

2022-05 Disbursement Procedures

As noted previously the Town is lacking a purchasing policy and is not utilizing a purchase order system to manage purchases. Utilizing a purchase order system can provide a more accurate way for the Town to ensure budget compliance and provides a trail of approval for all departments. We strongly recommend that all check disbursements be dated in sequence using the date the check is actually produced and if accounts payables exist at year end a journal entry be recorded to post the payables rather than back dating the checks. Further we recommend that the Town review and implement a purchasing policy which includes the use of purchase orders to properly encumber appropriations.

Management's Response:

- A policy will be created to ensue petty cash checks written out to the individual who has custody of the petty cash.
- A purchasing policy will be designed and implemented.
- Checks will no longer be written out to cash.

2022-06 Town Trust Funds

While documenting internal controls and testing the Town's trust funds we noted there is a small cash balance in a Sugar River Savings Bank account of \$32.18 that the Trustees are unaware of what it relates to. This could result in misstated MS-9 forms and bank balances. We recommend that the Trustees research the small bank account and determine the purpose of the funds and close it into the appropriate trust account.

Management's Response:

Town management has reviewed and accepts the three findings concerning the management of the Town's Trust Funds and has initiated the following corrective actions to close the findings:

1. The Trustee of The Trust Funds assistant has been preparing monthly reconciliation reports for the trustees since the auditors attended the Selectmen's meeting. It should be noted that while a systematic reconciliation was not performed on a monthly basis, the monthly bank statements for the Trust accounts were reviewed by both the Town's Finance Department and the Trustees and the accounts audited on an annual basis.

***Town of Sunapee
Independent Auditor's Report on Internal Control Over Financial Reporting and Compliance and
Other Matters Based on an Audit of Financial Statements Performed in Accordance With
Government Auditing Standards***

2. At the beginning of the fiscal year the Trustees identified that the two funds the Town had voted to close in 2019 remained open. Accordingly, the Trustees instructed TD Bank to close the two accounts on March 9, 2022 and the same day TD Bank confirmed that the accounts had been closed and the remaining balances transferred to the disbursement account, as shown in the attached correspondence. This finding should be closed.
3. Similarly, at the start of the Fiscal Year the Trustees identified the dormant Sugar River Savings Bank account with a balance of \$32 as a matter requiring attention. Following consultation with the Town management and with the Department of Revenue Administration, the Trustees and the Town determined that a warrant article would be required to close this account. Accordingly, the Town has drafted the required article and this matter will be brought to the Town's voters as part of the normal FY 2023 budget process. Once the warrant article passes at the 2023 Town Meeting the account will be closed and the balance transferred to the Town's General Account. This will constitute final resolution of this matter.

2022-07 Journal Entries

During both documentation of journal entry internal controls and during journal entry testing it was noted that there was no approval of journal entries. Additionally, journal entries were lacking appropriate support to verify that the entries made were appropriate. All journal entries should have formal approval and supporting documentation to ensure that they are appropriate. Continuation of this practice can lead to incorrect journal entries being posted to the general ledger. We recommend the Town to implement a formal review and approval process for journal entries.

Management's Response:

- The Town will implement a formal review and approval process for journal entries.

2022-08 Capital Asset Records

At the present time, the capital asset records are not being maintained by the Town. GASB Statement No. 34, *Basic Financial Statements-Management's Discussion and Analysis - For State and Local Governments*, requires that the capital assets are reported for the governmental and business-type activities. The Town is not complying with GASB Statement No. 34 and as a result the Town is receiving an adverse opinion on the governmental and business-type activities and proprietary funds for the period ending December 31, 2021. We recommend that the Town maintain capital asset records and reconcile them to the general ledger, as appropriate, on a timely basis to ensure that accurate accounting for the assets. Specifically, the capital asset records should include the following information: description of the asset; cost, vendor name and date purchased; date placed in service; estimated useful life; depreciation method; depreciation expense and accumulated depreciation for the year; date asset retired and selling price, if applicable. Complete information such as the above on all the capital assets would provide excellent control for the safeguarding of these assets, which are significant in costs.

Management's Response:

- The Town is working to establish a capital assets records management plan. It expects to begin implementation of the plan in late 2023.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Sunapee's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. We noted certain matters that we have reported to management of the Town of Sunapee in a separate letter dated October 20, 2023.

Town of Sunapee's Responses to Findings

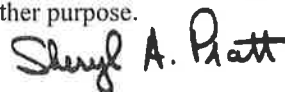
The Town of Sunapee's responses to the findings identified in our audit are described above and the Town's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Town of Sunapee

***Independent Auditor's Report on Internal Control Over Financial Reporting and Compliance and
Other Matters Based on an Audit of Financial Statements Performed in Accordance With
Government Auditing Standards***

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



October 20, 2023
Concord, New Hampshire

PLODZIK & SANDERSON
Professional Association