

**TOWN OF SUNAPEE,
NEW HAMPSHIRE**

ANNUAL FINANCIAL REPORT

**AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2020**

TOWN OF SUNAPEE, NEW HAMPSHIRE
ANNUAL FINANCIAL REPORT
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DECEMBER 31, 2020

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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

We have audited the accompanying financial statements of the governmental activities, business-type activities, major governmental and proprietary funds, and aggregate remaining fund information of the Town of Sunapee as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

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

*Town of Sunapee
Independent Auditor's Report*

Basis for 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, business-type activities, and proprietary funds. The amount by which this departure would affect the assets, net position, and expenses of the governmental activities, business-type activities, and proprietary funds is not reasonably determinable.

As discussed in Note 13-B to the financial statements, management has not recorded the long-term costs of retirement health care costs and obligations for other postemployment benefits for the single employer plan in the governmental activities, 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, business-type activities and proprietary funds. The amount by which this departure would affect the liabilities, net position, and expenses on the governmental activities is not readily determinable.

Adverse Opinion

In our opinion, because of the significance of the matters described in the “Basis for 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 government-wide and proprietary funds financial statements of the Town of Sunapee, as of December 31, 2020, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the major general fund and aggregate remaining fund information of the Town of Sunapee as of December 31, 2020, 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.

Other Matters

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.

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, 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.

*Town of Sunapee
Independent Auditor's Report*

Other 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 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 May 3, 2022, 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.



May 3, 2022

PLODZIK & SANDERSON
Professional Association

BASIC FINANCIAL STATEMENTS

EXHIBIT A
TOWN OF SUNAPEE, NEW HAMPSHIRE
Statement of Net Position
December 31, 2020

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 3,775,494	\$ 4,065,881	\$ 7,841,375
Taxes receivables (net)	494,235	-	494,235
Account receivables	11,429	94,405	105,834
Intergovernmental receivable	407,538	767,179	1,174,717
Internal balances	513,075	(513,075)	-
Tax deeded property, subject to resale	532	-	532
Total assets	5,202,303	4,414,390	9,616,693
DEFERRED OUTFLOWS OF RESOURCES			
Amounts related to pensions	858,323	163,490	1,021,813
Amounts related to other postemployment benefits	10,048	1,914	11,962
Total deferred outflows of resources	868,371	165,404	1,033,775
LIABILITIES			
Accounts payable	27,121	12,094	39,215
Accrued salaries and benefits	144,418	-	144,418
Accrued interest payable	16,960	49,986	66,946
Intergovernmental payable	110,532	-	110,532
Other	35,159	-	35,159
Long-term liabilities:			
Due within one year	320,729	180,893	501,622
Due in more than one year	5,295,368	3,071,346	8,366,714
Total liabilities	5,950,287	3,314,319	9,264,606
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	60,386	-	60,386
Unavailable revenue - fees received in advance	-	12,503	12,503
Amounts related to pensions	100,138	19,074	119,212
Amounts related to other postemployment benefits	2,006	382	2,388
Total deferred inflows of resources	162,530	31,959	194,489
NET POSITION			
Net investment in capital assets	(1,779,941)	(2,571,943)	(4,351,884)
Restricted	437,537	3,805,459	4,242,996
Unrestricted	1,300,261	-	1,300,261
Total net position	\$ (42,143)	\$ 1,233,516	\$ 1,191,373

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, 2020

	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental activities:							
General government	\$ 1,552,381	\$ 14,516	\$ 5,315	\$ -	\$ (1,532,550)	\$ -	\$ (1,532,550)
Public safety	1,556,409	5,983	122,401	-	(1,428,025)	-	(1,428,025)
Highways and streets	2,230,848	-	-	122,907	(2,107,941)	-	(2,107,941)
Sanitation	779,860	217,617	9,797	-	(552,446)	-	(552,446)
Health	15,581	-	-	-	(15,581)	-	(15,581)
Welfare	21,305	-	-	-	(21,305)	-	(21,305)
Culture and recreation	551,709	47,240	-	-	(504,469)	-	(504,469)
Conservation	215,186	-	-	-	(215,186)	-	(215,186)
Interest on long-term debt	26,004	-	-	-	(26,004)	-	(26,004)
Total governmental activities	<u>6,949,283</u>	<u>285,356</u>	<u>137,513</u>	<u>122,907</u>	<u>(6,403,507)</u>	<u>-</u>	<u>(6,403,507)</u>
Business-type activities:							
Water	419,414	647,987	-	-	-	228,573	228,573
Sewer	1,010,483	1,243,572	584,883	-	-	817,972	817,972
Hydroelectric	78,735	166,529	-	-	-	87,794	87,794
Total business-type activities	<u>1,508,632</u>	<u>2,058,088</u>	<u>584,883</u>	<u>-</u>	<u>-</u>	<u>1,134,339</u>	<u>1,134,339</u>
Total	<u>\$ 8,457,915</u>	<u>\$ 2,343,444</u>	<u>\$ 722,396</u>	<u>\$ 122,907</u>	<u>(6,403,507)</u>	<u>1,134,339</u>	<u>(5,269,168)</u>
General revenues:							
Taxes:							
Property					4,590,426	-	4,590,426
Other					83,694	-	83,694
Motor vehicle permit fees					983,475	-	983,475
Licenses and other fees					71,703	-	71,703
Grants and contributions not restricted to specific programs					211,641	-	211,641
Unrestricted investment earnings					63,374	(56,069)	7,305
Miscellaneous					69,339	3,684	73,023
Total general revenues					<u>6,073,652</u>	<u>(52,385)</u>	<u>6,021,267</u>
State aid grant revenue					147,315	-	147,315
Transfers					182,681	(182,681)	-
Total general revenues, contributions, and transfers					<u>6,403,648</u>	<u>(235,066)</u>	<u>6,168,582</u>
Change in net position					141	899,273	899,414
Net position, beginning, as restated (see Note 18)					(42,284)	334,243	291,959
Net position, ending					<u>\$ (42,143)</u>	<u>\$ 1,233,516</u>	<u>\$ 1,191,373</u>

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, 2020

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 1,416,084	\$ 451,128	\$ 1,867,212
Receivables:			
Taxes	517,090	-	517,090
Accounts	7,989	3,440	11,429
Intergovernmental receivable	220,572	-	220,572
Interfund receivable	659,529	256	659,785
Tax deeded property, subject to resale	532	-	532
Restricted assets:			
Cash and cash equivalents	1,908,282	-	1,908,282
Total assets	<u>\$ 4,730,078</u>	<u>\$ 454,824</u>	<u>\$ 5,184,902</u>
LIABILITIES			
Accounts payable	\$ 27,121	\$ -	\$ 27,121
Accrued salaries and benefits	144,418	-	144,418
Intergovernmental payable	110,532	-	110,532
Interfund payable	-	146,710	146,710
Other	35,159	-	35,159
Total liabilities	<u>317,230</u>	<u>146,710</u>	<u>463,940</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - Property taxes	131,087	-	131,087
FUND BALANCES (DEFICIT)			
Nonspendable	532	70,833	71,365
Restricted	282,829	83,875	366,704
Committed	1,334,311	157,990	1,492,301
Assigned	31,283	-	31,283
Unassigned (deficit)	2,632,806	(4,584)	2,628,222
Total fund balances	<u>4,281,761</u>	<u>308,114</u>	<u>4,589,875</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 4,730,078</u>	<u>\$ 454,824</u>	<u>\$ 5,184,902</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, 2020

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

Total fund balances of governmental funds (Exhibit C-1)		\$4,589,875
Pension and other postemployment benefit (OPEB) related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year, and therefore, are not reported in the governmental funds as follows:		
Deferred outflows of resources related to pensions	\$ 858,323	
Deferred inflows of resources related to pensions	(100,138)	
Deferred outflows of resources related to OPEB	10,048	
Deferred inflows of resources related to OPEB	<u>(2,006)</u>	
		766,227
Interfund receivables and payables between governmental funds are eliminated on the Statement of Net Position.		
Receivables	\$ (146,710)	
Payables	<u>146,710</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.		
		186,966
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	\$ 70,701	
Allowance for uncollectible taxes	<u>(22,855)</u>	
		47,846
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(16,960)
Long-term liabilities are not due and payable in the current period, therefore, are not reported in the governmental funds.		
Bonds	\$ 1,683,545	
Unamortized bond premium	49,985	
Capital lease	46,411	
Accrued landfill postclosure care costs	264,600	
Net pension liability	3,421,459	
Other postemployment benefits	<u>150,097</u>	
		<u>(5,616,097)</u>
Net position of governmental activities (Exhibit A)		<u><u>\$ (42,143)</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, 2020

	General	Other Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	\$ 4,623,497	\$ 13,347	\$ 4,636,844
Licenses and permits	1,055,178	-	1,055,178
Intergovernmental	592,327	-	592,327
Charges for services	114,814	31,415	146,229
Miscellaneous	150,560	1,014	151,574
Total revenues	<u>6,536,376</u>	<u>45,776</u>	<u>6,582,152</u>
EXPENDITURES			
Current:			
General government	1,257,403	477	1,257,880
Public safety	1,402,403	7,749	1,410,152
Highways and streets	1,931,336	-	1,931,336
Sanitation	567,700	-	567,700
Health	15,581	-	15,581
Welfare	21,305	-	21,305
Culture and recreation	535,711	15,998	551,709
Conservation	8,775	206,411	215,186
Debt service:			
Principal	263,609	-	263,609
Interest	51,682	-	51,682
Capital outlay	575,321	-	575,321
Total expenditures	<u>6,630,826</u>	<u>230,635</u>	<u>6,861,461</u>
Deficiency of revenues under expenditures	<u>(94,450)</u>	<u>(184,859)</u>	<u>(279,309)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	182,681	55,256	237,937
Transfers out	(55,000)	(256)	(55,256)
Capital lease	71,548	-	71,548
Total other financing sources (uses)	<u>199,229</u>	<u>55,000</u>	<u>254,229</u>
Net change in fund balances	104,779	(129,859)	(25,080)
Fund balances, beginning, as restated (see Note 18)	4,176,982	437,973	4,614,955
Fund balances, ending	<u>\$ 4,281,761</u>	<u>\$ 308,114</u>	<u>\$ 4,589,875</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, 2020

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

Net change in fund balances of governmental funds (Exhibit C-3)		\$ (25,080)
Transfers in and out between governmental funds are eliminated on the Statement of Activities.		
Transfers in		\$ (55,256)
Transfers out		<u>55,256</u>
Revenue in the Statement of Activities that does not provide current financial resources is not reported as revenue in the governmental funds.		
Change in deferred tax revenue		\$ 30,761
Change in allowance for uncollectible taxes		6,515
Long-term state aid grants awarded		158,500
Change in long-term state aid receivables		<u>(11,185)</u>
		184,591
Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		
Inception of capital leases		\$ (71,548)
Repayment of bond principal		263,609
Repayment of capital lease		25,137
Amortization of bond premium		<u>24,993</u>
		242,191
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		\$ 685
Increase in accrued landfill postclosure care costs		(166,200)
Net change in net pension liability, and deferred outflows and inflows of resources related to pensions		(248,770)
Net change in net other postemployment benefits liability and deferred outflows and inflows of resources related to other postemployment benefits		<u>12,724</u>
		<u>(401,561)</u>
Changes in net position of governmental activities (Exhibit B)		<u>\$ 141</u>

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, 2020

	Budgeted Amounts		Actual	Variance
	Original	Final		Positive (Negative)
REVENUES				
Taxes	\$ 4,611,763	\$ 4,611,763	\$ 4,660,773	\$ 49,010
Licenses and permits	886,500	886,500	1,055,178	168,678
Intergovernmental	461,446	461,446	591,437	129,991
Charges for services	102,000	102,000	112,812	10,812
Miscellaneous	72,000	72,000	121,624	49,624
Total revenues	<u>6,133,709</u>	<u>6,133,709</u>	<u>6,541,824</u>	<u>408,115</u>
EXPENDITURES				
Current:				
General government	1,330,129	1,330,129	1,259,645	70,484
Public safety	1,335,616	1,335,616	1,334,659	957
Highways and streets	1,767,562	1,983,561	1,948,811	34,750
Sanitation	558,246	558,246	567,700	(9,454)
Health	20,999	20,999	15,581	5,418
Welfare	42,354	42,354	21,305	21,049
Culture and recreation	608,899	608,899	520,913	87,986
Conservation	3,775	3,775	8,775	(5,000)
Debt service:				
Principal	263,609	263,609	263,609	-
Interest	52,520	52,520	51,682	838
Capital outlay	326,000	633,702	575,321	58,381
Total expenditures	<u>6,309,709</u>	<u>6,833,410</u>	<u>6,568,001</u>	<u>265,409</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(176,000)</u>	<u>(699,701)</u>	<u>(26,177)</u>	<u>673,524</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	310,000	833,701	833,701	-
Transfers out	(450,800)	(450,800)	(450,800)	-
Total other financing sources (uses)	<u>(140,800)</u>	<u>382,901</u>	<u>382,901</u>	<u>-</u>
Net change in fund balances	<u>\$ (316,800)</u>	<u>\$ (316,800)</u>	356,724	<u>\$ 673,524</u>
Decrease in nonspendable fund balance			47,053	
Increase in committed fund balance			(55,585)	
Unassigned fund balance, beginning, as restated (see Note 18)			2,332,460	
Unassigned fund balance, ending			<u>\$ 2,680,652</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, 2020

	Business-type Activities			Total Enterprise Funds
	Enterprise Funds			
	Water	Sewer	Hydroelectric	
ASSETS				
Cash and cash equivalents	\$ 869,512	\$ 2,313,521	\$ 882,848	\$ 4,065,881
Receivables:				
Accounts	54,313	40,092	-	94,405
Intergovernmental	107,486	659,693	-	767,179
Internal balances	217	-	-	217
Total assets	<u>1,031,528</u>	<u>3,013,306</u>	<u>882,848</u>	<u>4,927,682</u>
DEFERRED OUTFLOWS OF RESOURCES				
Amounts related to pensions	51,091	112,399	-	163,490
Amounts related to other postemployment benefits	598	1,316	-	1,914
Total deferred outflows of resources	<u>51,689</u>	<u>113,715</u>	<u>-</u>	<u>165,404</u>
LIABILITIES				
Current liabilities:				
Accounts payable	3,788	8,306	-	12,094
Accrued interest payable	8,324	41,662	-	49,986
Internal balances	11,737	44,349	457,206	513,292
Long term liabilities:				
Due within one year	111,695	69,198	-	180,893
Due in more than one year	732,468	2,338,878	-	3,071,346
Total liabilities	<u>868,012</u>	<u>2,502,393</u>	<u>457,206</u>	<u>3,827,611</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - received in advance	3,103	9,400	-	12,503
Amounts related to pensions	5,961	13,113	-	19,074
Amounts related to other postemployment benefits	119	263	-	382
Total deferred inflows of resources	<u>9,183</u>	<u>22,776</u>	<u>-</u>	<u>31,959</u>
NET POSITION				
Net investment in capital assets	(631,571)	(1,940,372)	-	(2,571,943)
Restricted	837,593	2,542,224	425,642	3,805,459
Total net position	<u>\$ 206,022</u>	<u>\$ 601,852</u>	<u>\$ 425,642</u>	<u>\$ 1,233,516</u>

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, 2020

	Business-type Activities			Total Enterprise Funds
	Enterprise Funds			
	Water	Sewer	Hydroelectric	
Operating revenues:				
User charges	\$ 579,279	\$ 702,487	\$ 166,529	\$ 1,448,295
Other sales	62,702	445,108	-	507,810
Fees and interest	6,006	19,017	-	25,023
Miscellaneous	-	76,960	-	76,960
Total operating revenues	<u>647,987</u>	<u>1,243,572</u>	<u>166,529</u>	<u>2,058,088</u>
Operating expenses:				
Salaries and wages	207,935	486,652	33,324	727,911
Operation and maintenance	134,590	422,238	37,262	594,090
Contractual services	49,757	11,242	1,783	62,782
Materials and supplies	23,132	80,705	6,366	110,203
Other	4,000	9,646	-	13,646
Total operating expenses	<u>419,414</u>	<u>1,010,483</u>	<u>78,735</u>	<u>1,508,632</u>
Operating gain	<u>228,573</u>	<u>233,089</u>	<u>87,794</u>	<u>549,456</u>
Nonoperating revenue (expense):				
Intergovernmental revenues	-	584,883	-	584,883
Interest income	6,635	20,227	6,900	33,762
Interest expense	(27,825)	(62,006)	-	(89,831)
Other	2,892	792	-	3,684
Total nonoperating revenues	<u>(18,298)</u>	<u>543,896</u>	<u>6,900</u>	<u>532,498</u>
Other financing uses:				
Transfers out	-	-	(182,681)	(182,681)
Change in net position	210,275	776,985	(87,987)	899,273
Net position, beginning, as restated (see Note 18)	(4,253)	(175,133)	513,629	334,243
Net position, ending	<u>\$ 206,022</u>	<u>\$ 601,852</u>	<u>\$ 425,642</u>	<u>\$ 1,233,516</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, 2020

	Business-type Activities			Total Enterprise Funds
	Enterprise Funds			
	Water	Sewer	Hydroelectric	
Cash flows from operating activities:				
Receipts from customers and users	\$ 635,909	\$ 1,306,491	\$ 166,529	\$ 2,108,929
Payments to employees for salaries and benefits	(207,935)	(486,652)	(33,324)	(727,911)
Payments to suppliers	(199,277)	(580,328)	(148,133)	(927,738)
Net cash provided by (used for) operating activities	<u>228,697</u>	<u>239,511</u>	<u>(14,928)</u>	<u>453,280</u>
Cash flows from capital and related financing activities:				
Intergovernmental grants	24,887	50,147	-	75,034
State revolving loan drawdowns	-	6,956	-	6,956
Principal paid on debt	(109,421)	(67,851)	-	(177,272)
Other	(2,268)	792	-	(1,476)
Interest paid	(29,501)	(63,110)	-	(92,611)
Net cash used for capital and related financing activities	<u>(116,303)</u>	<u>(73,066)</u>	<u>-</u>	<u>(189,369)</u>
Cash flows from non-capital financing activities:				
Operating transfers out	<u>-</u>	<u>-</u>	<u>(182,681)</u>	<u>(182,681)</u>
Cash flows from investing activities:				
Interest received	<u>6,635</u>	<u>20,227</u>	<u>6,900</u>	<u>33,762</u>
Net increase(decrease) in cash	119,029	186,672	(190,709)	114,992
Cash, beginning	750,483	2,126,849	1,073,557	3,950,889
Cash, ending	<u>\$ 869,512</u>	<u>\$ 2,313,521</u>	<u>\$ 882,848</u>	<u>\$ 4,065,881</u>

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

Operating gain	<u>\$ 228,573</u>	<u>\$ 233,089</u>	<u>\$ 87,794</u>	<u>\$ 549,456</u>
Adjustments to reconcile operating gain to net cash provided (used) by operating activities:				
(Increase)/Decrease in other receivables	(12,078)	8,451	-	(3,627)
Decrease in intergovernmental receivables	-	19,096	-	19,096
Increase/(Decrease) in internal balances	6,721	(2,231)	(102,722)	(98,232)
Decrease in accounts payable	(2,729)	(54,266)	-	(56,995)
Increase in deferred inflows of resources	8,210	35,372	-	43,582
Total adjustments	<u>124</u>	<u>6,422</u>	<u>(102,722)</u>	<u>(96,176)</u>
Net cash provided by (used for) operating activities	<u>\$ 228,697</u>	<u>\$ 239,511</u>	<u>\$ (14,928)</u>	<u>\$ 453,280</u>

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, 2020

	Private Purpose Trust Funds	All Custodial Funds
ASSETS		
Cash and cash equivalents	\$ 135,406	\$ 6,266,962
Intergovernmental receivable	-	180,000
Total assets	135,406	6,446,962
LIABILITIES		
Intergovernmental payables:		
School	-	5,628,505
Other	4,250	-
Escrow payable	-	80,000
Total liabilities	4,250	5,708,505
NET POSITION		
Restricted	\$ 131,156	\$ 738,457

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, 2020

	Private Purpose Trust Funds	All Custodial Funds
ADDITIONS		
Contributions	\$ -	\$ 101,600
Investment earnings	680	4,598
Tax collections for other governments	-	15,388,978
Other	-	1,544
Total additions	<u>680</u>	<u>15,496,720</u>
DEDUCTIONS		
Benefits paid	4,255	-
Administrative expenses	-	361,383
Payments of taxes to other governments	-	15,388,978
Payments for escrow purposes	-	6,505
Total deductions	<u>4,255</u>	<u>15,756,866</u>
Change in net position	(3,575)	(260,146)
Net position, beginning, as restated (see Note 18)	<u>134,731</u>	<u>998,603</u>
Net position, ending	<u>\$ 131,156</u>	<u>\$ 738,457</u>

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
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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, 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 of 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

TOWN OF SUNAPEE, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
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taxes, licenses and permits, intergovernmental revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. 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, 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 can 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 eight 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 of the major proprietary funds.

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.

Sewer Fund – accounts for the activities related to the operation of the sewer treatment plant, pumping station, and sewer lines.

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 custodial in nature, and 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
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The Town reports the following fiduciary funds:

Private Purpose Trust Fund – are 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 – are 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, 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/or 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 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-G 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.

TOWN OF SUNAPEE, NEW HAMPSHIRE
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1-H Property Taxes

Property tax billings occur semi-annually and are based on the assessed inventory values as of April 1 of each year in accordance with RSA 76:15-a, *Semi-Annual Collection of Taxes in certain Towns and Cities*. Warrants for the year were issued on May 18, 2020 and November 2, 2020, and due on July 2, 2020 and December 7, 2020. Interest accrues at a rate of 8% on bills outstanding after the due date and 14% on tax liens outstanding. The Town placed a lien on all outstanding taxes from 2019 on April 9, 2020.

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, 2020 utilized in the setting of the tax rate was as follows:

For the New Hampshire education tax	\$ 1,432,157,588
For all other taxes	\$ 1,451,938,388

The tax rates and amounts assessed for the year ended December 31, 2020 were as follows:

	Per \$1,000 of Assessed Valuation	Property Taxes Assessed
Municipal portion	\$3.21	\$ 4,668,463
School portion:		
State of New Hampshire	\$1.89	2,703,824
Local	\$6.10	8,856,533
County portion	\$2.64	3,828,621
Total	\$13.84	\$20,057,441

1-I 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, 2020.

1-J 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/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension and OPEB expense and contributions from the Town after the measurement date but before the end of the Town's reporting period.

Deferred inflows of resources, a separate financial statement element, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within 60 days after year-end.

TOWN OF SUNAPEE, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
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1-K 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, or proprietary fund Statements 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.

1-L Compensated Absences

The Town's policy allows certain employees to earn varying amounts of vacation time based on the employee's length of employment. Upon separation from service, employees are paid in full for any accrued leave earned as set forth by the Town's personnel policy. The liability for such leave is reported as incurred in the governmental funds financial statements at year-end. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements.

1-M 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-N Postemployment Benefits Other Than Pensions

The Town maintains two separate other postemployment benefit plans (OPEB), 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 Statement No. 75.

1-O 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.

TOWN OF SUNAPEE, NEW HAMPSHIRE
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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-P Use of Estimates

The financial statements and related disclosures are prepared in conformity with accounting principles generally accepted in the United States. Management is required to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses during the period reported. These estimates include assessing the collectability of accounts, taxes receivables, and the net pension liability, other postemployment benefit liability, deferred outflows and inflows of resources related to both pension and other postemployment benefits, and accrued landfill 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.

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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 as well as the major water, sewer and hydroelectric enterprise funds. Except as reconciled below, the budget was adopted on a basis consistent with U.S. generally accepted accounting principles (GAAP).

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 2020, \$300,000 of the beginning general fund unassigned fund balance was applied for this purpose and \$16,800 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 each 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-1 (budgetary basis)	\$7,375,525
Adjustment:	
Basis differences:	
Inception of capital lease	71,548
GASB Statement No. 54:	
To record miscellaneous income of the blended funds	31,828
To eliminate transfers between the blended expendable trust funds and the general fund	(651,020)
Change in deferred tax revenue relating to 60-day revenue recognition	(37,276)
Per Exhibit C-3 (GAAP basis)	<u>\$6,790,605</u>
Expenditures and other financing uses:	
Per Exhibit D-1 (budgetary basis)	\$7,018,801
Adjustment:	
Basis differences:	
Inception of capital lease	71,548
Encumbrances, beginning	5,762
Encumbrances, ending	(31,283)
GASB Statement No. 54:	
To record expenditures of the blended funds during the year	16,798
To eliminate transfers between expendable trust and blended general funds	(395,800)
Per Exhibit C-3 (GAAP basis)	<u>\$6,685,826</u>

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2-C Deficit Fund Balances

The public safety services special revenue fund had a deficit fund balance of \$4,584 at December 31, 2020. This deficit will be financed through future revenues of the fund.

DETAILED NOTES ON ALL FUNDS

NOTE 3 – CASH AND CASH EQUIVALENTS

The Town’s deposits are entirely covered by federal depository insurance (FDIC) or by collateral held by the Town’s agent in the Town’s name. The FDIC currently insures the first \$250,000 of the Town’s deposits at each financial institution, per case custodian. Deposit balances over \$250,000 are insured by the collateral. As of year-end, the carrying amount of the Town’s deposits was \$14,243,743 and the bank balances totaled \$14,486,454. Petty cash totaled \$4,199.

Cash and cash equivalents reconciliation:

Cash per Statement of Net Position (Exhibit A)	\$ 7,841,375
Cash per Statement of Fiduciary Net Position (Exhibit F-1)	<u>6,402,368</u>
Total cash and cash equivalents	<u><u>\$ 14,243,743</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/or investments are classified as restricted for the following purposes:

Cash and cash equivalents:	
General fund:	
Drug forfeiture	\$ 8,619
Library	277,480
Capital reserve funds	<u>1,622,183</u>
Total restricted assets	<u><u>\$ 1,908,282</u></u>

NOTE 5 – TAXES RECEIVABLE

Taxes receivable represent the amount of current and prior year taxes which have not been collected as of December 31, 2020. The amount has been reduced by an allowance for an estimated uncollectible amount of \$22,855. Taxes receivable by year are as follows:

	As reported on:	
	<u>Exhibit A</u>	<u>Exhibit C-1</u>
Property:		
Levy of 2020	\$ 420,125	\$ 420,125
Unredeemed (under tax lien):		
Levy of 2019	53,177	53,177
Levy of 2018	31,693	31,693
Levies of 2017 and prior	12,095	12,095
Less: allowance for estimated uncollectible taxes	<u>(22,855) *</u>	<u>-</u>
Net taxes receivable	<u><u>\$ 494,235</u></u>	<u><u>\$ 517,090</u></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).

TOWN OF SUNAPEE, NEW HAMPSHIRE
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NOTE 6 – OTHER RECEIVABLES

Receivables at December 31, 2020, 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.

NOTE 7 – INTERFUND BALANCES AND TRANSFERS

Interfund Balances - The composition of interfund balances as of December 31, 2020 is as follows:

Receivable Fund	Payable Fund	Amount
General	Nonmajor	\$ 146,454
	Sewer enterprise	44,132
	Water enterprise	11,737
	Hydroelectric enterprise	457,206
Nonmajor	Nonmajor	256
		<u>\$ 659,785</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, 2020 is as follows:

	Transfers In:		Total
	General Fund	Nonmajor Funds	
Transfers out:			
General fund	\$ -	\$ 55,000	\$ 55,000
Hydroelectric fund	182,681	-	182,681
Nonmajor funds	-	256	256
Total	<u>\$ 182,681</u>	<u>\$ 55,256</u>	<u>\$ 237,937</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 8 – INTERGOVERNMENTAL PAYABLES

Amounts due to other governments of at December 31, 2020 consist of the following:

	General Fund	Fiduciary Funds
Miscellaneous fees due to the State of New Hampshire	\$ 5,156	\$ -
Balance due to the Town of Newbury	22,679	-
Balance due to the Town of New London	2,697	-
Balance due to the land disturbance custodial fund	80,000	-
Taxes due to the Sunapee School District	-	5,628,505
Total intergovernmental payables due	<u>\$ 110,532</u>	<u>\$ 5,628,505</u>

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NOTE 9 – 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 12	\$ 858,323	\$ 51,091	\$ 112,399	\$ 163,490
Amounts related to OPEB, see Note 13	10,048	598	1,316	1,914
Total deferred outflows of resources	<u>\$ 868,371</u>	<u>\$ 51,689</u>	<u>\$ 113,715</u>	<u>\$ 165,404</u>

Deferred inflows of resources are as follows:

	Government- wide	General Fund	Business-type activities		
			Water	Sewer	Total
Deferred property taxes not collected within 60 days of fiscal year-end	\$ -	\$ 70,701	\$ -	\$ -	\$ -
Property taxes collected in advance of warrants being issued	60,386	60,386	-	-	-
Water and sewer fees collected in advance of warrants being issued	-	-	3,103	9,400	12,503
Amounts related to pensions, see Note 12	100,138	-	5,961	13,113	19,074
Amounts related to OPEB, see Note 13	2,006	-	119	263	382
Total deferred inflows of resources	<u>\$ 162,530</u>	<u>\$ 131,087</u>	<u>\$ 9,183</u>	<u>\$ 22,776</u>	<u>\$ 31,959</u>

NOTE 10 – CAPITAL LEASE OBLIGATION

The Town has entered into a certain capital lease agreement under which the related equipment will become the property of the Town when all the terms of the lease agreement is met.

	Standard Interest Rate	Present Value of Remaining Payments as of December 31, 2020
Capital lease obligation:		
Chevy Tahoe	5.40%	<u>\$ 46,411</u>

The annual requirements to amortize the capital lease payable as of December 31, 2020, including interest payments, are as follows:

Fiscal Year Ending December 31,	Governmental Activities
2021	\$ 25,137
2022	25,137
Total requirements	50,274
Less: interest	3,863
Present value of remaining payments	<u>\$ 46,411</u>

Amortization of lease equipment under capital assets is included with depreciation expense.

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NOTE 11 – LONG-TERM LIABILITIES

Changes in the Town's long-term liabilities consisted of the following for the year ended December 31, 2020:

	Balance January 1, 2020 (As restated)	Additions	Reductions	Balance December 31, 2020	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 1,947,154	\$ -	\$ (263,609)	\$ 1,683,545	\$ 264,332
Premium	74,978	-	(24,993)	49,985	24,993
Total bonds payable	<u>2,022,132</u>	<u>-</u>	<u>(288,602)</u>	<u>1,733,530</u>	<u>289,325</u>
Capital lease	-	71,548	(25,137)	46,411	22,584
Accrued landfill postclosure care costs	98,400	166,200	-	264,600	8,820
Net pension liability	2,513,140	908,319	-	3,421,459	-
Net other postemployment benefits	162,958	-	(12,861)	150,097	-
Total long-term liabilities	<u>\$ 4,796,630</u>	<u>\$ 1,146,067</u>	<u>\$ (326,600)</u>	<u>\$ 5,616,097</u>	<u>\$ 320,729</u>
Business-type activities:					
Bonds payable:					
General obligation bonds	\$ 2,742,259	\$ 6,956	\$ (177,272)	\$ 2,571,943	\$ 180,893
Net pension liability	478,694	173,012	-	651,706	-
Net other postemployment benefits	31,040	-	(2,450)	28,590	-
Total long-term liabilities	<u>\$ 3,251,993</u>	<u>\$ 179,968</u>	<u>\$ (179,722)</u>	<u>\$ 3,252,239</u>	<u>\$ 180,893</u>

Long-term bonds are comprised of the following:

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at December 31, 2020	Current Portion
Governmental activities:						
General obligation bonds payable:						
Abbott Library	\$ 975,000	2014	2034	2.76%	\$ 682,500	\$ 48,750
Public safety building	\$ 2,423,842	2005	2022	3.97%	199,635	164,925
Perkins pond	\$ 1,585,000	2015	2042	2.50%	645,740	29,352
Water filtration	\$ 1,248,260	2012	2027	5.00%	155,670	21,305
					<u>1,683,545</u>	<u>264,332</u>
Bond premium					49,985	24,993
Total					<u>\$ 1,733,530</u>	<u>\$ 289,325</u>
Business-type activities:						
General obligation bonds payable:						
Perkins pond	\$ 1,585,000	2015	2042	2.50%	\$ 645,740	\$ 29,352
Lake Avenue	\$ 706,741	2013	2024	2.60%	144,241	45,000
Waste Water Treatment Plant	\$ 1,500,000	2015	2042	3.50%	1,287,676	39,846
Water filtration	\$ 1,248,260	2012	2027	5.00%	487,330	66,695
Asset management - State revolving loan*	\$ 6,956	2020	-	-	6,956	-
Total					<u>\$ 2,571,943</u>	<u>\$ 180,893</u>

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**State Revolving Loan Fund Program* – Drawdowns received under the various State Revolving Loan Fund Programs will be consolidated by promissory notes upon substantial completion of the related projects. As of December 31, 2020, drawdowns received to date totaling \$6,956 are recorded on the Town’s financial statements, exclusive of any anticipated forgiveness on the loans.

The annual requirements to amortize all general obligation bonds outstanding as of December 31, 2020, including interest payments, are as follows:

Governmental activities:

Fiscal Year Ending December 31,	Principal	Interest	Total
2021	\$ 264,332	\$ 44,262	\$ 308,594
2022	135,327	38,593	173,920
2023	101,344	33,117	134,461
2024	102,554	29,864	132,418
2025	103,765	26,564	130,329
2026-2030	429,003	97,837	526,840
2031-2035	341,760	46,530	388,290
2036-2040	146,760	17,428	164,188
2041-2042	58,700	1,835	60,535
Totals	<u>\$ 1,683,545</u>	<u>\$ 336,030</u>	<u>\$ 2,019,575</u>

Business-type activities:

Fiscal Year Ending December 31,	Principal	Interest	Total
2021	\$ 180,893	\$ 86,639	\$ 267,532
2022	186,078	80,271	266,349
2023	189,794	67,715	257,509
2024	159,319	60,815	220,134
2025	155,414	54,592	210,006
2026-2030	521,044	224,914	745,958
2031-2035	448,169	158,938	607,107
2036-2040	504,740	84,024	588,764
2040-2042	219,536	10,318	229,854
Totals	<u>2,564,987</u>	<u>\$ 828,226</u>	<u>\$ 3,393,213</u>
Add notes not yet in repayment	6,956		
	<u>\$ 2,571,943</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 \$264,600 as of December 31, 2020. The estimated total current cost of the landfill postclosure care (\$8,820) 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, 2020. 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.

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Bonds Authorized and Unissued – Bonds and notes authorized and unissued as of December 31, 2020 were as follows:

Per Town Meeting Vote of	Purpose	Unissued Amount
March 10, 2020	Water system trihalomethanes treatment	\$ 400,000
March 10, 2020	Wastewater asset management	30,000
		<u>\$ 430,000</u>

NOTE 12 – DEFINED BENEFIT PENSION PLAN

Plan Description – The New Hampshire Retirement System (NHRS or the System) is a public employee retirement system that administers a 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 (employee and teacher) members are required to contribute 7% of earnable compensation and Group II (police and fire) members contribute 11.55% and 11.80% respectively. For fiscal year 2020, the Town contributed 24.77% for police, 26.43% for fire and 10.88% for other employees. The contribution requirement for the fiscal year 2020 was \$286,749, which was paid in full.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions – At December 31, 2020 the Town reported a liability of \$4,073,165 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, 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

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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, 2020, the Town's proportion was 0.06% which was the same as its proportion measured as of June 30, 2019.

For the year ended December 31, 2020, the Town recognized pension expense of \$584,053. At December 31, 2020 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	\$ 107,777	\$ 75,478
Changes in assumptions	402,917	-
Net difference between projected and actual investment earnings on pension plan investments	251,930	-
Differences between expected and actual experience	109,995	43,734
Contributions subsequent to the measurement date	149,194	-
Total	\$ 1,021,813	\$ 119,212

The \$149,194 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, 2021. 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,	
2021	\$ 140,982
2022	182,893
2023	227,290
2024	202,242
2025	-
Thereafter	-
Totals	\$ 753,407

Actuarial Assumptions – The collective total pension liability was based on the following assumptions:

Inflation:	2.0%
Salary increases:	5.6% 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, 2020 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2016 – 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.

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Following is a table presenting target allocations and geometric real rates of return for each asset class:

Asset Class	Target Allocation	Weighted average long-term expected real rate of return 2020
Large Cap Equities	22.50%	3.71%
Small/Mid Cap Equities	7.50%	4.15%
Total domestic equity	30.00%	
Int'l Equities (unhedged)	13.00%	3.96%
Emerging Int'l Equities	7.00%	6.20%
Total international equity	20.00%	
Core Bonds	9.00%	0.42%
Global Multi-Sector Fixed Income	10.00%	1.66%
Absolute Return Fixed Income	6.00%	0.92%
Total fixed income	25.00%	
Private equity	10.00%	7.71%
Private debt	5.00%	4.81%
Total alternative investments	15.00%	
Real estate	10.00%	2.95%
Total	100.00%	

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, 2020	\$ 5,273,091	\$ 4,073,165	\$ 3,092,667

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 to the government-wide financial statements:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Pension Liability
Governmental activities	\$ 858,323	\$ 100,138	\$ 3,421,459
Business-type activities	163,490	19,074	651,706
Total	\$ 1,021,813	\$ 119,212	\$ 4,073,165

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NOTE 13 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

13-A New Hampshire Retirement System (NHRS)

Plan Description – The New Hampshire Retirement System (NHRS or the System) is a public employee retirement system which administers a cost-sharing multiple-employer other postemployment benefit (OPEB) plan. For additional system information, please refer to the 2019 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 2020 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 2018, 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 2020, the Town contributed 3.66% for police and fire, and 0.29% for other employees. The contribution requirement for the fiscal year 2020 was \$19,194, which was paid in full.

OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – At December 31, 2020, the Town reported a liability of \$178,687 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. 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, 2020, the Town’s proportion was 0.04% which was the same as its proportion measured as of June 30, 2019.

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For the year ended December 31, 2020, the Town recognized OPEB expense of \$4,055. At December 31, 2020, 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
Changes in proportion	\$ -	\$ 1,870
Net difference between projected and actual investment earnings on OPEB plan investments	669	518
Changes in assumptions	1,149	-
Contributions subsequent to the measurement date	10,144	-
Total	\$ 11,962	\$ 2,388

The \$10,144 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, 2021. 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,	
2021	\$(1,188)
2022	198
2023	236
2024	184
2025	-
Thereafter	-
Totals	\$ (570)

Actuarial Assumptions – The collective total OPEB liability was based on the following actuarial assumptions:

Inflation:	2.0%
Salary increases:	5.6 % average, including inflation
Wage inflation:	2.75 % (2.25%) for teachers
Investment rate of return:	6.75 % net of OPEB plan investment expense, including inflation for determining solvency contributions

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, 2019 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2016 – 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.

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Following is a table presenting target allocations and geometric real rates of return for each asset class:

Asset Class	Target Allocation	Weighted average long-term expected real rate of return 2020
Large Cap Equities	22.50%	3.71%
Small/Mid Cap Equities	7.50%	4.15%
Total domestic equity	30.00%	
Int'l Equities (unhedged)	13.00%	3.96%
Emerging Int'l Equities	7.00%	6.20%
Total international equity	20.00%	
Core Bonds	9.00%	0.42%
Global Multi-Sector Fixed Income	10.00%	1.66%
Absolute Return Fixed Income	6.00%	0.92%
Total fixed income	25.00%	
Private equity	10.00%	7.71%
Private debt	5.00%	4.81%
Total alternative investments	15.00%	
Real estate	10.00%	2.95%
Total	100.00%	

Discount Rate – The discount rate used to measure the total OPEB liability as of June 30, 2020 was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made under the current statutes RSA 100-A:16 and 100-A:53. Based on those assumptions, the OPEB Plan’s fiduciary net position was projected to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB Plan investments was applied to all periods of projected benefit payments to determine the collective total OPEB liability.

Sensitivity of the Town’s Proportionate Share of the 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, 2020	\$ 194,035	\$ 178,687

Sensitivity of the Town’s Proportionate Share of the OPEB Liability to Changes in the Healthcare Cost Trend Assumption – GASB No.75 requires the sensitivity of the OPEB liability to the healthcare cost trend assumption. Since the medical subsidy benefits are fixed stipends, there is no sensitivity to changes in the healthcare cost trend assumption.

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.

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Reconciliation to the government-wide financial statements:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net OPEB Liability
Governmental activities	\$ 10,048	\$ 2,006	\$ 150,097
Business-type activities	1,914	382	28,590
Total	\$ 11,962	\$ 2,388	\$ 178,687

13-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.

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, 2020 or contracted with an actuarial firm to assist in evaluating the impact of this standard on the Town’s single employer plan. The amounts that should be recorded as the net OPEB liability and the OPEB expense for the Town’s single employer plan are unknown.

NOTE 14 – ENCUMBRANCES

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at December 31, 2020 and are as follows:

General fund:	
General government	\$ 10,004
Public safety	3,804
Highways and streets	17,475
Total encumbrances	\$ 31,283

NOTE 15 – 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	\$ 382,106
C-894	Perkins pond	305,260
#95-2271010	Water filtration	141,822
	Total	\$ 829,188

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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, 2020 the Town is due to receive the following annual amounts to offset debt payments:

Governmental activities:		Business-type activities:	
Fiscal Year Ending December 31,	Amount	Fiscal Year Ending December 31,	Amount
2021	\$ 11,188	2021	\$ 51,376
2022	11,223	2022	51,720
2023	11,177	2023	51,819
2024	11,175	2024	52,065
2025	11,161	2025	30,133
2026-2030	37,110	2026-2030	96,379
2031-2035	29,350	2031-2035	80,105
2036-2040	29,350	2036-2040	89,632
2041-2045	29,357	2041-2045	100,953
2046-2050	5,874	2046-2050	38,041
Total	<u>\$ 186,965</u>	Total	<u>\$ 642,223</u>

NOTE 16 – GOVERNMENTAL ACTIVITIES, BUSINESS-TYPE ACTIVITIES, AND FIDUCIARY FUNDS NET POSITION

Net position reported on the government-wide and fiduciary funds Statements of Net Position at December 31, 2020 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 payable	(1,683,545)	(2,571,943)	(4,255,488)	-
Unamortized bond premiums	(49,985)	-	(49,985)	-
Capital lease payable	(46,411)	-	(46,411)	-
Total net investment in capital assets	<u>(1,779,941)</u>	<u>(2,571,943)</u>	<u>(4,351,884)</u>	<u>-</u>
Restricted net position:				
Perpetual care - nonexpendable	70,833	-	70,833	-
Perpetual care - expendable	83,875	-	83,875	-
Drug forfeiture	4,748	-	4,748	-
Library	278,081	-	278,081	-
Water	-	837,593	837,593	-
Sewer	-	2,542,224	2,542,224	-
Hydroelectric	-	425,642	425,642	-
Individuals, organizations, and other governments	-	-	-	869,613
Total restricted net position	<u>437,537</u>	<u>3,805,459</u>	<u>4,242,996</u>	<u>869,613</u>
Unrestricted	1,300,261	-	1,300,261	-
Total net position	<u>\$ (42,143)</u>	<u>\$ 1,233,516</u>	<u>\$ 1,191,373</u>	<u>\$ 869,613</u>

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NOTE 17 – GOVERNMENTAL FUND BALANCES

Governmental fund balances reported on the fund financial statements at December 31, 2020 include the following:

	General Fund	Nonmajor Funds	Total Governmental Funds
Nonspendable:			
Tax deceded property	\$ 532	\$ -	\$ 532
Permanent fund - principal balance	-	70,833	70,833
Total nonspendable fund balance	<u>532</u>	<u>70,833</u>	<u>71,365</u>
Restricted:			
Library	278,081	-	278,081
Drug forfeiture	4,748	-	4,748
Permanent - income balance	-	83,875	83,875
Total restricted fund balance	<u>282,829</u>	<u>83,875</u>	<u>366,704</u>
Committed:			
Expendable trusts	1,277,594	-	1,277,594
Voted appropriations - March 2021	55,585	-	55,585
Bandstand	1,132	-	1,132
Conservation	-	29,302	29,302
Recreation	-	93,271	93,271
Bartlett Tyler	-	28,584	28,584
Dewey Woods	-	1,611	1,611
Town Forest	-	5,222	5,222
Total committed fund balance	<u>1,334,311</u>	<u>157,990</u>	<u>1,492,301</u>
Assigned:			
Encumbrances	31,283	-	31,283
Unassigned (deficit)	<u>2,632,806</u>	<u>(4,584)</u>	<u>2,628,222</u>
Total governmental fund balances	<u>\$ 4,281,761</u>	<u>\$ 308,114</u>	<u>\$ 4,589,875</u>

NOTE 18 – PRIOR PERIOD ADJUSTMENTS

Net position/fund balance at January 1, 2020 was restated to give retroactive effect to the following prior period adjustments:

	Governmental Activities	Governmental Activities		
		General Fund (GAAP Basis)	General Fund (Budgetary Basis)	Other Governmental Funds
To reclassify enterprise funds from governmental activities	\$ (504,028)	\$ -	\$ -	\$ (1,525,385)
To restate for various inaccurate, old and erroneous balances	459,546	503,052	503,052	(13,012)
To reclassify other funds to correct fund types per various pronouncements	-	29,187	-	(427,376)
To record Library accounts not previously reported	255,900	255,900	-	-
To record difference 60-day unavailable revenue recognition amount to prior year	-	142,633	-	-
To restate for the implementation of GASB No. 84	-	-	-	-
Net position/fund balance (deficit), as previously reported	<u>(253,702)</u>	<u>3,246,210</u>	<u>1,829,408</u>	<u>2,403,746</u>
Net position/fund balance (deficit), as restated	<u>\$ (42,284)</u>	<u>\$ 4,176,982</u>	<u>\$ 2,332,460</u>	<u>\$ 437,973</u>

(continued)

TOWN OF SUNAPEE, NEW HAMPSHIRE
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Prior period adjustments continued:

	Business-type Activities			Total	Fiduciary Funds
	Water Fund	Sewer Fund	Hydroelectric Fund		
To reclassify enterprise funds from governmental activities	\$ (729,452)	\$ (2,057,554)	\$ -	\$(2,787,006)	\$ -
To restate for various inaccurate, old and erroneous balances	39,169	116,772	(325,726)	(169,785)	-
To reclassify other funds to correct fund types per various pronouncements	-	-	-	-	-
To record Library accounts not previously reported	-	-	-	-	-
To record difference 60-day unavailable revenue recognition amount to prior year	-	-	-	-	-
To restate for the implementation of GASB No. 84	-	-	-	-	998,603
Net position/fund balance (deficit), as previously reported	686,030	1,765,649	839,355	3,291,034	134,731
Net position/fund balance (deficit), as restated	<u>\$ (4,253)</u>	<u>\$ (175,133)</u>	<u>\$ 513,629</u>	<u>\$ 334,243</u>	<u>\$ 1,133,334</u>

NOTE 19 – 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 2020, 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, 2020 to December 31, 2020 by Primex³, which retained \$1,000,000 of each workers' compensation loss, \$500,000 of each liability loss, and \$200,000 of each property loss. 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 2020 the Town paid \$60,367 and \$48,109 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.

NOTE 20 – 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.

NOTE 21 – 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.

On March 27, 2020, the United States Federal Government established the Coronavirus Aid, Relief and Economic Security (CARES) Act in response to the economic downfall caused by the COVID-19 pandemic. This Act requires that the payment from these funds be used only to cover expenses that; are necessary expenditures incurred due to the public health emergency

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with respect to COVID-19; were not accounted for in the budget approved for 2020; and were incurred during the period that begins on March 1, 2020 and ends on December 31, 2020. The Town was awarded a portion of this federal funding totaling \$122,401. In addition to funding from the CARES Act, there are several other federal and state grants available.

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

NOTE 22 – TAX ABATEMENTS

Governmental Accounting Standards Board Statement No. 77, *Tax Abatement Disclosures*, 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, 2020.

NOTE 23 – 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 May 3, 2022, the date the December 31, 2020 financial statements were available to be issued, and nothing was noted that requires recognition or disclosure.

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, 2020

	December 31,							
	2013	2014	2015	2016	2017	2018	2019	2020
Town's proportion of the net pension liability	0.07%	0.07%	0.07%	0.06%	0.07%	0.06%	0.06%	0.06%
Town's proportionate share of the net pension liability	\$ 2,904,344	\$ 2,497,942	\$ 2,625,424	\$ 3,356,147	\$ 3,215,890	\$ 2,938,239	\$ 2,991,833	\$ 4,073,165
Town's covered payroll	\$ - *	\$ - *	\$ 1,774,027	\$ 1,679,578	\$ 1,821,232	\$ 1,906,032	\$ 1,951,640	\$ 2,075,426
Town's proportionate share of the net pension liability as a percentage of its covered payroll	- % *	- % *	147.99%	199.82%	176.58%	154.15%	153.30%	196.26%
Plan fiduciary net position as a percentage of the the total pension liability	59.81%	66.32%	65.50%	58.30%	62.66%	64.73%	65.59%	58.72%

* Information not available

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, 2020

	December 31,							
	2013	2014	2015	2016	2017	2018	2019	2020
Contractually required contribution	\$167,800	\$215,897	\$ 218,780	\$ 225,285	\$ 246,009	\$ 264,786	\$ 282,265	\$ 281,213
Contributions in relation to the contractually required contributions	167,800	215,897	218,780	225,285	246,009	264,786	282,265	281,213
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
Contributions as a percentage of covered payroll	- % *	- % *	12.83%	13.08%	13.52%	13.57%	13.60%	13.37%

*Information not available

TOWN OF SUNAPEE, NEW HAMPSHIRE
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION –
PENSION LIABILITY
FOR THE FISCAL YEAR ENDED
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***Schedule of the Town’s Proportionate Share of Net Pension Liability and
Schedule of Town Contributions - Pensions***

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, 2020. 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.

Methods and Assumptions Used to Determine Contribution Rates for Fiscal Year 2020:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage-of-Payroll, Closed
Remaining Amortization Period	20 years beginning July 1, 2019 (30 years beginning July 1, 2009)
Asset Valuation Method	5-year smooth market for funding purposes: 20% corridor
Price Inflation	2.5% per year
Wage Inflation	3.25% per year (3.00% for teachers) in the 2017 valuation
Salary Increases	5.6% Average, including inflation
Municipal Bond Rate	2.45% per year
Investment Rate of Return	7.25% per year, net of investment expenses, including inflation
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Based on the 2010-215 experience study.
Mortality	RP-2014 Healthy Annuitant and Employee generational mortality tables for males and females with credibility adjustments, adjusted for fully generational mortality improvements using Scale MP-2015, based on the 2010-2015 experience study.

Other Information:

Notes	The board has adopted new assumptions based on the 2015-2019 experience study effective for employer contributions in the 2022-23 biennium.
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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, 2020

	December 31.			
	2017	2018	2019	2020
Town's proportion of the net OPEB liability	0.03%	0.04%	0.04%	0.04%
Town's proportionate share of the net OPEB liability (asset)	\$ 138,196	\$ 198,818	\$ 193,998	\$ 178,687
Town's covered payroll	\$1,821,232	\$ 1,906,032	\$1,951,640	\$ 2,075,426
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%
Plan fiduciary net position as a percentage of the total OPEB liability	7.91%	7.53%	7.75%	7.74%

The Note 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, 2020

	December 31,			
	2017	2018	2019	2020
Contractually required contribution	\$ 17,914	\$ 20,299	\$ 19,964	\$ 18,813
Contributions in relation to the contractually required contribution	17,914	20,299	19,964	18,813
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Town's covered payroll	\$ 1,819,570	\$ 1,951,640	\$ 2,075,426	\$ 2,103,121
Contributions as a percentage of covered payroll	0.98%	1.04%	0.96%	0.89%

The Note 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, 2020

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

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, 2020. 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.

The following assumptions were changed in the current year:

- Reduced the assumed rate of investment return from 7.25% to 6.75%
- Reduced the wage inflation from 3.25% to 2.75% (2.25% for teachers)
- Reduced price inflation from 2.5% to 2.0%
- Updated economic assumptions, including merit and longevity salary increases, disability rates, retirement rates, and mortality tables (specifically the new public pension plan mortality tables).

Methods and Assumptions:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage-of-Payroll, Closed
Remaining Amortization Period	Not applicable under statutory funding
Asset Valuation Method	5-year smooth market: 20% corridor
Price Inflation	2.5% per year
Wage Inflation	3.25% per year (3.00% for teachers) in the 2017 valuation
Salary Increases	5.6% Average, including inflation
Municipal Bond Rate	2.45% per year
Investment Rate of Return	7.25% per year, net of OPEB plan investment expense, including inflation for determining solvency contributions
Funding Discount Rate	3.25% per year
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Based on the 2010-2015 experience study.
Mortality	RP-2014 Healthy Annuitant and Employee generational mortality tables for males and females with credibility adjustments, adjusted for fully generational mortality improvements using Scale MP-2015, based on the 2010-2015 experience study.

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, 2020

	Estimated	Actual	Variance Positive (Negative)
Taxes:			
Property	\$4,561,763	\$4,590,426	\$ 28,663
Land use change	-	11,618	11,618
Yield	-	3,476	3,476
Excavation	-	80	80
Interest and penalties on taxes	50,000	55,173	5,173
Total from taxes	<u>4,611,763</u>	<u>4,660,773</u>	<u>49,010</u>
Licenses, permits, and fees:			
Business licenses, permits, and fees	500	1,496	996
Motor vehicle permit fees	825,000	981,626	156,626
Building permits	35,000	45,028	10,028
Other	26,000	27,028	1,028
Total from licenses, permits, and fees	<u>886,500</u>	<u>1,055,178</u>	<u>168,678</u>
Intergovernmental:			
State:			
Shared revenues	35,088	35,088	-
Meals and rooms distribution	176,553	176,553	-
Highway block grant	122,921	122,907	(14)
Water pollution grants	7,508	15,112	7,604
Federal:			
COVID relief	-	122,401	122,401
From other governments	119,376	119,376	-
Total from intergovernmental	<u>461,446</u>	<u>591,437</u>	<u>129,991</u>
Charges for services:			
Income from departments	102,000	112,812	10,812
Miscellaneous:			
Interest on investments	50,000	43,451	(6,549)
Other	22,000	78,173	56,173
Total from miscellaneous	<u>72,000</u>	<u>121,624</u>	<u>49,624</u>
Other financing sources:			
Transfers in	833,701	833,701	-
Total revenues and other financing sources	6,967,410	<u>\$7,375,525</u>	<u>\$408,115</u>
Unassigned fund balance used to reduce tax rate	300,000		
Amounts voted from fund balance	16,800		
Total revenues, other financing sources, and use of fund balance	<u>\$7,284,210</u>		

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, 2020

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
General government:					
Executive	\$ -	\$ 332,502	\$ 336,889	\$ -	\$ (4,387)
Election and registration	-	245,986	221,321	8,680	15,985
Financial administration	-	228,848	219,365	1,324	8,159
Revaluation of property	-	116,644	74,998	-	41,646
Legal	-	18,000	12,188	-	5,812
Personnel administration	-	1,000	66	-	934
Planning and zoning	-	57,839	45,333	-	12,506
General government buildings	-	262,206	231,019	-	31,187
Cemeteries	-	13,636	12,917	-	719
Insurance, not otherwise allocated	-	8,068	6,527	-	1,541
Advertising and regional associations	-	14,272	8,159	-	6,113
Other	5,762	31,128	86,621	-	(49,731)
Total general government	5,762	1,330,129	1,255,403	10,004	70,484
Public safety:					
Police	-	886,577	911,201	-	(24,624)
Ambulance	-	61,886	61,886	-	-
Fire	-	236,998	212,529	3,804	20,665
Emergency management	-	200	-	-	200
Other	-	149,955	145,239	-	4,716
Total public safety	-	1,335,616	1,330,855	3,804	957
Highways and streets:					
Highways and streets	-	1,966,761	1,915,152	17,475	34,134
Street lighting	-	16,800	16,184	-	616
Total highways and streets	-	1,983,561	1,931,336	17,475	34,750
Sanitation:					
Solid waste disposal	-	558,246	567,700	-	(9,454)
Health:					
Administration	-	5,323	405	-	4,918
Pest control	-	500	-	-	500
Health agencies	-	15,176	15,176	-	-
Total health	-	20,999	15,581	-	5,418
Welfare:					
Administration and direct assistance	-	42,354	21,305	-	21,049
Culture and recreation:					
Parks and recreation	-	164,297	138,405	-	25,892
Library	-	439,402	377,273	-	62,129
Patriotic purposes	-	200	235	-	(35)
Other	-	5,000	5,000	-	-
Total culture and recreation	-	608,899	520,913	-	87,986
Conservation	-	3,775	8,775	-	(5,000)

(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, 2020

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Debt service:					
Principal of long-term debt	-	263,609	263,609	-	-
Interest on long-term debt	-	51,520	51,682	-	(162)
Interest on tax anticipation notes	-	1,000	-	-	1,000
Total debt service	-	<u>316,129</u>	<u>315,291</u>	-	<u>838</u>
Capital outlay	-	<u>633,702</u>	<u>575,321</u>	-	<u>58,381</u>
Other financing uses:					
Transfers out	-	<u>450,800</u>	<u>450,800</u>	-	-
Total appropriations, expenditures, other financing uses, and encumbrances	<u>\$ 5,762</u>	<u>\$ 7,284,210</u>	<u>\$ 6,993,280</u>	<u>\$ 31,283</u>	<u>\$ 265,409</u>

SCHEDULE 3
TOWN OF SUNAPEE, NEW HAMPSHIRE
Major General Fund
Schedule of Changes in Unassigned Fund Balance
For the Fiscal Year Ended December 31, 2020

Unassigned fund balance, beginning (Non-GAAP Budgetary Basis), as restated (see Note 18)	\$ 2,332,460
Changes:	
Unassigned fund balance used to reduce 2020 tax rate	(300,000)
Amounts voted from fund balance	(16,800)
2020 Budget summary:	
Revenue surplus (Schedule 1)	\$ 408,115
Unexpended balance of appropriations (Schedule 2)	265,409
2020 Budget surplus	673,524
Decrease in nonspendable fund balance	47,053
Increase in committed fund balance	(55,585)
Unassigned fund balance, ending (Non-GAAP Budgetary Basis)	2,680,652
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	(70,701)
Elimination of the allowance for uncollectible taxes	22,855
Unassigned fund balance, ending, GAAP basis (Exhibit C-1)	\$ 2,632,806

SCHEDULE 4
TOWN OF SUNAPEE, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2020

	Special Revenue Funds							Permanent Fund	Total
	Conservation Commission	Recreation	Bartlett Tyler	Dewey Woods	Coffin Memorial	Town Forest	Public Safety Services		
ASSETS									
Cash and cash equivalents	\$ 168,550	\$ 89,831	\$ 28,584	\$ 1,611	\$ 256	\$ 5,222	\$ 2,622	\$ 154,452	\$ 451,128
Accounts receivable	-	3,440	-	-	-	-	-	-	3,440
Interfund receivable	-	-	-	-	-	-	-	256	256
Total assets	\$ 168,550	\$ 93,271	\$ 28,584	\$ 1,611	\$ 256	\$ 5,222	\$ 2,622	\$ 154,708	\$ 454,824
LIABILITIES AND FUND BALANCES									
Liabilities:									
Interfund payable	\$ 139,248	\$ -	\$ -	\$ -	\$ 256	\$ -	\$ 7,206	\$ -	\$ 146,710
Fund balances (deficit):									
Nonspendable	-	-	-	-	-	-	-	70,833	70,833
Restricted	-	-	-	-	-	-	-	83,875	83,875
Committed	29,302	93,271	28,584	1,611	-	5,222	-	-	157,990
Unassigned (deficit)	-	-	-	-	-	-	(4,584)	-	(4,584)
Total fund balances (deficit)	29,302	93,271	28,584	1,611	-	5,222	(4,584)	154,708	308,114
Total liabilities and fund balances	\$ 168,550	\$ 93,271	\$ 28,584	\$ 1,611	\$ 256	\$ 5,222	\$ 2,622	\$ 154,708	\$ 454,824

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, 2020

	Special Revenue Funds							Permanent Fund	Total
	Conservation Commission	Recreation	Bartlett Tyler	Dewey Woods	Coffin Memorial	Town Forest	Public Safety Services		
Revenues:									
Taxes	\$ 13,347	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,347
Charges for services	-	26,537	-	-	-	-	4,878	-	31,415
Miscellaneous	117	114	-	1	-	5	-	777	1,014
Total revenues	<u>13,464</u>	<u>26,651</u>	<u>-</u>	<u>1</u>	<u>-</u>	<u>5</u>	<u>4,878</u>	<u>777</u>	<u>45,776</u>
Expenditures:									
Current:									
General government	-	-	477	-	-	-	-	-	477
Public safety	-	-	-	-	-	-	7,749	-	7,749
Culture and recreation	-	15,998	-	-	-	-	-	-	15,998
Conservation	206,411	-	-	-	-	-	-	-	206,411
Total expenditures	<u>206,411</u>	<u>15,998</u>	<u>477</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,749</u>	<u>-</u>	<u>230,635</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(192,947)</u>	<u>10,653</u>	<u>(477)</u>	<u>1</u>	<u>-</u>	<u>5</u>	<u>(2,871)</u>	<u>777</u>	<u>(184,859)</u>
Other financing sources (uses):									
Transfers in	55,000	-	-	-	-	-	-	256	55,256
Transfers out	-	-	-	-	(256)	-	-	-	(256)
Total other financing sources (uses)	<u>55,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(256)</u>	<u>-</u>	<u>-</u>	<u>256</u>	<u>55,000</u>
Net change in fund balances	(137,947)	10,653	(477)	1	(256)	5	(2,871)	1,033	(129,859)
Fund balances, beginning, as restated (see Note 18)	167,249	82,618	29,061	1,610	256	5,217	(1,713)	153,675	437,973
Fund balances, ending	<u>\$ 29,302</u>	<u>\$ 93,271</u>	<u>\$ 28,584</u>	<u>\$ 1,611</u>	<u>\$ -</u>	<u>\$ 5,222</u>	<u>\$ (4,584)</u>	<u>\$ 154,708</u>	<u>\$ 308,114</u>

SCHEDULE 6
TOWN OF SUNAPEE, NEW HAMPSHIRE
Custodial Funds
Combining Schedule of Fiduciary Net Position
December 31, 2020

	Custodial Funds						Total
	Taxes	School Trust Funds	Sunapee Center Association	Habor Ridge	Land Disturbance	Planning & Zoning Escrows	
ASSETS							
Cash and cash equivalents	\$ 5,628,505	\$ 634,792	\$ 451	\$ 3,214	\$ -	\$ -	\$ 6,266,962
Intergovernmental receivables	-	100,000	-	-	80,000	-	180,000
Total assets	<u>5,628,505</u>	<u>734,792</u>	<u>451</u>	<u>3,214</u>	<u>80,000</u>	<u>-</u>	<u>6,446,962</u>
LIABILITIES							
Intergovernmental payables:							
School	5,628,505	-	-	-	-	-	5,628,505
Escrow payable	-	-	-	-	80,000	-	80,000
Total liabilities	<u>5,628,505</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>80,000</u>	<u>-</u>	<u>5,708,505</u>
NET POSITION							
Restricted	<u>\$ -</u>	<u>\$ 734,792</u>	<u>\$ 451</u>	<u>\$ 3,214</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 738,457</u>

SCHEDULE 7
TOWN OF SUNAPEE, NEW HAMPSHIRE
Custodial Funds
Combining Schedule of Changes in Fiduciary Net Position
For the Fiscal Year Ended December 31, 2020

	Custodial Funds						Total
	Taxes	School Trust Funds	Sunapee Center Association	Habor Ridge	Land Disturbance	Planning & Zoning Escrows	
Additions:							
Contributions	\$ -	\$ 100,000	\$ -	\$ -	\$ -	\$ 1,600	\$ 101,600
Investment earnings	-	4,595	-	3	-	-	4,598
Tax collections for other governments	15,388,978	-	-	-	-	-	15,388,978
Other	-	-	-	-	-	1,544	1,544
Total additions	<u>15,388,978</u>	<u>104,595</u>	<u>-</u>	<u>3</u>	<u>-</u>	<u>3,144</u>	<u>15,496,720</u>
Deductions							
Trust purposes	-	361,383	-	-	-	-	361,383
Payments of taxes to other governments	15,388,978	-	-	-	-	-	15,388,978
Payments for escrow purposes	-	-	-	-	-	6,505	6,505
Total deductions	<u>15,388,978</u>	<u>361,383</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,505</u>	<u>15,756,866</u>
Net increase (decrease) in fiduciary net position	-	(256,788)	-	3	-	(3,361)	(260,146)
Net position, beginning, as restated (see Note 18)	-	991,580	451	3,211	-	3,361	998,603
Net position, ending	<u>\$ -</u>	<u>\$ 734,792</u>	<u>\$ 451</u>	<u>\$ 3,214</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 738,457</u>



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, 2020, 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 May 3, 2022.

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 a material weakness:

2020-01 General Town Policies

During our audit, we noted that the Town's finance department appeared disorganized and not up to date with its workload. 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 and Town Manager annually. Credit card use by 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.

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: In the year 2020, seasoned Town employees were in their positions i.e. town manager of approximately 17 years and a finance manager of approximately 27 years.

2020-02 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. Best practices suggest that an accounting department be properly staffed and organized 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: In the year 2020, the finance office was considered fully staffed. Any deficiencies found should be presented in the context of the staffing structure that was in place in 2020.

2020-03 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.

Management's Response: The people in management who meant to address these issues are no longer employed by the Town of Sunapee. There are new people employed who look forward to the upcoming management letter and will address the new findings. It is likely the same weaknesses /deficiencies addressed in the 2020 audit will likely still exist in the 2021 audit. We look forward to working on making the noted improvements.

2020-04 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.
- iii. The Town does not have a Deputy Treasurer.
- iv. The Treasurer is not making deposits and has not issued a delegation of deposit authority to Town staff to do deposits pursuant to RSA 41:29, *Duties of Elected and Appointed Town Treasurer*.

The Treasurer should be approving the Finance Office's reconciliation as well as creating their own reconciliation for each account. The Town should appoint a Deputy Treasurer to perform the duties of the Treasurer if they are unable to do so, in accordance with RSA 41:29-a, *Deputy Treasurer*. State RSA 41:29, *Duties of Elected and Appointed Town Treasurers*, require the Treasurer to maintain a cashbook for each account in their custody. The lack of a Deputy Treasurer leaves the Town open to an increased risk loss of continuous operations if the Treasurer is unable to perform their duties. 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, the Town should appoint someone as the Deputy Treasurer to perform the duties of the Treasurer if and when the Treasurer is unable to do so. A cashbook should be maintained for each account in the Treasurer's custody. The Treasurer and Board of Selectmen should prepare and formally adopt delegation of deposit authority in order to be in compliance with the noted requirements.

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: The Treasurer during this time frame no longer works for the Town of Sunapee. In 2022 a new Treasurer was elected who looks forward to the upcoming management letter and will address the new findings. It is likely the same weaknesses/deficiencies addressed in the 2020 audit will likely still exist in the 2021 audit. We look forward to working on making the noted improvements.

2020-05 Town Permanent Records

We noted that many personnel files contain data that is either old or incomplete. Maintaining personnel files is an important internal control. Additionally, we noted that personnel files did not contain current/accurate pay rate documentation. Information was lacking regarding COLA's and other wage adjustments. Additionally, job descriptions are either outdated or do not exist. Finally, two of the five full time employees enrolled in NHRS tested did not have copies of the NHRS enrollment forms in their personnel file. Complete and current personnel files should be established and maintained in a secured location for each employee. Files should include the following:

- Employment history including hire date
- Address of next of kin and emergency contact notification information
- Authorized salary data and withholding/adjustment authorization
- Employment contracts
- Authorized and current payroll deductions
- Current federal and state withholding tax forms
- Vacation data
- Sick leave data
- Reference checks and responses
- Management authorization of all personnel changes
- Formal pay rate documentation that is signed by the employee and supervisor
- NHRS enrollment forms and beneficiary forms

This lack of documentation can result in an inability to determine if employees are being paid correctly and may result in other penalties etc. for federal tax reporting. Employees may not be properly enrolled in NHRS. It was further noted that personnel files were maintained in unlocked file cabinets where many employees of the Town would have access. We recommend that the Town review current personnel files and remove old and outdated information. They should also ensure all required documentation is present for each employee and that those records are secured and only accessible to those employees that are specifically identified as needing access.

Management's Response: The people in management who meant to address these issues are no longer employed by the Town of Sunapee. There are new people employed who look forward to the upcoming management letter and will address the new findings. It is likely the same weaknesses/deficiencies addressed in the 2020 audit will likely still exist in the 2021 audit. We look forward to working on making the noted improvements.

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:

2020-06 Capital Reserve Transfers

There were 7 warrant articles voted in 2020 requiring transfer from the general fund to the capital reserve (6) and non-capital reserve (1) funds for voted appropriations that were not transferred over until January 26, 2021. RSA 35:12, *Appropriations*, states that the monies need to be transferred on or before December 15th following the vote taken. It was also noted that requests to reimburse the general fund for amounts expended as agents to expend from capital reserves or related to warrant articles are also not being completed timely. The Town is not in compliance with State Statutes as well as lost interest income on the funds in the trust funds. It is recommended that the transfer of funds to the Trustee of Trust Funds should occur well before December 15th of each year and that funds requested as reimbursements be done on a regular basis in order to ensure accurate tracking of any interfund balances owed between the funds.

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: The people in management who meant to address these issues are no longer employed by the Town of Sunapee. There are new people employed who look forward to the upcoming management letter and will address the new findings. It is likely the same weaknesses/deficiencies addressed in the 2020 audit will likely still exist in the 2021 audit. We look forward to working on making the noted improvements.

2020-07 Disbursement Procedures

We noted several areas of concern related to the Town's processing of disbursements. These are listed below:

- Checks produced in late February 2021 were back dated using a December 31, 2020 date. These checks were then included in the list of payables at December 31, 2020 and posted directly to the accounts payable account thus not affecting cash as of December 31, 2020.
- As noted previously the Town is lacking a purchasing policy and is not utilizing a purchase order system to manage purchases.
- Several disbursements made from the Town's water and sewer funds were made payable to "cash" rather than an individual or business.
- Manifests for water and sewer disbursements are not approved by the Commissioners until after the payments have been made.
- Three invoices reviewed were not stamped as received by the finance department and one invoice was lacking documentation of approval to pay.

Proper cutoff is extremely critical in all aspects of accounting. Any process or procedure that holds the books open or closes them in advance will yield inaccurate financial results. 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. Checks should not be written out to cash because if they are misplaced or stolen anyone would be able to cash the checks. Checks if replenishing petty cash should be written out to the individual who has custody of the petty cash. 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 posted 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. Finally, we strongly recommend that checks are no longer made out to cash.

Management's Response: The people in management who meant to address these issues are no longer employed by the Town of Sunapee. There are new people employed who look forward to the upcoming management letter and will address the new findings. It is likely the same weaknesses/deficiencies addressed in the 2020 audit will likely still exist in the 2021 audit. We look forward to working on making the noted improvements.

2020-08 Cash Receipts

We noted that there was a lack of segregation of duties within the cash receipts area. The objective of internal control over cash receipts is to obtain control over amounts received at the time of receipt. We feel that separating these closely related functions in the cash receipts system of the Town will result in much greater internal control in this particular area. To achieve this control, certain duties involving receipts should be handled by more than one member of the Town's personnel. The following procedures should be enacted to ensure efficient internal control:

- One employee, should open the mail, make a control list of all receipts, and restrictively endorse all items received as "for deposit only." This would prevent any unauthorized endorsement should the checks be misplaced or lost before being deposited.
- The receipts should then go to another employee for further processing and deposit to the bank on a timely basis.
- Someone who does not otherwise handle receipts should compare the deposit slips to the list of receipts to ensure that all funds reflected on the receipts were deposited.

We further noted that one selected cash receipt related to the transfer station was lacking a copy of the deposit slip and there was no evidence of documented review of the amount included in the deposit. Where a complete segregation of duties is not possible, the Town should incorporate compensating controls to provide reasonable assurance that transactions are being monitored for accuracy and propriety. The Town should also ensure that all supporting documentation for cash receipts are kept on file at the Town office.

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*

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2020-09 Town Trust Funds

While documenting internal controls and testing the Town's trust funds the following was noted:

- No individual summaries of each trust fund are maintained. The annual MS-9 report is based off of the bank statements.
- There is no monthly reconciliation performed on the bank statement as there are no separate summaries prepared to allow for a reconciliation to be performed.
- There were two trust funds voted at the 2019 Annual Town Meeting to be closed and as of the end of 2021 they still remain open.
- 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.

Trustees should prepare individual summaries for each trust fund to record all transactions in the funds and track the ending balances. These summaries should be used in monthly bank reconciliations in order to make sure the bank balances are accurate. The Town has voted to close two trust funds, so they should be closed in the year in which it was voted on. It is unknown why these two trust funds have not been closed to date. The lack of proper reconciliation can result in bank errors that may not be found if there are no separate summaries prepared by the Trustees. This could result in misstated MS-9 forms and bank balances. The Town is not following approved warrant articles and closing out funds that have been approved. We recommend that summaries for each trust fund be maintained and that those summaries be reconciled monthly to the bank statement; as well as the two trust funds that were voted to be closed should be closed into the general fund. In addition, 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: The people in management who meant to address these issues are no longer employed by the Town of Sunapee. There are new people employed who look forward to the upcoming management letter and will address the new findings. It is likely the same weaknesses/deficiencies addressed in the 2020 audit will likely still exist in the 2021 audit. We look forward to working on making the noted improvements.

2020-10 Accounts Setup

While testing the interfund balances and transfers between the general fund and hydro fund it was noted that each fund had an interfund transfer account that was set up as balance sheet account in each fund. Transfers in and out accounts are to be set up as revenue and expenditure accounts and are not balance sheet accounts. The accounting system account structure is not set up properly and transfers in and out are not being shown as revenues and expenditures thus the accounts are running balances that should not exist. We recommend that the Town make sure that all accounts in the general ledger system be set up properly based on the type of account, i.e., asset, liability, etc. and that if any accounts are incorrect that they be corrected and to make sure any new accounts added are properly set up.

Management's Response: The people in management who meant to address these issues are no longer employed by the Town of Sunapee. There are new people employed who look forward to the upcoming management letter and will address the new findings. It is likely the same weaknesses/deficiencies addressed in the 2020 audit will likely still exist in the 2021 audit. We look forward to working on making the noted improvements.

2020-11 Adjusting Journal Entries

During both documentation of adjusting journal entries internal controls and during adjusting journal entry testing it was noted that there was no approval of adjusting journal entries. In addition, it was noted during adjusting journal entry testing that there were several entries made that were not in balance. All adjusting journal entries should have formal approval to ensure that they are appropriate. Continuation of this practice can lead to incorrect adjusting journal entries being posted to the general ledger. We recommend the Town to implement a formal review and approval process for adjusting journal entries.

Town of Sunapee

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In addition, we noted other matters involving internal control and its operation that we have reported to the management of the Town of Sunapee in a separate letter, also dated May 3, 2022.

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.

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.

Sheryl A. Platt, CPA

May 3, 2022

PLODZIK & SANDERSON
Professional Association