

**TOWN OF SUNAPEE,  
NEW HAMPSHIRE**

**ANNUAL FINANCIAL REPORT**

**AS OF AND FOR THE FISCAL YEAR ENDED  
DECEMBER 31, 2021**

**TOWN OF SUNAPEE, NEW HAMPSHIRE**  
**ANNUAL FINANCIAL REPORT**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2021**

**TABLE OF CONTENTS**

		<u>PAGES</u>
	<b>INDEPENDENT AUDITOR'S REPORT .....</b>	1 - 3
 <b>BASIC FINANCIAL STATEMENTS</b> 		
<b>Government-wide Financial Statements</b>		
A	Statement of Net Position .....	4
B	Statement of Activities .....	5
<b>Fund Financial Statements</b>		
<i>Governmental Funds</i>		
C-1	Balance Sheet .....	6
C-2	Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position.....	7
C-3	Statement of Revenues, Expenditures, and Changes in Fund Balances.....	8
C-4	Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities .....	9
<i>Budgetary Comparison Information</i>		
D	Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) – General Fund .....	10
<i>Proprietary Funds</i>		
E-1	Statement of Net Position .....	11
E-2	Statement of Revenues, Expenses, and Changes in Net Position .....	12
E-3	Statement of Cash Flows .....	13
<i>Fiduciary Funds</i>		
F-1	Statement of Fiduciary Net Position .....	14
F-2	Statement of Changes in Fiduciary Net Position .....	15
	<b>NOTES TO THE BASIC FINANCIAL STATEMENTS .....</b>	16 - 41
 <b>REQUIRED SUPPLEMENTARY INFORMATION</b> 		
G	Schedule of the Town's Proportionate Share of Net Pension Liability .....	42
H	Schedule of Town Contributions – Pensions .....	43
<b>NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION -</b>		
	<b>PENSION LIABILITY .....</b>	44
I	Schedule of the Town's Proportionate Share of Net Other Postemployment Benefits Liability .....	45
J	Schedule of Town Contributions – Other Postemployment Benefits .....	46
<b>NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION -</b>		
	<b>OTHER POSTEMPLOYMENT BENEFITS LIABILITY.....</b>	47

**TOWN OF SUNAPEE, NEW HAMPSHIRE**  
**ANNUAL FINANCIAL REPORT**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2021**

**TABLE OF CONTENTS**

		<u>PAGES</u>
<b>COMBINING AND INDIVIDUAL FUND SCHEDULES</b>		
<b>Governmental Funds</b>		
<i>Major General Fund</i>		
1	Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis).....	48
2	Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis) .....	49 - 50
3	Schedule of Changes in Unassigned Fund Balance.....	51
<i>Nonmajor Governmental Funds</i>		
4	Combining Balance Sheet .....	52
5	Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances.....	53
<b>Fiduciary Funds</b>		
<i>Custodial Funds</i>		
6	Combining Schedule of Fiduciary Net Position .....	54
7	Combining Schedule of Changes in Fiduciary Net Position .....	55
 <b>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</b> .....		
		56 - 62



# PLODZIK & SANDERSON

*Professional Association/Certified Public Accountants*

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

## ***INDEPENDENT AUDITOR'S REPORT***

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

### **Report on the Financial Statements**

#### ***Adverse and Unmodified Opinions***

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major governmental and proprietary fund, and aggregate remaining fund information of the Town of Sunapee as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

#### **Summary of Opinions**

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

#### ***Adverse Opinion on Governmental Activities, Business-type Activities, and Proprietary Funds***

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 accompanying financial statements do not present fairly the financial position of the governmental activities, business-type activities, and proprietary funds of the Town of Sunapee, as of December 31, 2021, and 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 accompanying financial statements present fairly, in all material respects, the respective financial position of the major governmental fund and aggregate remaining fund information of the Town of Sunapee as of December 31, 2021, and the respective changes in financial position, and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

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

***Basis for Adverse Opinion on Governmental Activities, Business-type Activities, and Proprietary Funds***

As discussed in Notes 1-B and 1-D 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 14-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.

***Responsibilities of Management for the Financial Statements***

The Town of Sunapee's 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

***Auditor's Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town of Sunapee's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Sunapee's ability to continue as a going concern for a reasonable period of time.

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

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

**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.

Management has omitted a Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by the missing information.

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

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

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 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.

*Sheryl A. Platt, CPA*

October 26, 2022

PLODZIK & SANDERSON  
Professional Association

***BASIC FINANCIAL STATEMENTS***

**EXHIBIT A**  
**TOWN OF SUNAPEE, NEW HAMPSHIRE**  
**Statement of Net Position**  
**December 31, 2021**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 9,947,185	\$ 4,385,820	\$ 14,333,005
Investments	240,717	-	240,717
Taxes receivables (net)	638,957	-	638,957
Account receivables	-	84,247	84,247
Intergovernmental receivable	479,944	753,910	1,233,854
Tax deceded property, subject to resale	6,361	-	6,361
Total assets	11,313,164	5,223,977	16,537,141
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Amounts related to pensions	572,384	109,025	681,409
Amounts related to other postemployment benefits	8,928	1,700	10,628
Total deferred outflows of resources	581,312	110,725	692,037
<b>LIABILITIES</b>			
Accounts payable	279,146	12,756	291,902
Accrued salaries and benefits	154,659	-	154,659
Retainage payable	-	20,286	20,286
Accrued interest payable	13,417	48,004	61,421
Intergovernmental payable	5,789,535	3,897	5,793,432
Internal balances	(485,347)	485,347	-
Other	16,722	-	16,722
Long-term liabilities:			
Due within one year	193,347	186,078	379,425
Due in more than one year	4,099,950	3,021,586	7,121,536
Total liabilities	10,061,429	3,777,954	13,839,383
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - property taxes	41,430	-	41,430
Unavailable revenue - grants	182,526	-	182,526
Unavailable revenue - received in advance	3,920	12,837	16,757
Amounts related to pensions	726,433	138,368	864,801
Amounts related to other postemployment benefits	1,753	334	2,087
Total deferred inflows of resources	956,062	151,539	1,107,601
<b>NET POSITION</b>			
Net investment in capital assets	(1,468,033)	(2,722,090)	(4,190,123)
Restricted	442,992	4,127,299	4,570,291
Unrestricted	1,902,026	-	1,902,026
Total net position	\$ 876,985	\$ 1,405,209	\$ 2,282,194

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, 2021**

	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	
<b>Governmental activities:</b>							
General government	\$ 1,309,224	\$ 81,932	\$ 3,778	\$ -	\$ (1,223,514)	\$ -	\$ (1,223,514)
Public safety	1,399,949	16,955	41,910	-	(1,341,084)	-	(1,341,084)
Highways and streets	2,059,824	-	-	120,100	(1,939,724)	-	(1,939,724)
Sanitation	552,219	257,201	-	-	(295,018)	-	(295,018)
Health	15,231	-	-	-	(15,231)	-	(15,231)
Welfare	22,177	-	-	-	(22,177)	-	(22,177)
Culture and recreation	685,651	158,899	-	-	(526,752)	-	(526,752)
Conservation	4,385	-	-	-	(4,385)	-	(4,385)
Interest on long-term debt	15,715	-	-	-	(15,715)	-	(15,715)
Total governmental activities	<u>6,064,375</u>	<u>514,987</u>	<u>45,688</u>	<u>120,100</u>	<u>(5,383,600)</u>	<u>-</u>	<u>(5,383,600)</u>
<b>Business-type activities:</b>							
Water	717,449	623,870	850	-	-	(92,729)	(92,729)
Sewer	1,002,443	1,238,409	16,895	-	-	252,861	252,861
Hydroelectric	95,266	223,285	-	-	-	128,019	128,019
Total business-type activities	<u>1,815,158</u>	<u>2,085,564</u>	<u>17,745</u>	<u>-</u>	<u>-</u>	<u>288,151</u>	<u>288,151</u>
Total	<u>\$ 7,879,533</u>	<u>\$ 2,600,551</u>	<u>\$ 63,433</u>	<u>\$ 120,100</u>	<u>(5,383,600)</u>	<u>288,151</u>	<u>(5,095,449)</u>
General revenues:							
Taxes:							
Property					4,596,239	-	4,596,239
Other					70,000	-	70,000
Motor vehicle permit fees					1,081,983	-	1,081,983
Licenses and other fees					90,469	-	90,469
Grants and contributions not restricted to specific programs					257,424	-	257,424
Unrestricted investment earnings					59,648	(66,458)	(6,810)
Miscellaneous					70,141	-	70,141
Total general revenues					<u>6,225,904</u>	<u>(66,458)</u>	<u>6,159,446</u>
Transfers					50,000	(50,000)	-
Total general revenues and transfers					<u>6,275,904</u>	<u>(116,458)</u>	<u>6,159,446</u>
Change in net position					892,304	171,693	1,063,997
Net position, beginning as restated (see Note 19)					(15,319)	1,233,516	1,218,197
Net position, ending					<u>\$ 876,985</u>	<u>\$1,405,209</u>	<u>\$ 2,282,194</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, 2021**

	General	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 7,247,199	\$ 534,511	\$ 7,781,710
Receivables:			
Taxes	648,939	-	648,939
Intergovernmental receivable	304,167	-	304,167
Interfund receivable	570,981	256	571,237
Tax deeded property, subject to resale	6,361	-	6,361
Restricted assets:			
Cash and cash equivalents	2,165,475	-	2,165,475
Investments	240,717	-	240,717
Total assets	<u>\$ 11,183,839</u>	<u>\$ 534,767</u>	<u>\$ 11,718,606</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 279,146	\$ -	\$ 279,146
Accrued salaries and benefits	154,659	-	154,659
Intergovernmental payable	5,789,535	-	5,789,535
Interfund payable	-	85,890	85,890
Other	16,722	-	16,722
Total liabilities	<u>6,240,062</u>	<u>85,890</u>	<u>6,325,952</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - Property taxes	94,592	-	94,592
Unavailable revenue - grants	182,526	-	182,526
Unavailable revenue - received in advance	-	3,920	3,920
Total deferred inflows of resources	<u>277,118</u>	<u>3,920</u>	<u>281,038</u>
<b>FUND BALANCES (DEFICIT)</b>			
Nonspendable	6,361	70,833	77,194
Restricted	291,201	84,050	375,251
Committed	1,213,694	292,276	1,505,970
Assigned	79,400	-	79,400
Unassigned (deficit)	3,076,003	(2,202)	3,073,801
Total fund balances	<u>4,666,659</u>	<u>444,957</u>	<u>5,111,616</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 11,183,839</u>	<u>\$ 534,767</u>	<u>\$ 11,718,606</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, 2021**

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

Total fund balances of governmental funds (Exhibit C-1)		\$ 5,111,616
Differences between expected and actual experiences, assumption changes and net differences between projected and actual earnings and contributions subsequent to the measurement date for the post-retirement benefits (pension and OPEB) are recognized as deferred outflows of resources and deferred inflows of resources on the Statement of Net Position.		
Deferred outflows of resources related to pensions	\$ 572,384	
Deferred inflows of resources related to pensions	(726,433)	
Deferred outflows of resources related to OPEB	8,928	
Deferred inflows of resources related to OPEB	<u>(1,753)</u>	
		(146,874)
Interfund receivables and payables between governmental funds are eliminated on the Statement of Net Position.		
Receivables	\$ (85,890)	
Payables	<u>85,890</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.		
		175,777
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	\$ 53,162	
Allowance for uncollectible taxes	<u>(9,982)</u>	
		43,180
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(13,417)
Long-term liabilities that are not due and payable in the current period, therefore, are not reported in the governmental funds.		
Bonds	\$ 1,419,213	
Unamortized bond premium	24,993	
Capital lease	23,827	
Accrued landfill postclosure care costs	276,000	
Net pension liability	2,411,197	
Other postemployment benefits	<u>138,067</u>	
		<u>(4,293,297)</u>
Net position of governmental activities (Exhibit A)		<u>\$ 876,985</u>

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

**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, 2021**

	General	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>			
Taxes	\$4,656,125	\$ 14,780	\$4,670,905
Licenses and permits	1,172,452	-	1,172,452
Intergovernmental	526,359	41,910	568,269
Charges for services	208,315	172,802	381,117
Miscellaneous	111,562	18,229	129,791
Total revenues	<u>6,674,813</u>	<u>247,721</u>	<u>6,922,534</u>
<b>EXPENDITURES</b>			
Current:			
General government	1,328,500	-	1,328,500
Public safety	1,406,894	56,463	1,463,357
Highways and streets	1,874,405	-	1,874,405
Sanitation	559,713	-	559,713
Health	15,231	-	15,231
Welfare	22,177	-	22,177
Culture and recreation	587,126	108,730	695,856
Conservation	3,700	685	4,385
Debt service:			
Principal	264,335	-	264,335
Interest	44,247	-	44,247
Capital outlay	205,411	-	205,411
Total expenditures	<u>6,311,739</u>	<u>165,878</u>	<u>6,477,617</u>
Excess of revenues over expenditures	<u>363,074</u>	<u>81,843</u>	<u>444,917</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	50,000	55,000	105,000
Transfers out	(55,000)	-	(55,000)
Total other financing sources (uses)	<u>(5,000)</u>	<u>55,000</u>	<u>50,000</u>
Net change in fund balances	358,074	136,843	494,917
Fund balances, beginning, as restated (see Note 19)	4,308,585	308,114	4,616,699
Fund balances, ending	<u>\$4,666,659</u>	<u>\$ 444,957</u>	<u>\$5,111,616</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, 2021*

Amounts reported for governmental activities in the Statement of Activities are different because:		
Net change in fund balances of governmental funds (Exhibit C-3)		\$ 494,917
Transfers in and out between governmental funds are eliminated on the Statement of Activities.		
Transfers in	\$ (55,000)	
Transfers out	<u>55,000</u>	-
Revenue in the Statement of Activities that does not provide current financial resources are not reported as revenue in the governmental funds.		
Change in deferred tax revenue	\$ (4,666)	
Change in long-term state aid receivables	<u>(11,189)</u>	(15,855)
Bond and other debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond and other debt principal is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the Statement of Net Position.		
Repayment of bond principal	\$ 264,332	
Repayment of capital lease	22,584	
Amortization of bond premium	<u>24,992</u>	311,908
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	\$ 3,543	
Increase in accrued landfill postclosure care costs	(11,400)	
Net change in net pension liability, and deferred outflows and inflows of resources related to pensions	98,028	
Net change in net other postemployment benefits liability and deferred outflows and inflows of resources related to other postemployment benefits	<u>11,163</u>	101,334
Change in net position of governmental activities (Exhibit B)		<u><u>\$ 892,304</u></u>

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

**EXHIBIT D**  
**TOWN OF SUNAPEE, NEW HAMPSHIRE**  
*Statement of Revenues, Expenditures, and Changes in Fund Balance*  
*Budget and Actual (Non-GAAP Budgetary Basis)*  
**General Fund**  
**For the Fiscal Year Ended December 31, 2021**

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Taxes	\$4,617,529	\$4,651,459	\$ 33,930
Licenses and permits	1,155,980	1,172,452	16,472
Intergovernmental	494,117	526,359	32,242
Charges for services	137,450	205,565	68,115
Miscellaneous	85,800	93,220	7,420
Total revenues	<u>6,490,876</u>	<u>6,649,055</u>	<u>158,179</u>
<b>EXPENDITURES</b>			
Current:			
General government	1,361,764	1,328,496	33,268
Public safety	1,422,867	1,403,090	19,777
Highways and streets	1,834,723	1,856,930	(22,207)
Sanitation	626,856	559,713	67,143
Health	21,170	15,231	5,939
Welfare	42,535	22,177	20,358
Culture and recreation	640,473	581,748	58,725
Conservation	3,775	3,700	75
Debt service:			
Principal	264,335	264,335	-
Interest	45,263	44,247	1,016
Capital outlay	303,700	274,811	28,889
Total expenditures	<u>6,567,461</u>	<u>6,354,478</u>	<u>212,983</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(76,585)</u>	<u>294,577</u>	<u>371,162</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	274,200	308,235	34,035
Transfers out	(503,200)	(503,200)	-
Total other financing sources (uses)	<u>(229,000)</u>	<u>(194,965)</u>	<u>34,035</u>
Net change in fund balances	<u>\$ (305,585)</u>	99,612	<u>\$ 405,197</u>
Increase in nonspendable fund balance		(5,829)	
Increase in restricted fund balance		(3,092)	
Decrease in committed fund balance		55,585	
Unassigned fund balance, beginning, as restated (see Note 19)		2,972,907	
Unassigned fund balance, ending		<u>\$ 3,119,183</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, 2021**

	Business-type Activities			Total Enterprise Funds
	Enterprise Funds			
	Water	Sewer	Hydroelectric	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,010,478	\$ 2,494,058	\$ 881,284	\$ 4,385,820
Receivables:				
Accounts	37,695	46,552	-	84,247
Intergovernmental	104,254	649,656	-	753,910
Total assets	<u>1,152,427</u>	<u>3,190,266</u>	<u>881,284</u>	<u>5,223,977</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Amounts related to pensions	34,070	74,955	-	109,025
Amounts related to other postemployment benefits	531	1,169	-	1,700
Total deferred outflows of resources	<u>34,601</u>	<u>76,124</u>	<u>-</u>	<u>110,725</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	7,075	5,681	-	12,756
Retainage payable	20,286	-	-	20,286
Accrued interest payable	7,711	40,293	-	48,004
Intergovernmental	209	3,688	-	3,897
Internal balances	26,834	84,019	374,494	485,347
Long term liabilities:				
Due within one year	115,485	70,593	-	186,078
Due in more than one year	868,499	2,153,087	-	3,021,586
Total liabilities	<u>1,046,099</u>	<u>2,357,361</u>	<u>374,494</u>	<u>3,777,954</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - received in advance	3,804	9,033	-	12,837
Amounts related to pensions	43,240	95,128	-	138,368
Amounts related to other postemployment benefits	104	230	-	334
Total deferred inflows of resources	<u>47,148</u>	<u>104,391</u>	<u>-</u>	<u>151,539</u>
<b>NET POSITION</b>				
Net investment in capital assets	(832,242)	(1,889,848)	-	(2,722,090)
Restricted	926,023	2,694,486	506,790	4,127,299
Total net position	<u>\$ 93,781</u>	<u>\$ 804,638</u>	<u>\$ 506,790</u>	<u>\$ 1,405,209</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, 2021**

	Business-type Activities			Total Enterprise Funds
	Enterprise Funds			
	Water	Sewer	Hydroelectric	
Operating revenues:				
User charges	\$ 554,303	\$ 697,196	\$ 223,285	\$ 1,474,784
Other sales	65,840	435,162	-	501,002
Fees and interest	3,727	26,780	-	30,507
Miscellaneous	-	79,271	-	79,271
Total operating revenues	<u>623,870</u>	<u>1,238,409</u>	<u>223,285</u>	<u>2,085,564</u>
Operating expenses:				
Salaries and wages	228,106	456,218	36,501	720,825
Operation and maintenance	150,923	434,412	56,900	642,235
Contractual services	1,500	23,463	1,658	26,621
Materials and supplies	28,554	46,825	207	75,586
Total operating expenses	<u>409,083</u>	<u>960,918</u>	<u>95,266</u>	<u>1,465,267</u>
Operating income	<u>214,787</u>	<u>277,491</u>	<u>128,019</u>	<u>620,297</u>
Nonoperating revenue (expense):				
Intergovernmental revenues	-	14,052	-	14,052
Interest income	5,465	9,585	3,129	18,179
Contributions and donations	850	2,843	-	3,693
Interest expense	(24,977)	(59,660)	-	(84,637)
Other	(308,366)	(41,525)	-	(349,891)
Total nonoperating revenues (expense)	<u>(327,028)</u>	<u>(74,705)</u>	<u>3,129</u>	<u>(398,604)</u>
Other financing uses:				
Transfers out	-	-	(50,000)	(50,000)
Change in net position	(112,241)	202,786	81,148	171,693
Net position, beginning	206,022	601,852	425,642	1,233,516
Net position, ending	<u>\$ 93,781</u>	<u>\$ 804,638</u>	<u>\$ 506,790</u>	<u>\$ 1,405,209</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, 2021**

	Business-type Activities			Total Enterprise Funds
	Enterprise Funds			
	Water	Sewer	Hydroelectric	
<b>Cash flows from operating activities:</b>				
Receipts from customers and users	\$ 643,019	\$ 1,235,199	\$ 223,285	\$ 2,101,503
Payments to employees for salaries and benefits	(228,106)	(456,218)	(36,501)	(720,825)
Payments to suppliers	(142,299)	(471,343)	(141,477)	(755,119)
Net cash provided by operating activities	<u>272,614</u>	<u>307,638</u>	<u>45,307</u>	<u>625,559</u>
<b>Cash flows from capital and related financing activities:</b>				
Intergovernmental grants	16,649	48,779	-	65,428
State revolving loan drawdowns	312,366	18,674	-	331,040
Principal paid on capital debt	(111,695)	(69,198)	-	(180,893)
Acquisition and construction of capital assets	(328,843)	(73,912)	-	(402,755)
Interest paid on capital debt	(25,590)	(61,029)	-	(86,619)
Net cash used for capital and related financing activities	<u>(137,113)</u>	<u>(136,686)</u>	<u>-</u>	<u>(273,799)</u>
<b>Cash flows from non-capital financing activities:</b>				
Operating transfers out	-	-	(50,000)	(50,000)
<b>Cash flows from investing activities:</b>				
Interest received	5,465	9,585	3,129	18,179
Net increase (decrease) in cash and cash equivalents	140,966	180,537	(1,564)	319,939
Cash and cash equivalents, beginning	869,512	2,313,521	882,848	4,065,881
Cash and cash equivalents, ending	<u>\$ 1,010,478</u>	<u>\$ 2,494,058</u>	<u>\$ 881,284</u>	<u>\$ 4,385,820</u>

**Reconciliation of Operating Income to Net Cash Provided by Operating Activities**

Operating income	\$ 214,787	\$ 277,491	\$ 128,019	\$ 620,297
Adjustments to reconcile operating income to net cash provided by operating activities:				
Decrease in other receivables	16,618	6,460	-	23,078
(Increase)/Decrease in intergovernmental receivables	3,232	(10,037)	-	(6,805)
(Increase)/Decrease in internal balances	15,314	39,670	(82,712)	(27,728)
Increase/(Decrease) in accounts payable	3,287	(2,625)	-	662
Increase in retainage payable	20,286	-	-	20,286
Decrease in intergovernmental payable	(209)	(3,688)	-	(3,897)
Increase/(Decrease) in deferred inflows of resources	(701)	367	-	(334)
Total adjustments	<u>57,827</u>	<u>30,147</u>	<u>(82,712)</u>	<u>5,262</u>
Net cash provided by operating activities	<u>\$ 272,614</u>	<u>\$ 307,638</u>	<u>\$ 45,307</u>	<u>\$ 625,559</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, 2021**

	Private Purpose Trust Funds	All Custodial Funds
<b>ASSETS</b>		
Cash and cash equivalents	\$ 161,077	\$ 735,580
Intergovernmental receivable	-	5,762,745
Total assets	<u>161,077</u>	<u>6,498,325</u>
<b>LIABILITIES</b>		
Intergovernmental payables:		
School	-	5,443,525
Due to others	1,000	-
Total liabilities	<u>1,000</u>	<u>5,443,525</u>
<b>NET POSITION</b>		
Restricted	<u>\$ 160,077</u>	<u>\$ 1,054,800</u>

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

**EXHIBIT F-2**  
**TOWN OF SUNAPEE, NEW HAMPSHIRE**  
**Fiduciary Funds**  
**Statement of Changes in Fiduciary Net Position**  
**For the Fiscal Year Ended December 31, 2021**

	Private Purpose Trust Funds	All Custodial Funds
<b>ADDITIONS</b>		
Investment earnings	\$ 171	\$ 795
State motor vehicle fees collected	-	279,471
Other	33,800	15,773,814
Total additions	<u>33,971</u>	<u>16,054,080</u>
<b>DEDUCTIONS</b>		
Benefits paid	5,050	-
Payments for escrow purposes	-	253,023
Payments of taxes to other governments	-	15,335,243
Payments of motor vehicle fees to State	-	279,471
Total deductions	<u>5,050</u>	<u>15,867,737</u>
Net increase in fiduciary net position	28,921	186,343
Net position, beginning, as restated (see Note 19)	131,156	868,457
Net position, ending	<u>\$ 160,077</u>	<u>\$ 1,054,800</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**  
**DECEMBER 31, 2021**

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

**DETAILED NOTES ON ALL FUNDS**

<b>Cash and Cash Equivalents .....</b>	<b>3</b>
<b>Restricted Assets.....</b>	<b>4</b>
<b>Investments .....</b>	<b>5</b>
<b>Taxes Receivable.....</b>	<b>6</b>
<b>Other Receivables.....</b>	<b>7</b>
<b>Interfund Balances and Transfers .....</b>	<b>8</b>
<b>Intergovernmental Payables.....</b>	<b>9</b>
<b>Deferred Outflows/Inflows of Resources.....</b>	<b>10</b>
<b>Capital Lease Obligation .....</b>	<b>11</b>
<b>Long-term Liabilities .....</b>	<b>12</b>
<b>Defined Benefit Pension Plan .....</b>	<b>13</b>
<b>Postemployment Benefits Other Than Pensions.....</b>	<b>14</b>
New Hampshire Retirement System (NHRS).....	14-A
Town of Sunapee Retiree Health Benefit Program.....	14-B
<b>State Aid to Water Pollution Projects.....</b>	<b>15</b>
<b>Encumbrances .....</b>	<b>16</b>
<b>Governmental Activities, Business-type Activities and Fiduciary Funds Net Position .....</b>	<b>17</b>
<b>Governmental Fund Balances .....</b>	<b>18</b>
<b>Prior Period Adjustments.....</b>	<b>19</b>

*TOWN OF SUNAPEE, NEW HAMPSHIRE*  
*NOTES TO THE BASIC FINANCIAL STATEMENTS*  
*AS OF AND FOR THE FISCAL YEAR ENDED*  
*DECEMBER 31, 2021*

**Risk Management**..... 20  
**Cafeteria Benefit Plan**..... 21  
**Contingencies**..... 22  
**COVID-19**..... 23  
**Tax Abatements**..... 24  
**Subsequent Events**..... 25

**TOWN OF SUNAPEE, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2021**

**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.

***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*  
*AS OF AND FOR THE FISCAL YEAR ENDED*  
*DECEMBER 31, 2021*

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, ARPA grants and expendable trust funds are consolidated in the general fund.

Additionally, the Town reports the following fund types:

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

**Permanent Funds** – 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 nine nonmajor governmental funds.

**Proprietary Fund Financial Statements** – Include a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Net Position, and a Statement of Cash Flows for each 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 private purpose trust and custodial funds, which are custodial in nature. These funds are accounted for on a spending, or “economic resources” measurement focus and the accrual basis of accounting as are the proprietary funds explained above.

*TOWN OF SUNAPEE, NEW HAMPSHIRE*  
*NOTES TO THE BASIC FINANCIAL STATEMENTS*  
*AS OF AND FOR THE FISCAL YEAR ENDED*  
*DECEMBER 31, 2021*

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 they are earmarked for a specific purpose.

***1-E Statement of Cash Flows***

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

***1-F Investments***

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

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

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

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

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

**Level 1** – Inputs reflect quoted prices (unadjusted) in active markets for identical assets or liabilities that the Town has the ability to access at the measurement date. Directly held marketable equity securities would be examples of Level 1 investments.



**TOWN OF SUNAPEE, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2021**

**Level 2** – Inputs are other than quoted prices that are observable for the assets or liabilities, either directly or indirectly, including inputs in markets that are not considered to be active. Because they most often are priced on the basis of transactions involving similar but not identical securities or do not trade with sufficient frequency, certain directly held fixed income securities are categorized in Level 2.

**Level 3** – Inputs are significant unobservable inputs.

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

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

***1-G Receivables***

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

***1-H Interfund Activities***

Interfund activities are reported as follows:

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

***Interfund Transfers*** – Interfund transfers represent flows of assets without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making the transfers and other financing sources in the funds receiving the transfers. In proprietary funds, transfers are reported after nonoperating revenues and expenses. In the government-wide financial statements, all interfund transfers between individual governmental funds have been eliminated.

***1-I 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 17, 2021 and November 10, 2021, and due on July 1, 2021 and December 13, 2021. 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 2020 on April 8, 2021.

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.

**TOWN OF SUNAPEE, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2021**

The Town net assessed valuation as of April 1, 2021 utilized in the setting of the tax rate was as follows:

Total assessment valuation with utilities	\$ 1,472,667,843
Total assessment valuation without utilities	\$ 1,443,281,042

The tax rates and amounts assessed for the year ended December 31, 2021 were as follows:

	Per \$1,000 of Assessed Valuation	Property Taxes Assessed
Municipal portion	\$3.18	\$ 4,682,561
School portion:		
State of New Hampshire	\$1.86	2,688,500
Local	\$6.00	8,830,535
County portion	\$2.59	3,816,208
Total	<u>\$13.63</u>	<u>\$20,017,804</u>

***1-J Accounts Payable***

Accounts payable represent the gross amount of expenditures or expenses incurred as a result of normal operations, but for which no actual payment has yet been issued to vendors/providers as of December 31, 2021.

***1-K Deferred Outflows/Inflows of Resources***

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

***1-L 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.

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

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

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

**TOWN OF SUNAPEE, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2021**

**Public Offering** – financial transaction for the sale of bonds where the Town engages typically with an investment banker or bond advisor, to sell the debt instrument to the public through public offering. Public offerings are subject to Security Exchange Commission regulations, credit rating and typically are more costly due to underwriting costs, legal and other fees.

***1-M Compensated Absences***

General leave for the Town includes vacation pay. General leave is based on an employee's length of employment and is earned ratably during the span of employment. Upon retirement or termination, employees are paid full value for any accrued general leave earned as set forth by the Town's personnel policy. Vested or accumulated general leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it.

***1-N 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-O 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-P Net Position/Fund Balances***

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

**Net investment in capital assets** – Consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Because the Town has not reported its capital assets, this amount is a negative balance.

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

**TOWN OF SUNAPEE, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2021**

**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-Q 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, and net pension liability, other postemployment benefit liability, deferred outflows and inflows of resources related to both pension and other postemployment benefits, and accrued landfill closure and postclosure care costs, among others. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from estimates.

### ***NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY***

#### ***2-A Budgetary Information***

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

**TOWN OF SUNAPEE, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2021**

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 2021, \$250,000 of the beginning general fund unassigned fund balance was applied for this purpose and \$55,585 was voted from unassigned fund balance as a transfer to the capital reserve funds.

**2-B Budgetary Reconciliation to GAAP Basis**

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

Revenues and other financing sources:	
Per Exhibit D (budgetary basis)	\$ 6,957,290
Adjustments:	
Basis differences:	
GASB Statement No. 54:	
To record miscellaneous income of the blended funds	21,092
To eliminate transfers between blended funds expendable trust funds and general fund	(258,235)
Change in deferred tax revenue relating to 60-day revenue recognition	4,666
Per Exhibit C-3 (GAAP basis)	<u>\$ 6,724,813</u>
Expenditures and other financing uses:	
Per Exhibit D (budgetary basis)	\$ 6,857,678
Adjustments:	
Basis differences:	
Encumbrances, beginning	31,283
Encumbrances, ending	(79,400)
GASB Statement No. 54:	
To record expenditures of the blended funds during the year	5,378
To eliminate transfers between general and blended expendable trust funds	(448,200)
Per Exhibit C-3 (GAAP basis)	<u>\$ 6,366,739</u>

**2-C Deficit Fund Balances**

The public safety services special revenue fund had a deficit fund balance of \$2,202 at December 31, 2021. 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 \$15,229,662 and the bank balances totaled \$15,498,026. Petty cash totaled \$579.

**TOWN OF SUNAPEE, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2021**

Cash and cash equivalents reconciliation:

Cash per Statement of Net Position (Exhibit A)	\$ 14,333.005
Cash per Statement of Fiduciary Net Position (Exhibit F-1)	896.657
Total cash and cash equivalents	<u>\$ 15,229,662</u>

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

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

**NOTE 4 – RESTRICTED ASSETS**

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

Cash and cash equivalents:	
General fund:	
Library	\$ 46,510
Capital reserve funds	2,114,200
Drug forfeiture	4,765
Total restricted cash and cash equivalents	<u>2,165,475</u>
Investments:	
General fund:	
Library	240,717
Total restricted assets	<u>\$ 2,406,192</u>

**NOTE 5 – INVESTMENTS**

Note 1-F describes statutory requirements covering the investment of the Town funds. The Town holds investments that are measured at fair value on a recurring basis. Since investing is not a core part of the Town’s mission, the Town determines that the disclosures related to these investments only need to be disaggregated by major type. The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Town has the following recurring fair value measurements and maturities as of December 31, 2021:

	Valuation Measurement Method	Reported Balance	1-5 Years
Investments type:			
Certificates of deposit	Level 1	<u>\$ 240,717</u>	<u>\$ 240,717</u>

**Interest Rate Risk** – This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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

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

**TOWN OF SUNAPEE, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2021**

**NOTE 6 – TAXES RECEIVABLE**

Taxes receivable represent the amount of current and prior year taxes which have not been collected as of December 31, 2021. The amount has been reduced by an allowance for an estimated uncollectible amount of \$9,982. Taxes receivable by year are as follows:

	As reported on:	
	Exhibit A	Exhibit C-1
Property:		
Levy of 2021	\$ 538,724	\$ 538,724
Unredeemed (under tax lien):		
Levy of 2020	72,663	72,663
Levy of 2019	29,268	29,268
Levies of 2018 and prior	8,284	8,284
Less: allowance for estimated uncollectible taxes	(9,982) *	-
Net taxes receivable	<u>\$ 638,957</u>	<u>\$ 648,939</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 accrual basis of accounting (Exhibits A and B).

**NOTE 7 – OTHER RECEIVABLES**

Receivables at December 31, 2021, 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 8 – INTERFUND BALANCES AND TRANSFERS**

**Interfund Balances** - The composition of interfund balances as of December 31, 2021 is as follows:

Receivable Fund	Payable Fund	Amount
General	Nonmajor	\$ 85,634
	Water enterprise	25,978
	Sewer enterprise	84,019
	Hydroelectric enterprise	374,494
		<u>256</u>
Nonmajor		428
Water enterprise		<u>\$ 570,809</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, 2021 is as follows:

	Transfers In:		
	General Fund	Nonmajor Fund	Total
Transfers out:			
General fund	\$ -	\$ 55,000	\$ 55,000
Hydroelectric enterprise fund	50,000	-	50,000
Total	<u>\$ 50,000</u>	<u>\$ 55,000</u>	<u>\$ 105,000</u>

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

**TOWN OF SUNAPEE, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2021**

**NOTE 9 – INTERGOVERNMENTAL PAYABLES**

Amounts due to other governments of at December 31, 2021 consist of the following:

	Business-type Activities	Governmental	Fiduciary
		Fund General	Funds
Miscellaneous fees due to the State of New Hampshire	\$ 709	\$ 8,959	\$ -
Balance due to the Town of Newbury	-	12,495	-
Balance due to the Town of Merrimack	3,188	-	-
Balance due to the custodial funds	-	320,764	-
Property taxes due to the custodial funds	-	5,443,525	-
Property taxes due to the Sunapee School District	-	-	5,443,525
Balance due to the Sunapee School District for summer transportation	-	3,792	-
Total intergovernmental payables due	<u>\$ 3,897</u>	<u>\$ 5,789,535</u>	<u>\$ 5,443,525</u>

3. Property taxes due to the custodial funds represent amounts collected by the Town on behalf of Sunapee School District and are reported as a component of general fund cash at year-end.
4. Property taxes due to the Sunapee School District represent amounts collected by the Town that will be paid to the School District in incremental payments based upon an agreed schedule in the next calendar year.

**NOTE 10 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

Deferred outflows of resources are as follows:

	Governmental	Business-type activities		
	Activities	Water	Sewer	Total
Amounts related to pensions, see Note 13	\$ 572,384	\$ 34,070	\$ 74,955	\$ 109,025
Amounts related to OPEB, see Note 14	8,928	531	1,169	1,700
Total deferred outflows of resources	<u>\$ 581,312</u>	<u>\$ 34,601</u>	<u>\$ 76,124</u>	<u>\$ 110,725</u>

Deferred inflows of resources are as follows:

	Government-wide	Governmental Funds			Business-type activities		
		General	Nonmajor	Total	Water	Sewer	Total
Deferred property taxes not collected within 60 days of fiscal year-end	\$ -	\$ 53,162	\$ -	\$ 53,162	\$ -	\$ -	\$ -
Property taxes received in advance	41,430	41,430	-	41,430	-	-	-
Federal grant revenue collected in advance of eligible expenditures being made	182,526	182,526	-	182,526	-	-	-
Other payments received in advance	3,920	-	3,920	3,920	3,804	9,033	12,837
Amounts related to pensions, see Note 13	726,433	-	-	-	43,240	95,128	138,368
Amounts related to OPEB, see Note 14	1,753	-	-	-	104	230	334
Total deferred inflows of resources	<u>\$ 956,062</u>	<u>\$ 277,118</u>	<u>\$ 3,920</u>	<u>\$ 281,038</u>	<u>\$ 47,148</u>	<u>\$ 104,391</u>	<u>\$ 151,539</u>

**NOTE 11 – 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 are met.

	Standard Interest Rate	Present Value of Remaining Payments as of December 31, 2021
Capital lease obligation:		
Chevy Tahoe	5.40%	<u>\$ 23,827</u>



**TOWN OF SUNAPEE, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2021**

The annual requirements to amortize the capital lease payable as of December 31, 2021, including interest payments, are as follows:

Fiscal Year Ending December 31,	Governmental Activities
2022	\$ 25,137
Less: interest	1,310
Present value of remaining payments	\$ 23,827

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

**NOTE 12 – LONG-TERM LIABILITIES**

Changes in the Town’s long-term liabilities consisted of the following for the year ended December 31, 2021:

	Balance January 1, 2021	Additions	Reductions	Balance December 31, 2021	Due Within One Year	Due In More Than One Year
<b>Governmental activities:</b>						
Bonds payable:						
Direct placements	\$ 1,001,045	\$ -	\$ (215,582)	\$ 785,463	\$ 86,577	\$ 698,886
Note/loan payable - direct borrowing	682,500	-	(48,750)	633,750	48,750	585,000
Premium	49,985	-	(24,992)	24,993	24,993	-
Total bonds/notes payable	1,733,530	-	(289,324)	1,444,206	160,320	1,283,886
Capital lease	46,411	-	(22,584)	23,827	23,827	-
Accrued landfill postclosure care costs	264,600	11,400	-	276,000	9,200	266,800
Net pension liability	3,421,459	-	(1,010,262)	2,411,197	-	2,411,197
Net other postemployment benefits	150,097	-	(12,030)	138,067	-	138,067
Total long-term liabilities	\$ 5,616,097	\$ 11,400	\$ (1,334,200)	\$ 4,293,297	\$ 193,347	\$ 4,099,950
<b>Business-type activities:</b>						
Bonds payable:						
Direct placements	\$ 2,564,987	\$ -	\$ (180,893)	\$ 2,384,094	\$ 186,078	\$ 2,198,016
Notes/loans payable - direct borrowings	6,956	331,040	-	337,996	-	337,996
Total bonds/notes payable	2,571,943	331,040	(180,893)	2,722,090	186,078	2,536,012
Net pension liability	651,706	-	(192,430)	459,276	-	459,276
Net other postemployment benefits	28,590	-	(2,292)	26,298	-	26,298
Total long-term liabilities	\$ 3,252,239	\$ 331,040	\$ (375,615)	\$ 3,207,664	\$ 186,078	\$ 3,021,586

(This space intentionally left blank.)

**TOWN OF SUNAPEE, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2021**

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

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at December 31, 2021	Current Portion
<b>Governmental activities:</b>						
Bonds payable						
Direct placements:						
Public safety building	\$ 2,423,842	2005	2022	3.97%	\$ 34,710	\$ 34,710
Perkins pond	\$ 1,585,000	2015	2042	2.50%	616,388	29,352
Water filtration	\$ 1,248,260	2012	2027	5.00%	134,365	22,515
Total direct placements					<u>785,463</u>	<u>86,577</u>
Note/loan payable - direct borrowing:						
Abbott Library	\$ 975,000	2014	2034	2.76%	633,750	48,750
Bond premium					24,993	24,993
Total					<u>\$ 1,444,206</u>	<u>\$ 160,320</u>
<b>Business-type activities:</b>						
Bonds payable						
Direct placements:						
Perkins pond	\$ 1,585,000	2015	2042	2.50%	\$ 616,388	\$ 29,352
Lake Avenue	\$ 706,741	2013	2024	2.60%	99,241	45,000
Wastewater treatment plant	\$ 1,500,000	2015	2042	3.50%	1,247,830	41,241
Water filtration	\$ 1,248,260	2012	2027	5.00%	420,635	70,485
Total direct placements					<u>2,384,094</u>	<u>186,078</u>
Notes/loans payable - direct borrowings:						
Asset management - State revolving loan*	\$ 25,630	2020	-	-	25,630	-
UV Light - State revolving loan*	\$ 312,366	2021	-	-	312,366	-
Total direct borrowing					<u>337,996</u>	<u>-</u>
Total					<u>\$ 2,722,090</u>	<u>\$ 186,078</u>

**\*State Revolving Loan Program** – Drawdowns received under the various State Revolving Loan Programs will be consolidated by promissory notes upon substantial completion of the related projects. As of December 31, 2021, drawdowns received to date totaling \$337,366 are recorded on the Town's financial statements, exclusive of any anticipated forgiveness of the loans.

The annual requirements to amortize all general obligation bonds and notes outstanding as of December 31, 2021, including interest payments, are as follows:

**Governmental activities:**

Fiscal Year Ending December 31,	Bonds - Direct Placements			Note/Loan- Direct Borrowing		
	Principal	Interest	Total	Principal	Interest	Total
2022	\$ 86,577	\$ 21,776	\$ 108,353	\$ 48,750	\$ 16,817	\$ 65,567
2023	52,594	17,646	70,240	48,750	15,471	64,221
2024	53,804	15,738	69,542	48,750	14,126	62,876
2025	55,015	13,784	68,799	48,750	12,780	61,530
2026	56,467	12,292	68,759	48,750	11,435	60,185
2027-2031	158,138	50,449	208,587	243,750	36,992	280,742
2032-2036	146,760	32,104	178,864	146,250	6,049	152,299
2037-2041	146,760	13,759	160,519	-	-	-
2042-2046	29,348	551	29,899	-	-	-
Totals	<u>\$ 785,463</u>	<u>\$ 178,099</u>	<u>\$ 963,562</u>	<u>\$ 633,750</u>	<u>\$ 113,670</u>	<u>\$ 747,420</u>

**TOWN OF SUNAPEE, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2021**

**Business-type activities:**

Fiscal Year Ending December 31,	Bonds - Direct Placements		
	Principal	Interest	Total
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	161,562	49,882	211,444
2027-2031	445,041	212,364	657,405
2032-2036	458,719	144,721	603,440
2037-2041	517,269	67,825	585,094
2042-2046	110,898	3,405	114,303
Totals	<u>\$ 2,384,094</u>	<u>\$ 741,590</u>	<u>\$ 3,125,684</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 \$276,000 as of December 31, 2021. The estimated total current cost of the landfill postclosure care (\$9,200) 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, 2021. However, the actual cost of postclosure care may be higher or lower due to inflation, changes in technology, or changes in landfill laws and regulations.

**Bonds Authorized and Unissued** – Bonds and notes authorized and unissued as of December 31, 2021 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 13 – 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.

**TOWN OF SUNAPEE, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2021**

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 the period of January 1, 2021 to June 30, 2021, the Town contributed 24.77% for police, 26.43% for fire and 10.88% for other employees. For the period of July 1, 2021 to December 31, 2021 the Town contributed 30.67% for police, 29.78% for fire and 13.75% for other employees. The contribution requirement for the fiscal year 2021 was \$343,120 which was paid in full.

**Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions** – At December 31, 2021 the Town reported a liability of \$2,870,473 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town’s proportion of the net pension liability was based on a projection of the Town’s long-term share of contributions to the pension plan relative to the projected contributions of all participating towns and school districts, actuarially determined. At June 30, 2021, the Town’s proportion was 0.06% which was the same as its proportion measured as of June 30, 2020.

For the year ended December 31, 2021, the Town recognized pension expense of \$224,996. At December 31, 2021 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	\$ 107,899	\$ 31,944
Changes in assumptions	299,805	-
Net difference between projected and actual investment earnings on pension plan investments	-	802,805
Differences between expected and actual experience	80,377	30,052
Contributions subsequent to the measurement date	193,328	-
Total	<u>\$ 681,409</u>	<u>\$ 864,801</u>

**TOWN OF SUNAPEE, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2021**

The \$193,328 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, 2022. 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,	
2022	\$ (63,273)
2023	(18,625)
2024	(43,933)
2025	(250,889)
2026	-
Thereafter	-
Totals	<u>\$ (376,720)</u>

**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 Healthy 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. 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 2021
Large Cap Equities	22.50%	6.46%
Small/Mid Cap Equities	7.50%	1.14%
Total domestic equity	30.00%	
Int'l Equities (unhedged)	14.00%	5.53%
Emerging Int'l Equities	6.00%	2.37%
Total international equity	20.00%	
Core US Fixed Income	25.00%	3.60%
Total fixed income	25.00%	
Private equity	10.00%	8.85%
Private debt	5.00%	7.25%
Total alternative investments	15.00%	
Real estate	10.00%	6.60%
Total	100.00%	

**TOWN OF SUNAPEE, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2021**

**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, 2021	\$ 4,105,104	\$ 2,870,473	\$ 1,840,588

**Pension Plan Fiduciary Net Position** – Detailed information about the pension plan’s fiduciary net position is available in the separately issued New Hampshire Retirement System Cost-Sharing Multiple Employer Defined Benefit Pension Plan financial report. Reconciliation of deferred outflows, inflows of resources and net pension liability:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Pension Liability
Governmental activities	\$ 572,384	\$ 726,433	\$ 2,411,197
Business-type activities and proprietary funds	109,025	138,368	459,276
Total	<u>\$ 681,409</u>	<u>\$ 864,801</u>	<u>\$ 2,870,473</u>

**NOTE 14 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

**14-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 2021 Annual Comprehensive Financial Report, which can be found on the system’s website at [www.nhrs.org](http://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.

**TOWN OF SUNAPEE, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2021**

Maximum medical subsidy rates paid during fiscal year 2021 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 the period of January 1, 2021 to June 30, 2021, the Town contributed 3.66% for police and fire, and 0.29% for other employees. For the period of July 1, 2021 to December 31, 2021, the Town contributed 3.21% for police and fire, and 0.31% for other employees. The contribution requirement for the fiscal year 2021 was \$19,635, which was paid in full.

**OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB** – At December 31, 2021, the Town reported a liability of \$164,365 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2020. 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, 2021, the Town’s proportion was 0.04% which was the same as its proportion measured as of June 30, 2020.

For the year ended December 31, 2021, the Town recognized OPEB expense of \$6,912. At December 31, 2021, 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	\$ 8	\$ -
Net difference between projected and actual investment earnings on OPEB plan investments	-	2,053
Differences between expected and actual experience	-	34
Contributions subsequent to the measurement date	10,620	-
Total	\$ 10,628	\$ 2,087

The \$10,620 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, 2022. 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,	
2022	\$ (496)
2023	(431)
2024	(484)
2025	(668)
2026	-
Thereafter	-
Totals	\$ (2,079)

**TOWN OF SUNAPEE, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2021**

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted average long-term expected real rate of return 2021</u>
Large Cap Equities	22.50%	6.46%
Small/Mid Cap Equities	7.50%	1.14%
Total domestic equity	<u>30.00%</u>	
Int'l Equities (unhedged)	14.00%	5.53%
Emerging Int'l Equities	6.00%	2.37%
Total international equity	<u>20.00%</u>	
Core US Fixed Income	25.00%	3.60%
Total fixed income	<u>25.00%</u>	
Private equity	10.00%	8.85%
Private debt	5.00%	7.25%
Total alternative investments	<u>15.00%</u>	
Real estate	10.00%	6.60%
Total	<u>100.00%</u>	

**Discount Rate** – The discount rate used to measure the total OPEB liability as of June 30, 2021 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:

<u>Actuarial Valuation Date</u>	<u>1% Decrease 5.75%</u>	<u>Current Single Rate Assumption 6.75%</u>	<u>1% Increase 7.75%</u>
June 30, 2021	\$ 178,678	\$ 164,365	\$ 151,913



**TOWN OF SUNAPEE, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2021**

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

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net OPEB Liability
Governmental activities	\$ 8,928	\$ 1,753	\$ 138,067
Business-type activities and proprietary funds	1,700	334	26,298
Total	\$ 10,628	\$ 2,087	\$ 164,365

**14-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, 2021 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 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	\$ 353,249
C-894	Perkins pond	293,520
95-2271010	Water filtration	119,854
	Total	\$ 766,623

(This space intentionally left blank.)

**TOWN OF SUNAPEE, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2021**

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, 2021 the Town is due to receive the following annual amounts to offset debt payments:

<u>Governmental activities</u>		<u>Business-type activities</u>	
Fiscal Year Ending		Fiscal Year Ending	
December 31,	Amount	December 31,	Amount
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	11,208	2026	30,550
2027-2031	31,773	2027-2031	81,165
2032-2036	29,350	2032-2036	81,881
2037-2041	29,350	2037-2041	91,742
2042-2046	29,360	2042-2046	103,461
2047	-	2047	16,310
Total	<u>\$ 175,777</u>	Total	<u>\$ 590,846</u>

**NOTE 16 – ENCUMBRANCES**

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at December 31, 2021 and are as follows:

General fund:	
General government	\$ 10,000
Capital outlay	69,400
Total encumbrances	<u>\$ 79,400</u>

**NOTE 17 – GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES AND FIDUCIARY FUNDS NET POSITION**

Net position reported on the governmental and business-type activities and fiduciary funds Statements of Net Position at December 31, 2021 include the following:

	<u>Government-wide Financial Statements</u>			<u>Fiduciary Funds</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	
Net investment in capital assets:				
Net book value, all capital assets	\$ -	\$ -	\$ -	\$ -
Less:				
General obligation bonds/notes payable	(1,419,213)	(2,722,090)	(4,141,303)	-
Unamortized bond premiums	(24,993)	-	(24,993)	-
Capital lease payable	(23,827)	-	(23,827)	-
Total net investment in capital assets	<u>(1,468,033)</u>	<u>(2,722,090)</u>	<u>(4,190,123)</u>	<u>-</u>

*(Continued)*

**TOWN OF SUNAPEE, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2021**

*Governmental and business-type activities and fiduciary funds net position continued:*

	Government-wide Financial Statements			Fiduciary Funds
	Governmental Activities	Business-type Activities	Total	
Restricted net position:				
Perpetual care - nonexpendable	70,833	-	70,833	-
Perpetual care - expendable	84,050	-	84,050	-
Library	283,344	-	283,344	-
Drug forfeiture	4,765	-	4,765	-
Water	-	926,023	926,023	-
Sewer	-	2,694,486	2,694,486	-
Hydroelectric	-	506,790	506,790	-
Individuals, organizations, and other governments	-	-	-	1,214,877
Total restricted net position	442,992	4,127,299	4,570,291	1,214,877
Unrestricted	1,902,026	-	1,902,026	-
Total net position	\$ 876,985	\$ 1,405,209	\$ 2,282,194	\$ 1,214,877

**NOTE 18 – GOVERNMENTAL FUND BALANCES**

Governmental fund balances reported on the fund financial statements at December 31, 2021 include the following:

	General Fund	Nonmajor Funds	Total Governmental Funds
<b>Nonspendable:</b>			
Tax deeded property	\$ 6,361	\$ -	\$ 6,361
Permanent fund - principal balance	-	70,833	70,833
Total nonspendable fund balance	6,361	70,833	77,194
<b>Restricted:</b>			
Library	283,344	-	283,344
Drug forfeiture	4,765	-	4,765
Donations	3,092	-	3,092
Permanent - income balance	-	84,050	84,050
Total restricted fund balance	291,201	84,050	375,251
<b>Committed:</b>			
Expendable trusts	1,213,494	-	1,213,494
Bandstand	200	-	200
Conservation	-	98,456	98,456
Recreation	-	140,668	140,668
Bartlett Tyler	-	28,627	28,627
Dewey Woods	-	1,615	1,615
Town Forest	-	22,910	22,910
Total committed fund balance	1,213,694	292,276	1,505,970
<b>Assigned:</b>			
Encumbrances	79,400	-	79,400
<b>Unassigned (deficit)</b>	3,076,003	(2,202)	3,073,801
Total governmental fund balances	\$ 4,666,659	\$ 444,957	\$ 5,111,616

**TOWN OF SUNAPEE, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2021**

**NOTE 19 – PRIOR PERIOD ADJUSTMENTS**

Net position/fund balance at January 1, 2021 was restated to give retroactive effect to the following prior period adjustments:

	Government-wide Statements	General Fund (Exhibit C-3)	General Fund (Schedule 3)	Custodial Funds
To restate for amounts owed to the general fund from the capital reserve funds not previously recorded	\$ -	\$ -	\$ 265,431	\$ -
To record prior year retirement payable not recorded	(31,761)	(31,761)	(31,761)	-
To remove inaccurate accounts payable balances	24,592	24,592	24,592	-
To record amounts owed from proprietary funds not previously recorded	14,573	14,573	14,573	-
To record other miscellaneous adjustments	19,420	19,420	19,420	-
To record amounts in the school trust not previously recorded	-	-	-	50,000
To restate for land disturbance amounts held but not recorded	-	-	-	80,000
Net position/fund balance (deficit), as previously reported	(42,143)	4,281,761	2,680,652	738,457
Net position/fund balance (deficit), as restated	<u>\$ (15,319)</u>	<u>\$ 4,308,585</u>	<u>\$ 2,972,907</u>	<u>\$ 868,457</u>

**NOTE 20 – 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 2021, the Town was a member of the New Hampshire Public Risk Management Exchange (Primex<sup>3</sup>) Workers' Compensation and Property/Liability Programs.

The New Hampshire Public Risk Management Exchange (Primex<sup>3</sup>) Workers' Compensation and Property/Liability Programs are pooled risk management programs under RSAs 5-B and 281-A. Coverage was provided from January 1, 2021 to December 31, 2021 by Primex<sup>3</sup>, 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 Primex<sup>3</sup> 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 2021 the Town paid \$60,367 and \$40,969 respectively, to Primex for property, liability, and worker's compensation. At this time, Primex<sup>3</sup> 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 21 – CAFETERIA BENEFIT PLAN**

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

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

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

**TOWN OF SUNAPEE, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2021**

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

**NOTE 22 – CONTINGENCIES**

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 Town'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 Town anticipates such amounts, if any, will be immaterial.

**NOTE 23 – COVID-19**

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

The Town was allotted a total of \$365,052 in federal funding from the American Rescue Plan Act (ARPA) in 2021. A total of \$182,526 or 50% of the funding was received in 2021. The remainder is expected to be received in 2022. Eligible uses of these funds include pandemic response or its negative impacts, workforce/personnel, including payroll and hazard/premium pay, provision of government services to the extent of reduced revenue and necessary water, sewer, and broadband investment. For the year ended December 31, 2021 the Town spent none of the funds received. The remaining funds are included in deferred inflows of resources until eligible expenditures have been made.

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

**NOTE 24 – 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, 2021.

**NOTE 25 – SUBSEQUENT EVENTS**

Subsequent events are events or transactions that occur after the balance sheet date, but before the financial statements are issued. Recognized subsequent events are events or transactions that provided additional evidence about conditions that existed at the balance sheet date, including the estimates inherent in the process of preparing the financial statements. Nonrecognized subsequent events are events that provide evidence about conditions that did not exist at the balance sheet date but arose after the date. Management has evaluated subsequent events through October 26, 2022, the date the December 31, 2021 financial statements were available to be issued, and the following was noted:

- At the Town's March 2022 annual meeting the voters approved three warrant articles totaling \$84,300 that involve the use of December 31, 2021 unassigned fund balance.
- The Town also refunded the Perkins pond and Wastewater treatment plant bonds, resulting in future interest savings to the Town.

***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, 2021*  
*Unaudited*

Fiscal year-end	December 31, 2013	December 31, 2014	December 31, 2015	December 31, 2016	December 31, 2017	December 31, 2018	December 31, 2019	December 31, 2020	December 31, 2021
Measurement date	June 30, 2013	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021
Town's:									
Proportion of the net pension liability	0.07%	0.07%	0.07%	0.06%	0.07%	0.06%	0.06%	0.06%	0.06%
Proportionate share of the net pension liability	\$ 2,904,344	\$ 2,497,942	\$ 2,625,454	\$ 3,356,147	\$ 3,215,890	\$ 2,938,239	\$ 2,991,833	\$ 4,073,165	\$ 2,870,473
Covered payroll	\$ - *	\$ - *	\$ 1,774,027	\$ 1,704,498	\$ 1,722,872	\$ 1,819,570	\$ 1,951,640	\$ 2,075,426	\$ 2,238,077
Proportionate share of the net pension liability as a percentage of its covered payroll	-% *	-% *	147.99%	196.90%	186.66%	161.48%	153.30%	196.26%	128.26%
Plan fiduciary net position as a percentage of the total pension liability	59.81%	66.32%	65.50%	58.30%	62.66%	64.73%	65.59%	58.72%	72.22%
*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, 2021**  
**Unaudited**

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

\* Information not available



**TOWN OF SUNAPEE, NEW HAMPSHIRE**  
**NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION –**  
**PENSION LIABILITY**  
**FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2021**

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

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

*Changes in Assumptions* – There were no changes in assumptions for the current period.

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

As required by GASB Statement No. 68, and as amended by GASB Statement No. 71, Exhibits G and H represent the actuarial determined costs associated with the Town's pension plan at December 31, 2021. These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

**EXHIBIT I**  
**TOWN OF SUNAPEE, NEW HAMPSHIRE**  
*Schedule of the Town's Proportionate Share of the Net Other Postemployment Benefits Liability*  
*New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan*  
*For the Fiscal Year Ended December 31, 2021*  
*Unaudited*

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

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, 2021*  
**Unaudited**

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

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, 2021**

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

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

***Changes in Assumptions*** – There were no changes in assumptions for the current period.

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

As required by GASB Statement No. 75, Exhibits I and J represent the actuarial determined costs associated with the Town's other postemployment benefits at December 31, 2021. These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

***COMBINING AND INDIVIDUAL FUND SCHEDULES***

**SCHEDULE 1**  
**TOWN OF SUNAPEE, NEW HAMPSHIRE**  
**Major General Fund**  
*Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)*  
*For the Fiscal Year Ended December 31, 2021*

	Estimated	Actual	Variance Positive (Negative)
Taxes:			
Property	\$ 4,566,179	\$ 4,596,239	\$ 30,060
Land use change	14,000	14,780	780
Yield	4,000	9,548	5,548
Excavation	350	369	19
Interest and penalties on taxes	33,000	30,523	(2,477)
Total from taxes	<u>4,617,529</u>	<u>4,651,459</u>	<u>33,930</u>
Licenses, permits, and fees:			
Business licenses, permits, and fees	780	1,215	435
Motor vehicle permit fees	1,085,000	1,082,281	(2,719)
Building permits	45,400	61,636	16,236
Other	24,800	27,320	2,520
Total from licenses, permits, and fees	<u>1,155,980</u>	<u>1,172,452</u>	<u>16,472</u>
Intergovernmental:			
State:			
Meals and rooms distribution	257,424	257,424	-
Highway block grant	120,131	120,100	(31)
Water pollution grants	7,508	14,967	7,459
From other governments	109,054	133,868	24,814
Total from intergovernmental	<u>494,117</u>	<u>526,359</u>	<u>32,242</u>
Charges for services:			
Income from departments	137,450	205,565	68,115
Miscellaneous:			
Sale of municipal property	8,800	8,804	4
Interest on investments	53,000	56,067	3,067
Other	24,000	28,349	4,349
Total from miscellaneous	<u>85,800</u>	<u>93,220</u>	<u>7,420</u>
Other financing sources:			
Transfers in	274,200	308,235	34,035
Total revenues and other financing sources	6,765,076	<u>\$ 6,957,290</u>	<u>\$ 192,214</u>
Unassigned fund balance used to reduce tax rate	250,000		
Amounts voted from fund balance	55,585		
Total revenues, other financing sources, and use of fund balance	<u>\$ 7,070,661</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, 2021*

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
General government:					
Executive	\$ -	\$ 355,055	\$ 350,609	\$ -	\$ 4,446
Election and registration	8,680	243,422	226,868	10,000	15,234
Financial administration	1,324	243,964	282,406	-	(37,118)
Revaluation of property	-	102,000	69,673	-	32,327
Legal	-	18,000	17,857	-	143
Personnel administration	-	1,000	151	-	849
Planning and zoning	-	56,074	60,609	-	(4,535)
General government buildings	-	274,624	236,503	-	38,121
Cemeteries	-	13,647	10,348	-	3,299
Insurance, not otherwise allocated	-	8,068	-	-	8,068
Advertising and regional associations	-	14,390	12,833	-	1,557
Other	-	31,520	60,643	-	(29,123)
Total general government	10,004	1,361,764	1,328,500	10,000	33,268
Public safety:					
Police	-	941,408	929,193	-	12,215
Ambulance	-	61,886	61,886	-	-
Fire	3,804	271,360	272,646	-	2,518
Emergency management	-	200	-	-	200
Other	-	148,013	143,169	-	4,844
Total public safety	3,804	1,422,867	1,406,894	-	19,777
Highways and streets:					
Highways and streets	17,475	1,817,923	1,863,771	-	(28,373)
Street lighting	-	16,800	10,634	-	6,166
Total highways and streets	17,475	1,834,723	1,874,405	-	(22,207)
Sanitation:					
Solid waste disposal	-	626,856	559,713	-	67,143
Health:					
Administration	-	5,494	-	-	5,494
Pest control	-	500	-	-	500
Health agencies	-	15,176	15,231	-	(55)
Total health	-	21,170	15,231	-	5,939
Welfare:					
Administration and direct assistance	-	42,535	22,177	-	20,358
Culture and recreation:					
Parks and recreation	-	167,168	186,732	-	(19,564)
Library	-	468,005	389,966	-	78,039
Patriotic purposes	-	300	50	-	250
Other	-	5,000	5,000	-	-
Total culture and recreation	-	640,473	581,748	-	58,725
Conservation	-	3,775	3,700	-	75

(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, 2021*

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Debt service:					
Principal of long-term debt	-	264,335	264,335	-	-
Interest on long-term debt	-	44,263	44,247	-	16
Interest on tax anticipation notes	-	1,000	-	-	1,000
Total debt service	-	309,598	308,582	-	1,016
Capital outlay	-	303,700	205,411	69,400	28,889
Other financing uses:					
Transfers out	-	503,200	503,200	-	-
Total appropriations, expenditures, other financing uses, and encumbrances	\$ 31,283	\$ 7,070,661	\$ 6,809,561	\$ 79,400	\$ 212,983



**SCHEDULE 3**  
**TOWN OF SUNAPEE, NEW HAMPSHIRE**  
**Major General Fund**  
**Schedule of Changes in Unassigned Fund Balance**  
**For the Fiscal Year Ended December 31, 2021**

Unassigned fund balance, beginning (Non-GAAP Budgetary Basis), as restated (see Note 19)		\$ 2,972,907
Changes:		
Unassigned fund balance used to reduce 2021 tax rate		(250,000)
Amounts voted from fund balance		(55,585)
2021 Budget summary:		
Revenue surplus (Schedule 1)	\$ 192,214	
Unexpended balance of appropriations (Schedule 2)	212,983	
2021 Budget surplus		405,197
Increase in nonspendable fund balance		(5,829)
Increase in restricted fund balance		(3,092)
Decrease in committed fund balance		55,585
Unassigned fund balance, ending (Non-GAAP Budgetary Basis)		3,119,183
<b>Reconciliation on Non-GAAP Budgetary Basis to GAAP Basis</b>		
To record deferred property taxes not collected within 60 days of the fiscal year-end, not recognized on a budgetary basis		(53,162)
Elimination of the allowance for uncollectible taxes		9,982
Unassigned fund balance, ending, GAAP basis (Exhibit C-1)		<u>\$ 3,076,003</u>

**SCHEDULE 4**  
**TOWN OF SUNAPEE, NEW HAMPSHIRE**  
*Nonmajor Governmental Funds*  
**Combining Balance Sheet**  
**December 31, 2021**

	Special Revenue Funds								Total	
	Conservation Commission	Recreation	Bartlett Tyler	Dewey Woods	Coffin Memorial	Town Forest	Public Safety Services	Grants		Permanent Fund
<b>ASSETS</b>										
Cash and cash equivalents	\$ 99,141	\$ 221,507	\$ 28,627	\$ 1,615	\$ 256	\$ 22,910	\$ 2,628	\$ -	\$ 157,827	\$ 534,511
Interfund receivable	-	-	-	-	-	-	-	-	256	256
Total assets	<u>\$ 99,141</u>	<u>\$ 221,507</u>	<u>\$ 28,627</u>	<u>\$ 1,615</u>	<u>\$ 256</u>	<u>\$ 22,910</u>	<u>\$ 2,628</u>	<u>\$ -</u>	<u>\$ 158,083</u>	<u>\$ 534,767</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>										
<b>Liabilities:</b>										
Interfund payable	\$ 685	\$ 76,919	\$ -	\$ -	\$ 256	\$ -	\$ 4,830	\$ -	\$ 3,200	\$ 85,890
<b>Deferred inflows of resources:</b>										
Unavailable revenue - received in advance	-	3,920	-	-	-	-	-	-	-	3,920
<b>Fund balances (deficit):</b>										
Nonspendable	-	-	-	-	-	-	-	-	70,833	70,833
Restricted	-	-	-	-	-	-	-	-	84,050	84,050
Committed	98,456	140,668	28,627	1,615	-	22,910	-	-	-	292,276
Unassigned (deficit)	-	-	-	-	-	-	(2,202)	-	-	(2,202)
Total fund balances (deficit)	<u>98,456</u>	<u>140,668</u>	<u>28,627</u>	<u>1,615</u>	<u>-</u>	<u>22,910</u>	<u>(2,202)</u>	<u>-</u>	<u>154,883</u>	<u>444,957</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 99,141</u>	<u>\$ 221,507</u>	<u>\$ 28,627</u>	<u>\$ 1,615</u>	<u>\$ 256</u>	<u>\$ 22,910</u>	<u>\$ 2,628</u>	<u>\$ -</u>	<u>\$ 158,083</u>	<u>\$ 534,767</u>

**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, 2021**

	Special Revenue Funds									Total
	Conservation Commission	Recreation	Bartlett Tyler	Dewey Woods	Coffin Memorial	Town Forest	Public Safety Services	Grants	Permanent Fund	
<b>Revenues:</b>										
Taxes	\$ 14,780	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,780
Intergovernmental	-	-	-	-	-	-	-	41,910	-	41,910
Charges for services	-	155,867	-	-	-	-	16,935	-	-	172,802
Miscellaneous	59	260	43	4	-	17,688	-	-	175	18,229
<b>Total revenues</b>	<b>14,839</b>	<b>156,127</b>	<b>43</b>	<b>4</b>	<b>-</b>	<b>17,688</b>	<b>16,935</b>	<b>41,910</b>	<b>175</b>	<b>247,721</b>
<b>Expenditures:</b>										
<b>Current:</b>										
Public safety	-	-	-	-	-	-	14,553	41,910	-	56,463
Culture and recreation	-	108,730	-	-	-	-	-	-	-	108,730
Conservation	685	-	-	-	-	-	-	-	-	685
<b>Total expenditures</b>	<b>685</b>	<b>108,730</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14,553</b>	<b>41,910</b>	<b>-</b>	<b>165,878</b>
Excess of revenues over expenditures	14,154	47,397	43	4	-	17,688	2,382	-	175	81,843
<b>Other financing sources:</b>										
Transfers in	55,000	-	-	-	-	-	-	-	-	55,000
Net change in fund balances	69,154	47,397	43	4	-	17,688	2,382	-	175	136,843
Fund balances (deficit), beginning	29,302	93,271	28,584	1,611	-	5,222	(4,584)	-	154,708	308,114
Fund balances (deficit), ending	\$ 98,456	\$ 140,668	\$ 28,627	\$ 1,615	\$ -	\$ 22,910	\$ (2,202)	\$ -	\$ 154,883	\$ 444,957

See Independent Auditor's Report.

**SCHEDULE 6**  
**TOWN OF SUNAPEE, NEW HAMPSHIRE**  
*Combining Schedule of Custodial Funds Fiduciary Net Position*  
**December 31, 2021**

	Custodial Funds							Total
	Taxes	School Trust Funds	Sunapee Center Association	Harbor Ridge	Land Disturbance	Planning & Zoning Escrows	State Motor Vehicle	
<b>ASSETS</b>								
Cash and cash equivalents	\$ -	\$ 735,580	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 735,580
Intergovernmental receivables	5,443,525	90,000	-	-	88,698	140,522	-	5,762,745
Total assets	<u>5,443,525</u>	<u>825,580</u>	<u>-</u>	<u>-</u>	<u>88,698</u>	<u>140,522</u>	<u>-</u>	<u>6,498,325</u>
<b>LIABILITIES</b>								
Intergovernmental payables:								
School	5,443,525	-	-	-	-	-	-	5,443,525
<b>NET POSITION</b>								
Restricted	<u>\$ -</u>	<u>\$ 825,580</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 88,698</u>	<u>\$ 140,522</u>	<u>\$ -</u>	<u>\$ 1,054,800</u>

See Independent Auditor's Report.

**SCHEDULE 7**  
**TOWN OF SUNAPEE, NEW HAMPSHIRE**  
*Combining Schedule of Custodial Funds Changes in Fiduciary Net Position*  
*For the Fiscal Year Ended December 31, 2021*

	Custodial Funds							Total
	Taxes	School Trust Funds	Sunapee Center Association	Harbor Ridge	Land Disturbance	Planning & Zoning Escrows	State Motor Vehicle	
<b>Additions:</b>								
Investment earnings	\$ -	\$ 788	\$ -	\$ 7	\$ -	\$ -	\$ -	\$ 795
State motor vehicle fees collected	-	-	-	-	-	-	279,471	279,471
Other	15,335,243	40,000	-	-	16,000	382,571	-	15,773,814
Total additions	<u>15,335,243</u>	<u>40,788</u>	<u>-</u>	<u>7</u>	<u>16,000</u>	<u>382,571</u>	<u>279,471</u>	<u>16,054,080</u>
<b>Deductions:</b>								
Payments for escrow purposes	-	-	451	3,221	7,302	242,049	-	253,023
Payments of taxes to other governments	15,335,243	-	-	-	-	-	-	15,335,243
Payments of motor vehicle fees to State	-	-	-	-	-	-	279,471	279,471
Total deductions	<u>15,335,243</u>	<u>-</u>	<u>451</u>	<u>3,221</u>	<u>7,302</u>	<u>242,049</u>	<u>279,471</u>	<u>15,867,737</u>
Net increase (decrease) in fiduciary net position	-	40,788	(451)	(3,214)	8,698	140,522	-	186,343
Net position, beginning, as restated (see Note 19)	-	784,792	451	3,214	80,000	-	-	868,457
Net position, ending	<u>\$ -</u>	<u>\$ 825,580</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 88,698</u>	<u>\$ 140,522</u>	<u>\$ -</u>	<u>\$ 1,054,800</u>

See Independent Auditor's Report.



## **PLODZIK & SANDERSON**

*Professional Association/Certified Public Accountants*

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major governmental and proprietary fund, and aggregate remaining fund information of the Town of Sunapee, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Town of Sunapee's basic financial statements and have issued our report thereon dated October 26, 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 material weaknesses:

#### ***2021-01 General Town Policies***

During our audit, we noted that at the end of 2021, the Town has experienced a high turnover in its upper management and accounting positions. As a result, well-defined accounting policies and procedures have not been established and many review and reconciliation policies and procedures have not been consistently or continuously maintained. We suggest that a formal accounting policies and procedures manual be developed, documented, and distributed to all employees. A well-structured accounting policies and procedures manual can be very helpful in ensuring that proper procedures and related internal controls are in place and consistently followed.

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

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

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

**Management's Response:**

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

**2021-02 Staffing of Accounting Department**

We noted the Town is experiencing significant delays in its accounting and reporting processes, as well as timely account reconciliations being performed in the accounting department, due to turnover in senior management and finance positions at the end of 2021. Best practices suggest that an accounting department be properly staffed so that there is a clear segregation of duties and allows those in the department to report financial information on an accurate and timely basis. It will also allow the Town to properly track the Town's capital assets which is not presently being done. Adequate time must be spent on preparation, review, and reconciliation of records to properly and efficiently accomplish the accounting process at the Town. Continued problems in receiving timely and current financial information can significantly impact senior management's abilities, such as providing relevant oversight and budgetary control. In addition, the Town presently receives an adverse opinion because the Town's capital assets are not being reported. We suggest the Town evaluate the staffing of the accounting department as soon as possible, because time must be allowed for training any new hires. The Town should give the accounting department staffing issue the highest priority in upcoming months.

**Management's Response:**

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

**2021-03 Accounting Discipline**

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

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

**Management's Response:**

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

**2021-04 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 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.

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

**Management's Response:**

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

**2021-05 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.



*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 FY2022, the Assistant Admin/Finance Director will review personnel files and create a procedure for maintaining accurate files. The file cabinet will be locked.**

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:

***2021-06 Capital Reserve Transfers***

During testing of Trust Funds, it was noted that a 2021 warrant article was approved moving \$3,200 from the general fund into the Cemetery Expendable trust fund; however, the funds were put into the Permanent Cemetery fund instead. In addition, \$90,000 from the School District that were approved in their warrant articles to be placed into a new School District trust fund related to technology were deposited into the Town's Computer Systems trust fund. It also appears that the re-deposited \$100,000 related to 2020 (in 2021) of that \$50,000 needs to be reallocated from the School Roof to the Facilities trust fund based on how the funds were initially removed in 2020 by the bank. 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 has 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. Further, we recommended that the Trustees move the above noted funding into the proper accounts based upon the approved warrant articles.

**Management's Response:**

- **A new policy will be put in place regarding the funding of warrant articles.**
- **A new account has been opened for the school's technology fund and the \$90,000 has been transferred to that account.**

***2021-07 Disbursement Procedures***

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

- As noted previously the Town is lacking a purchasing policy and is not utilizing a purchase order system to manage purchases.
- 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.

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:**

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

*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*

**2021-08 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.

**Management's Response:**

- **New segregation of duties for cash receipts are being developed.**
- **For the Transfer Station, the Town will create compensating controls to provide reasonable assurance that transactions are being monitored for accuracy and propriety.**

**2021-09 Town Trust Funds**

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

- There is no monthly reconciliation performed on the bank statement as there are no separate summaries performed 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.

The individual fund 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:**

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

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

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

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

**2021-10 Accounts Setup**

While testing the interfund balances and transfers between the general fund and hydroelectric fund it was noted that each fund had an interfund transfer account that was set up as balance sheet account. 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:**

- Our interim Finance Director is reviewing all accounts in the general ledger system to ensure they are properly set up based on the type of account, i.e., asset, liability, etc. and will correct accounts which are incorrectly set up.

**2021-11 Journal Entries**

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

**Management's Response:**

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

**2021-12 Capital Asset Records**

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

**Management's Response:**

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

***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***

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Town of Sunapee's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. We noted certain matters that we have reported to management of the Town of Sunapee in a separate letter dated October 26, 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. Pratt, CPA*

PLODZIK & SANDERSON  
Professional Association

October 26, 2022