



## **TOWN OF SUNAPEE, NEW HAMPSHIRE**

Annual Financial Statements  
For the Year Ended December 31, 2019

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## INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen  
Town of Sunapee, New Hampshire

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

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

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditors' Responsibility***

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

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

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Merrimack, New Hampshire  
Andover, Massachusetts  
Greenfield, Massachusetts  
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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse audit opinion on the governmental activities and unmodified audit opinions on each major fund and the aggregate remaining fund information.

***Basis for Adverse Opinion on Governmental Activities***

Management has not included any of the Town of Sunapee, New Hampshire's capital assets acquired, nor the accumulated depreciation and depreciation expense related to those assets in the governmental activities. Accounting principles generally accepted in the United States of America require that those capital assets be capitalized and depreciated, which would increase the assets, net position, and expenses of the governmental activities. The amount by which this departure would affect the assets, net position, and expenses of the governmental activities has not been determined.

Management has not determined the Town's liability, deferred outflows of resources, deferred inflows of resources, or annual cost for postemployment benefits other than pensions (OPEB) in the governmental activities following the Government Accounting Standards Board (GASB) statement as required by 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Although the Town has recognized an OPEB liability for the amount related to the Town's proportionate share of the New Hampshire Retirement Medical Subsidy, the Town has not determined the amount of the implicit liability associated with the healthcare for retired employees. Accounting principles generally accepted in the United States of America require that other post-employment benefits attributable to employee services be recorded, which would increase the liabilities, decrease the net position and increase the expenses of the governmental activities. The amount by which this departure would affect the liabilities, net position, and expenses of the governmental activities has not been determined.

***Adverse Opinion on Governmental Activities***

In our opinion, because of the effects of the matters described in the Basis for Adverse Opinion paragraphs on the governmental activities, the financial statements referred to above do not present fairly, in all material respects, the respective financial position of the governmental activities of the Town of Sunapee, New Hampshire, as of December 31, 2019, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Opinion on Major Funds and Aggregate Remaining Fund Information***

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



## Other Matters

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, the Budgetary Comparison for the General Fund and Sewer Fund, and certain Pension and OPEB schedules be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

A handwritten signature in cursive script that reads "Melanson".

Merrimack, New Hampshire  
July 13, 2021

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the basic financial statements. The basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to financial statements. This report also contains required supplementary information in addition to the basic financial statements themselves.

### ***Government-Wide Financial Statements***

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

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

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

The government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities include general government, public safety, highways and streets, sanitation, water distribution, electric, health and welfare, culture and recreation, and conservation.

### ***Fund Financial Statements***

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

### ***Governmental Funds***

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the

government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

### ***Fiduciary Funds***

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

### ***Notes to Financial Statements***

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

### ***Required supplementary information (other than MD&A)***

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

### **Financial Highlights**

- As of the close of the current year, net position in governmental activities was \$(253,702), a change of \$298,063.
- As of the close of the current year, governmental funds reported combined ending fund balances of \$7,223,658, a change of \$531,634 in comparison to the prior year.
- At the end of the current year, unassigned fund balance for the general fund was \$1,438,373, a change of \$156,617 in comparison to the prior year.



## Government-Wide Financial Analysis

The following is a summary of condensed government-wide financial data for the current and prior years.

### NET POSITION

	Governmental <u>Activities</u>	
	<u>2019</u>	<u>2018</u>
Current and other assets	\$ 13,762,182	\$ 13,803,432
Noncurrent assets	98,398	-
Total assets	<u>13,860,580</u>	<u>13,803,432</u>
Deferred outflows of resources	360,276	444,071
Current liabilities	6,655,650	6,489,557
Noncurrent liabilities	<u>7,585,792</u>	<u>7,999,531</u>
Total liabilities	14,241,442	14,489,088
Deferred inflows of resources	233,116	310,180
Net position:		
Restricted	3,988,599	3,880,258
Unrestricted	<u>(4,242,301)</u>	<u>(4,432,023)</u>
Total net position	<u>\$ (253,702)</u>	<u>\$ (551,765)</u>

As noted earlier, net position may serve over time as a useful indicator of a town's financial position. At the close of the most recent year, total net position was \$(253,702), a change of \$298,063 from the prior year.

The largest portion of net position, \$3,988,599, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is a deficit balance of \$(4,242,301), which was primarily caused by management's decision not to record capital assets in its governmental activities and the Town's unfunded net pension liability.

## CHANGES IN NET POSITION

	Governmental	
	<u>2019</u>	<u>2018</u>
Revenues:		
Program revenues:		
Charges for services	\$ 2,147,341	\$ 2,071,243
Operating grants and contributions	476,056	497,307
Capital grants and contributions	-	192,431
General revenues:		
Property taxes	3,651,870	4,427,045
Motor vehicle registration fees	910,263	880,404
Penalties and interest on taxes	161,240	79,964
Investment income	223,385	174,173
Other	38,107	30,906
Total revenues	<u>7,608,262</u>	<u>8,353,473</u>
Expenses:		
General government	1,156,084	1,088,982
Public safety	1,269,368	1,240,487
Highways and streets	1,907,181	1,861,421
Sanitation	1,642,921	1,478,232
Water distribution	376,782	349,241
Electric	106,205	75,197
Health and welfare	38,791	27,534
Culture and recreation	596,576	591,438
Conservation	41,010	72,559
Interest expense	175,281	164,103
Total expenses	<u>7,310,199</u>	<u>6,949,194</u>
Change in net position	298,063	1,404,279
Net position - beginning of year	<u>(551,765)</u>	<u>(1,956,044)</u>
Net position - end of year	<u>\$ (253,702)</u>	<u>\$ (551,765)</u>

**Governmental Activities**

Governmental activities for the year resulted in a change in net position of \$298,063. Key elements of this change are as follows:

General fund operations	\$	438,353
Other governmental funds operations		93,281
Principal debt service		436,579
Change in pension expense from GASB 68		(46,381)
Change in OPEB expense from GASB 75		(9,124)
Other		<u>(614,645)</u>
Total	\$	<u>298,063</u>

**Financial Analysis of the Town's Funds**

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

**Governmental Funds**

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

*General Fund*

The general fund is the chief operating fund. At the end of the current year, unassigned fund balance of the general fund was \$1,438,373, while total fund balance was \$3,246,210. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to general fund expenditures. Refer to the table below.

<u>General Fund</u>	<u>12/31/19</u>	<u>12/31/18</u>	<u>Change</u>	% of <u>Total General Fund Expenditures</u>
Unassigned fund balance	\$ 1,438,373	\$ 1,281,756	\$ 156,617	25.9%
Total fund balance	\$ 3,246,210	\$ 2,807,857	\$ 438,353	58.4%

The total fund balance of the general fund changed by \$438,353 during the current year. Key factors in this change are as follows:

Use of fund balance as a funding source	\$	(321,600)
Revenues and other financing sources as compared with budgeted amounts		(33,567)
Expenditures and other financing uses as compared with budgeted amounts		491,236
Change in capital reserves		277,827
Other		<u>24,457</u>
Total	\$	<u><u>438,353</u></u>

Included in the total general fund balance are the Town’s capital reserve accounts with the following balances:

	<u>12/31/19</u>	<u>12/31/18</u>	<u>Change</u>
General capital reserves	\$ 1,754,490	\$ 1,476,663	\$ 277,827

*Other Major Governmental Fund*

The sewer fund is used to account for the financial activity relating to sewage disposal facilities of the Town.

**General Fund Budgetary Highlights**

There was no difference between the original budget and the final budget

**Requests for Information**

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

Board of Selectmen  
Town of Sunapee, New Hampshire  
23 Edgemont Road  
Sunapee, NH 03782

**TOWN OF SUNAPEE, NEW HAMPSHIRE**

Statement of Net Position  
December 31, 2019

	<u>Governmental Activities</u>
<b>Assets</b>	
Current:	
Cash and short-term investments	\$ 12,875,643
Receivables, net of allowance for uncollectibles:	
Taxes	640,078
Departmental and other	46,571
Intergovernmental	152,305
Other assets	<u>47,585</u>
Total Current Assets	13,762,182
Noncurrent:	
Receivables, net of allowance for uncollectibles:	
Taxes	<u>98,398</u>
Total Assets	13,860,580
<b>Deferred Outflows of Resources</b>	
Related to pensions	349,983
Related to OPEB	<u>10,293</u>
Total Deferred Outflows of Resources	360,276
<b>Liabilities</b>	
Current:	
Accounts payable	184,926
Accrued liabilities	106,347
Due to external parties	89,323
Due to school district	5,712,681
Due to other governments	10,293
Other liabilities	89,567
Current portion of long-term liabilities:	
Bonds payable	294,928
Bond premium	9,332
Loans payable (direct borrowings)	145,953
Landfill liability	<u>12,300</u>
Total Current Liabilities	6,655,650
Noncurrent:	
Bonds payable, net of current portion	986,876
Bond premium, net of current portion	65,329
Loans payable (direct borrowings), net of current portion	3,261,656
Net pension liability	2,991,833
Net OPEB liability	193,998
Landfill, net of current portion	<u>86,100</u>
Total Noncurrent Liabilities	<u>7,585,792</u>
Total Liabilities	14,241,442
<b>Deferred Inflows of Resources</b>	
Related to pensions	232,560
Related to OPEB	<u>556</u>
Total Deferred Inflows of Resources	233,116
<b>NET POSITION</b>	
Restricted for:	
Grants and other	3,754,074
Permanent funds:	
Nonexpendable	70,833
Expendable	163,692
Unrestricted	<u>(4,242,301)</u>
<b>TOTAL NET POSITION</b>	<u>\$ (253,702)</u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF SUNAPEE, NEW HAMPSHIRE**

Statement of Activities  
For the Year Ended December 31, 2019

		Program Revenues		Net (Expenses) Revenues and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities:</b>				
General government	\$ 1,156,084	\$ 107,121	\$ 164,570	\$ (884,393)
Public safety	1,269,368	5,951	-	(1,263,417)
Highways and streets	1,907,181	-	146,868	(1,760,313)
Sanitation	1,642,921	1,197,907	108,724	(336,290)
Water distribution	376,782	560,943	43,736	227,897
Electric	106,205	233,897	-	127,692
Health and welfare	38,791	-	-	(38,791)
Culture and recreation	596,576	41,522	12,158	(542,896)
Conservation	41,010	-	-	(41,010)
Interest on long-term debt	175,281	-	-	(175,281)
Total Governmental Activities	\$ 7,310,199	\$ 2,147,341	\$ 476,056	(4,686,802)
<b>General Revenues:</b>				
				3,651,870
				910,263
				161,240
				223,385
				38,107
				4,984,865
				Change in Net Position
				298,063
				Net Position:
				Beginning of year
				(551,765)
				End of year
				\$ (253,702)

The accompanying notes are an integral part of these financial statements.

**TOWN OF SUNAPEE, NEW HAMPSHIRE**

Governmental Funds  
Balance Sheet  
December 31, 2019

	<u>General</u> <u>Fund</u>	<u>Sewer</u> <u>Fund</u>	<u>Nonmajor</u> <u>Governmental</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
<b>Assets</b>				
Cash and short-term investments	\$ 8,764,980	\$ 1,803,915	\$ 2,306,748	\$ 12,875,643
Receivables:				
Property taxes	767,846	-	-	767,846
Departmental and other	-	42,978	3,593	46,571
Intergovernmental	8,252	144,053	-	152,305
Due from other funds	348,671	-	255,148	603,819
Other assets	<u>47,585</u>	<u>-</u>	<u>-</u>	<u>47,585</u>
Total Assets	<u>\$ 9,937,334</u>	<u>\$ 1,990,946</u>	<u>\$ 2,565,489</u>	<u>\$ 14,493,769</u>
<b>Liabilities</b>				
Accounts payable	\$ 116,614	\$ 62,572	\$ 5,740	\$ 184,926
Accrued liabilities	36,564	-	-	36,564
Due to other funds	339,941	42,118	311,083	693,142
Due to school district	5,712,681	-	-	5,712,681
Due to other governments	10,293	-	-	10,293
Other liabilities	<u>89,567</u>	<u>-</u>	<u>-</u>	<u>89,567</u>
Total Liabilities	6,305,660	104,690	316,823	6,727,173
<b>Deferred Inflows of Resources</b>				
Unavailable revenues	385,464	120,607	36,867	542,938
<b>Fund Balances</b>				
Nonspendable	47,585	-	70,833	118,418
Restricted	-	1,765,649	2,152,117	3,917,766
Committed	1,754,490	-	-	1,754,490
Assigned	5,762	-	-	5,762
Unassigned	<u>1,438,373</u>	<u>-</u>	<u>(11,151)</u>	<u>1,427,222</u>
Total Fund Balances	<u>3,246,210</u>	<u>1,765,649</u>	<u>2,211,799</u>	<u>7,223,658</u>
Total Liabilities, Deferred Inflows Of Resources and Fund Balances	<u>\$ 9,937,334</u>	<u>\$ 1,990,946</u>	<u>\$ 2,565,489</u>	<u>\$ 14,493,769</u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF SUNAPEE, NEW HAMPSHIRE**

Reconciliation of Total Governmental Fund Balances  
to Net Position of Governmental Activities  
in the Statement of Net Position  
December 31, 2019

<b>Total governmental fund balances</b>	\$ 7,223,658
Revenues are reported on the accrual basis of accounting and are not deferred until collection.	513,568
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(69,783)
Long-term liabilities, including bonds payable and net pension liability are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
Bonds payable	(4,689,413)
Bond premium	(74,661)
Landfill liability	(98,400)
Pension liability, net of related deferred outflows and inflows of resources	(2,874,410)
OPEB liability, net of related deferred outflows and inflows of resources	<u>(184,261)</u>
<b>Net position of governmental activities</b>	<b>\$ <u><u>(253,702)</u></u></b>

The accompanying notes are an integral part of these financial statements.



**TOWN OF SUNAPEE, NEW HAMPSHIRE**

Governmental Funds  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
For the Year Ended December 31, 2019

	General Fund	Sewer Fund	Nonmajor Governmental Fund	Total Governmental Funds
<b>Revenues</b>				
Property taxes	\$ 4,293,617	\$ -	\$ 2,805	\$ 4,296,422
Penalties, interest and other taxes	64,698	-	-	64,698
Licenses and permits	1,006,805	-	-	1,006,805
Intergovernmental	420,162	-	43,736	463,898
Charges for services	132,247	1,172,781	842,313	2,147,341
Investment income	127,170	19,355	76,858	223,383
Contributions	-	-	55,534	55,534
Miscellaneous	36,755	-	10,571	47,326
	<u>6,081,454</u>	<u>1,192,136</u>	<u>1,031,817</u>	<u>8,305,407</u>
Total Revenues				
<b>Expenditures</b>				
Current:				
General government	1,107,750	-	54,705	1,162,455
Public safety	1,242,503	-	6,312	1,248,815
Highways and streets	1,889,705	-	-	1,889,705
Sanitation	527,947	760,979	-	1,288,926
Water distribution	-	-	376,782	376,782
Electric	-	-	106,205	106,205
Health and welfare	38,791	-	-	38,791
Culture and recreation	430,581	-	165,995	596,576
Conservation	3,550	-	37,460	41,010
Debt service:				
Principal	248,206	81,225	107,148	436,579
Interest	73,129	73,882	32,578	179,589
Capital outlay	-	366,295	42,045	408,340
	<u>5,562,162</u>	<u>1,282,381</u>	<u>929,230</u>	<u>7,773,773</u>
Total Expenditures				
Excess (deficiency) of revenues over expenditures	519,292	(90,245)	102,587	531,634
<b>Other Financing Sources (Uses):</b>				
Transfers in	72,617	-	153,556	226,173
Transfers out	(153,556)	-	(72,617)	(226,173)
	<u>(80,939)</u>	<u>-</u>	<u>80,939</u>	<u>-</u>
Total Other Financing Sources (Uses)				
Change in fund balance	438,353	(90,245)	183,526	531,634
Fund Equity, at Beginning of Year	<u>2,807,857</u>	<u>1,855,894</u>	<u>2,028,273</u>	<u>6,692,024</u>
Fund Equity, at End of Year	\$ <u><u>3,246,210</u></u>	\$ <u><u>1,765,649</u></u>	\$ <u><u>2,211,799</u></u>	\$ <u><u>7,223,658</u></u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF SUNAPEE, NEW HAMPSHIRE**

Reconciliation of the Statement of Revenues, Expenditures, and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended December 31, 2019

**Net changes in fund balances - total governmental funds** \$ 531,634

The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position:

Repayments of debt	436,579
Bond premium	9,332
Landfill	12,300
Accrued interest	4,308

Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures, and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., property taxes, etc.) differ between the two statements. This amount represents the net change in deferred revenue. (640,585)

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 the governmental funds:

Change in pension expense from GASB 68	(46,381)
Change in OPEB expense from GASB 75	(9,124)

**Change in net position of governmental activities** \$ 298,063

The accompanying notes are an integral part of these financial statements.

**TOWN OF SUNAPEE, NEW HAMPSHIRE**

Fiduciary Funds  
Statement Of Fiduciary Net Position  
December 31, 2019

	Private Purpose Trust Funds	Agency Funds
<b>Assets</b>		
Cash and short-term investments	\$ 138,931	\$ 995,242
Due from external parties	<u>-</u>	<u>93,523</u>
Total Assets	138,931	1,088,765
<b>Liabilities</b>		
Due to external parties	4,200	-
Due to other governments	-	995,196
Due to developers	<u>-</u>	<u>93,569</u>
Total Liabilities	<u>4,200</u>	<u>\$ 1,088,765</u>
<b>Net Position</b>		
Total Net Position	<u>\$ 134,731</u>	

The accompanying notes are an integral part of these financial statements.

**TOWN OF SUNAPEE, NEW HAMPSHIRE**

Fiduciary Funds  
Statement of Changes in Fiduciary Net Position  
For the Year Ended December 31, 2019

	<u>Private Purpose Trust Funds</u>
<b>Additions</b>	
Interest	\$ <u>2,670</u>
Total additions	2,670
<b>Deductions</b>	
Education	<u>1,400</u>
Total deductions	<u>1,400</u>
Change in net position	1,270
<b>Net Position</b>	
Beginning of year	<u>133,461</u>
End of year	\$ <u><u>134,731</u></u>

The accompanying notes are an integral part of these financial statements.

## TOWN OF SUNAPEE, NEW HAMPSHIRE

### Notes to Financial Statements

#### 1. Summary of Significant Accounting Policies

The accounting policies of the Town of Sunapee (the Town) conform to generally accepted accounting principles (GAAP) as applicable to governmental units, except as indicated in Note 2. The following is a summary of the more significant policies:

##### ***Reporting Entity***

The Town is a municipal corporation governed by an elected Board of Selectmen. As required by generally accepted accounting principles, these financial statements present the government and applicable component units for which the government is considered to be financially accountable. In 2019, it was determined that no entities met the required GASB 14 (as amended) criteria of component units.

##### ***Government-Wide and Fund Financial Statements***

###### *Government-Wide Financial Statements*

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

###### *Fund Financial Statements*

Separate financial statements are provided for governmental funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

##### ***Measurement Focus, Basis of Accounting, and Financial Statement Presentation***

###### *Government-Wide Financial Statements*

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability

is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

#### *Fund Financial Statements*

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 considers property tax revenues to be available if they are collected within 60 days of the end of the current period. 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, certain expenditures such as debt service, claims and judgements, compensated absences, OPEB, and pension are recorded only when payment is due.

The Town reports the following major governmental funds:

- The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *sewer fund* is used to account for the financial activity relating to sewage disposal facilities of the Town.

The fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Under this method, revenues are recognized when earned and expenses are recorded when liabilities are incurred.

The Town reports the following fiduciary funds:

- The *private-purpose trust fund* is used to account for trust arrangements, other than those properly reported in the pension trust fund or permanent fund, under which principal and investment income exclusively benefit individuals, private organizations, or other governments.

- The *agency funds* account for fiduciary assets held by the Town in a custodial capacity as an agent on behalf of others. Agency funds report only assets and liabilities and, therefore, have no measurement focus.

### ***Cash and Investments***

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash. Cash balances are invested to the extent available, and interest earnings are recognized in the General Fund. Certain special revenue and fiduciary funds segregate cash, and investment earnings become a part of those funds.

Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, and savings accounts. Generally, a cash and investment 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 short-term investments".

State and local statutes place certain limitations on the nature of deposits and investments available. Deposits in any financial institution may not exceed certain levels within the financial institution. Non-fiduciary fund investments can be made in securities issued by or unconditionally guaranteed by the U.S. Government or agencies that have a maturity of one year or less from the date of purchase and repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase.

Investments are carried at fair value except certificates of deposit which are carried at cost.

### ***Interfund Receivables and Payables***

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as "due from/to other funds".

### ***Long-Term Obligations***

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Position.

### ***Fund Equity***

Fund equity at the governmental fund financial reporting level is classified as "fund balance". Fund equity for all other reporting is classified as "net position".

### ***Fund Balance***

Generally, fund balance represents the difference between the current assets/deferred outflows and current liabilities/ deferred inflows. The Town reserves those portions of fund balance that are legally segregated for a specific future use or which do not represent available, spendable resources and, therefore, are not available for appropriation or expenditure. Unassigned fund balance indicates that portion of fund balance that is available for appropriation in future periods.

When an expenditure is incurred that would qualify for payment from multiple fund balance types, the Town uses the following order to liquidate liabilities: restricted, committed, assigned, and unassigned.

#### *Net Position*

Net position represents the difference between assets/ deferred outflows and liabilities/deferred inflows. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The remaining net position is reported as unrestricted.

#### *Use of Estimates*

The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures for contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of the revenues and expenditures/expenses during the year. Actual results could vary from estimates that were used.

## **2. Departures from Generally Accepted Accounting Principles**

The significant departures of the financial statements from generally accepted accounting principles are as follows:

Capital assets acquisitions are not capitalized in the governmental activities, nor is depreciation expense recorded on these assets. This is a departure from generally accepted accounting principles of the United States of America.

An OPEB liability, deferred outflows of resources, deferred inflows of resources, or annual cost for postemployment benefits other than pensions (OPEB) in governmental activities was not reported for the implicit subsidy related to the Town's healthcare plan. The Town indirectly provides post-employment benefits to retirees who pay 100% of the healthcare premiums to participate in the Town's health care programs since they are included in the same pool as the active employees, the insurance rates are implicitly higher for current employees due to the age consideration. Although the Town has recognized an OPEB liability for the amount related to the Town's proportionate share of the New Hampshire Retirement Medical Subsidy, the Town has not determined the amount of the implicit liability associated with the healthcare for retired employees. Accounting principles generally accepted in the United States of America require that other post-employment benefits attributable to employee services be recorded, which would increase the liabilities, decrease the net



position, and increase the expenses of the governmental activities. This is a departure from generally accepted accounting principles of the United States of America.

### **3. Stewardship, Compliance and Accountability**

#### ***Budgetary Information***

The Town's budget is originally prepared by the Town Manager with the cooperation of the various department heads. It is then submitted to the Board of Selectmen, in accordance with the Municipal Budget Law, and the Budget Advisory Committee is invited to give input. After reviewing and revising the budget, the Board of Selectmen holds a public hearing for discussion.

The final version of the budget is then submitted for approval at the annual Town meeting. The approved budget is subsequently reported to the State of New Hampshire on the statement of appropriation form in order to establish the current property tax rate.

The Town Manager cannot increase the total of the approved budget; however, the Town Manger has the power to reclassify its components with approval of the Board of Selectmen.

#### ***Deficit Fund Equity***

Certain individual funds reflected deficit balances as of December 31, 2019.

It is anticipated that the deficits in these funds will be eliminated through future departmental revenues, and transfers from other funds.

### **4. Deposits**

State statutes (RSA 48:16 for Cities and Towns) place certain limitation on the nature of deposits and investments available to the Town. Deposits may be made in the New Hampshire Deposit Investment Pool (NHPDIP), in NH Banks or banks outside the State if such banks pledge and deliver to a third-party custodial bank with various collateralized security, in accordance with RSA 383:22. NHDIP is under the control of the New Hampshire Banking Commission and Advisory Committee. Participation units of the NHDIP are considered short-term for financial presentation purposes due to high liquidity of the fund and is carried at amortized cost in accordance with GASB Statement 79.

#### ***Custodial Credit Risk***

Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned. RSA 48:16 limits "deposit in any one bank shall not at any time exceed the sum of its paid-up capital and surplus, exception that a Town with a population in excess of 50,000 is authorized to deposit funds in a solvent bank in excess of the paid-up capital surplus of said bank." The Town does not have formal deposit policies related to custodial credit risk.

As of December 31, 2019, \$9,321,904 of the Town’s bank balance of \$14,349,071 was exposed to custodial credit risk as uninsured or uncollateralized.

**5. Property Taxes Receivable**

The Town bills property taxes semi-annually, in May and November. Property tax revenues are recognized in the year for which taxes have been levied. Property taxes are due on July 1 and December 1. Delinquent accounts are charged 8% interest. In March of the next year, a lien is recorded on delinquent property at the Registry of Deeds. The Town purchases all the delinquent accounts by paying the delinquent balance, recording costs and accrued interest. The accounts that are liened by the Town will be reclassified from property taxes receivable to unredeemed tax liens receivable. After this date, delinquent accounts will be charged interest at a rate of 14%. The Town annually budgets amounts (overlay for abatements) for property tax abatements and refunds.

Property taxes receivable at December 31, 2019 consist of the following:

	<u>Gross Amount</u>	<u>Allowance for Doubtful Accounts</u>	<u>Current Portion</u>	<u>Long - Term Portion</u>
Real estate taxes	\$ 640,078	\$ -	\$ 640,078	\$ -
Tax liens	<u>127,768</u>	<u>(29,370)</u>	<u>-</u>	<u>98,398</u>
Total property taxes	<u>\$ 767,846</u>	<u>\$ (29,370)</u>	<u>\$ 640,078</u>	<u>\$ 98,398</u>

***Taxes Collected for Others***

The Town collects property taxes for the Sunapee School District and the County of Sullivan. Payments to the other taxing units are normally made throughout the year. The ultimate responsibility for the collection of taxes rests with the Town.

**6. User Fee Receivables**

Receivables for user charges and betterments at December 31, 2019 consist of the following:

<u>Receivables:</u>	
Water	\$ 3,593
Sewer	<u>42,978</u>
Total	<u>\$ 46,571</u>

**7. Intergovernmental Receivables**

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in 2019.

**8. Interfund Fund Accounts**

***Receivables/Payables***

Although self-balancing funds are maintained, most transactions flow through the general fund. In order to obtain accountability for each fund, interfund receivable and payable accounts must be utilized. The following is an analysis of interfund receivable and payable accounts:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 348,671	\$ 339,941
Sewer Fund	-	42,118
Nonmajor Funds:		
Special Revenue Funds		
Hydro	-	200,928
Recreation	-	31,710
Pistol Permit	-	9,180
Conservation	86,694	-
Drug Forfeiture	-	3,871
Public Safety Services	-	5,175
Water	-	13,046
Capital Projects	168,454	-
Library	-	4,650
Permanent Trust	-	42,523
Subtotal Nonmajor Funds	<u>255,148</u>	<u>311,083</u>
Trust and Agency Funds:		
Private Purpose	-	4,200
Agency	<u>93,523</u>	-
Subtotal Trust and Agency Funds	<u>93,523</u>	<u>4,200</u>
Total	<u>\$ 697,342</u>	<u>\$ 697,342</u>

### **Transfers**

The Town reports interfund transfers between various funds. Most transfers result from budgetary or statutory actions, whereby funds are moved to accomplish various expenditure purposes. The following is an analysis of major interfund transfers.

<u>Governmental Funds:</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 72,617	\$ 153,556
Nonmajor Funds:		
Special Revenue Funds		
Conservation	50,000	-
Library	103,556	-
Water	-	50,000
Permanent trust funds	-	22,617
Subtotal Nonmajor Funds	<u>153,556</u>	<u>72,617</u>
Total	\$ <u>226,173</u>	\$ <u>226,173</u>

The Town's other routine transfers include transfers made to move (1) unrestricted revenues or balances that have been collected or accumulated in the general fund to other funds based on budgetary authorization, and (2) revenues from a fund that by statute or budgetary authority must collect them to funds that are required by statute or budgetary authority to expend them.

### **9. Deferred Outflows of Resources**

Deferred outflows of resources represent the consumption of net position by the Town that is applicable to future reporting periods. Deferred outflows of resources have a positive effect on net position, similar to assets. Deferred outflows of resources related to pensions and OPEB, in accordance with GASB Statement No. 68 and 75, are more fully discussed in the corresponding pension and OPEB notes.

### **10. Accounts Payable and Accrued Liabilities**

Accounts payable and accrued expenses represent 2019 expenses paid in 2020.

## 11. Long-Term Debt

### **General Obligation Bonds**

The Town issues general obligation bonds (including direct placements) and direct borrowings to provide funds for the acquisition and construction of major capital facilities. General obligation bonds and direct borrowings currently outstanding are as follows:

<u>Governmental Activities</u>	Original	Serial	Interest	Amount
<u>General Obligation Bonds</u>	<u>Issue</u>	<u>Maturities</u>	<u>Rate(s) %</u>	<u>Outstanding</u>
		<u>Through</u>		<u>as of</u>
				<u>12/31/18</u>
Public offerings:				
Water Filtration #1	\$ 783,400	02/15/27	5.00%	\$ 176,253
Water Filtration #2	1,300,000	02/15/27	5.00%	<u>551,747</u>
Total public offerings				728,000
Direct placements:				
Public Safety Buildings	2,423,842	07/31/24	3.97%	364,563
Lake Avenue	706,741	05/30/24	4.25%	<u>189,241</u>
Total direct placements				<u>553,804</u>
Total general obligation bonds				1,281,804
<u>Loans - Direct Borrowings</u>				
Library project	\$ 975,000	04/01/34	2.76%	731,250
WWTP Upgrade project	1,500,000	03/13/42	3.50%	1,326,175
USDA Loan Perkins Pond	1,585,000	08/28/42	2.50%	<u>1,350,184</u>
Total loans - direct borrowings				<u>3,407,609</u>
Total governmental activities				<u>\$ 4,689,413</u>

### **Future Debt Service**

The annual payments to retire all general obligation long-term debt outstanding as of December 31, 2019 are as follows:

<u>Governmental</u>	<u>Bonds - Public Offerings</u>		<u>Bonds - Direct Placements</u>		<u>Loans - Direct Borrowings</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 85,000	\$ 32,840	\$ 209,928	\$ 12,008	\$ 145,953	\$ 99,311
2021	88,001	29,225	209,928	6,525	147,300	95,123
2022	93,000	25,175	79,707	2,745	148,695	90,944
2023	96,000	20,960	45,000	1,120	150,138	86,688
2024	101,000	16,110	9,241	121	151,632	82,380
2025-2029	264,999	17,325	-	-	782,467	345,397
2030-2034	-	-	-	-	828,486	229,052
Thereafter	-	-	-	-	<u>1,052,938</u>	<u>145,393</u>
Total	<u>\$ 728,000</u>	<u>\$ 141,635</u>	<u>\$ 553,804</u>	<u>\$ 22,519</u>	<u>\$ 3,407,609</u>	<u>\$ 1,174,288</u>

### **Changes in General Long-Term Liabilities**

During the year ended December 31, 2019, the following changes occurred in long-term liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance	Less Current Portion	Equals Long-Term Portion
<u>Governmental Activities</u>						
Bonds payable:						
Public offerings	\$ 810,000	\$ -	\$ (82,000)	\$ 728,000	\$ (85,000)	\$ 643,000
Direct placements	763,732	-	(209,928)	553,804	(209,928)	343,876
Subtotal	1,573,732	-	(291,928)	1,281,804	(294,928)	986,876
Unamortized bond premium	83,993	-	(9,332)	74,661	(9,332)	65,329
Loans payable (direct borrowings)	3,552,260	-	(144,651)	3,407,609	(145,953)	3,261,656
Net pension liability	2,938,239	53,594	-	2,991,833	-	2,991,833
Net OPEB liability	198,818	-	(4,820)	193,998	-	193,998
Landfill liability	110,700	-	(12,300)	98,400	(12,300)	86,100
Total	\$ 8,457,742	\$ 53,594	\$ (463,031)	\$ 8,048,305	\$ (462,513)	\$ 7,585,792

### **12. Landfill Closure and Postclosure Care Costs**

State and Federal laws and regulations require the Town to perform certain maintenance and monitoring functions at the landfill site for thirty years after closure.

The \$98,400 reported as landfill postclosure care liability at December 31, 2019 represents the remaining estimated postclosure maintenance costs. These amounts are based on what it would cost to perform all postclosure care in 2019. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

### **13. Deferred Inflows of Resources**

Deferred inflows of resources are the acquisition of net position by the Town that are applicable to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities. Deferred inflows of resources related to pension and OPEB will be recognized as expense in future years and is more fully described in the corresponding pension and OPEB notes. *Unavailable revenues* are reported in the governmental funds balance sheet in connection with receivables for which revenues are not considered available to liquidate liabilities of the current year.

### **14. Governmental Funds - Balances**

Fund balances are segregated to account for resources that are either not available for expenditure in the future or are legally set aside for a specific future use.

The Town has implemented *GASB Statement No. 54 (GASB 54), Fund Balance Reporting and Governmental Fund Type Definitions*, which enhances the usefulness of fund balance

information by providing clearer fund balance classifications that can be more consistently applied and by clarifying existing governmental fund type definitions.

The following types of fund balances are reported at December 31, 2019:

***Nonspendable***

Represents amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. This fund balance classification includes general fund reserves for prepaid expenditures and nonmajor governmental fund reserves for the principal portion of permanent trust funds.

***Restricted***

Represents amounts that are restricted to specific purposes by constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. This fund balance classification includes various special revenue funds, sewer fund encumbrances for non-lapsing, special article appropriations approved at Town Meeting, and the income portion of permanent trust funds.

***Committed***

Represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision-making authority. This fund balance classification includes general fund encumbrances for non-lapsing, special article appropriations approved at Town Meeting, capital reserve funds set aside by Town Meeting vote for future capital acquisitions and improvements (now reported as part of the general fund per GASB 54), and capital projects funded by the general fund.

***Assigned***

Represents amounts that are constrained by the Town's intent to use these resources for a specific purpose. This fund balance classification includes general fund encumbrances that have been established by various Town departments for the expenditure of current year budgetary financial resources upon vendor performance in the subsequent budgetary period, and surplus set aside to be used in the subsequent year's budget.

***Unassigned***

Represents amounts that are available to spend in future periods and deficit funds.

Following is a breakdown of the Town's fund balances at December 31, 2019:

	General Fund	Sewer Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable				
Prepaid expenditures	\$ 47,585	\$ -	\$ -	\$ 47,585
Nonexpendable permanent funds	-	-	70,833	70,833
Total Nonspendable	47,585	-	70,833	118,418
Restricted				
Sewer fund	-	1,765,649	-	1,765,649
Special revenue funds	-	-	1,809,148	1,809,148
Capital Projects	-	-	179,277	179,277
Expendable permanent funds	-	-	163,692	163,692
Total Restricted	-	1,765,649	2,152,117	3,917,766
Committed				
Capital reserve funds	1,754,490	-	-	1,754,490
Total Committed	1,754,490	-	-	1,754,490
Assigned				
Encumbrances				
General Government	5,762	-	-	5,762
Total Assigned	5,762	-	-	5,762
Unassigned				
General fund	1,438,373	-	-	1,438,373
Special revenue fund deficits				
Pistol permit fund	-	-	(6,554)	(6,554)
Public safety fund	-	-	(4,597)	(4,597)
Total Unassigned	1,438,373	-	(11,151)	1,427,222
Total Fund Balance	\$ 3,246,210	\$ 1,765,649	\$ 2,211,799	\$ 7,223,658

#### 15. General Fund Unassigned Fund Balance

The unassigned general fund balance reported on the balance sheet is stated in accordance with generally accepted accounting principles (GAAP), which differs in respect to how unassigned fund balance is reported in accordance with the budgetary basis for reporting for the State of New Hampshire for tax rate setting purposes. The major difference is the State of New Hampshire considers revenues in connection with property tax receivables to be available to liquidate liabilities when billed rather than received.



The following summarizes the specific differences between GAAP basis and budgeted basis of reporting the general fund unassigned fund balance:

GAAP basis balance	\$ 1,438,373
Unavailable revenue	385,464
Other	<u>81,661</u>
Tax rate setting balance	<u>\$ 1,905,498</u>

**16. Retirement System**

The Town follows the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, with respect to the State of New Hampshire Retirement System (NHRS).

***Plan Description***

Full-time employees participate in the New Hampshire Retirement System (NHRS), a cost-sharing, multiple-employer defined benefit contributory pension plan and trust established in 1967 by RSA 100-A:2 and qualified as a tax-exempt organization under Sections 401(a) and 501(a) of the Internal Revenue Code. The 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 of New Hampshire are eligible and required to participate in the system. Full-time employees of political subdivisions, including counties, municipalities, and school districts, are also eligible to participate as a group if the governing body of the political subdivision has elected participation.

The New Hampshire Retirement System, a Public Employees Retirement System (PERS), is divided into two membership groups. State or local employees and teachers belong to *Group I*. Police officers and firefighters belong to *Group II*. All assets are held in a single trust and are available to each group. Additional information is disclosed in the NHRS annual report publicly available from the New Hampshire Retirement System located at 54 Regional Drive, Concord, New Hampshire 03301-8507.

***Benefits Provided***

Group I benefits are provided based on creditable service and average final salary for the highest of either three or five years, depending on when service commenced.

Group II benefits are provided based on age, years of creditable service, and a benefit multiplier depending on vesting status as of January 1, 2012. The maximum retirement allowance for Group II members vested by January 1, 2012 (45 years of age with 20 years of service or age 60 regardless of years of creditable service) is the average final compensation multiplied by 2.5% multiplied by creditable service. For Group II members not vested by

January 1, 2012, the benefit is calculated the same way but the multiplier used in the calculation will change depending on age and years of creditable service, as follows:

Years of creditable service as of <u>January 1, 2012</u>	Minimum <u>Service</u>	Minimum <u>Age</u>	Benefit <u>Multiplier</u>
At least 8 but less than 10 years	21	46	2.4%
At least 6 but less than 8 years	22	47	2.3%
At least 4 but less than 6 years	23	48	2.2%
Less than 4 years	24	49	2.1%

***Contributions***

Plan members are required to contribute a percentage of their Earnable Compensation to the pension plan, which the contribution rates are 7% for employees and teachers, 11.55% for police and 11.80% for fire. The Town makes annual contributions to the pension plan equal to the amount required by Revised Statutes Annotated 100-A:16, and range from 10.88% to 26.43% of covered compensation. The Town’s contribution to NHRS for the year ended December 31, 2019 was \$282,265, which was equal to its annual required contribution.

***Summary of Significant Accounting Policies***

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the NHRS and additions to/deductions from NHRS’ fiduciary net position have been determined on the same basis as they are reported by NHRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

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

At December 31, 2019, the Town reported a liability of \$2,991,833 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018. 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 employers, actuarially determined. At the most recent measurement date of June 30, 2019, the Town’s proportion was 0.06217887%, which was an increase of 0.00115881% from its previous year proportion.

For the year ended December 31, 2019, the Town recognized pension expense of \$327,959. In addition, the Town reported deferred outflows of resources and deferred (inflows) of resources related to pensions from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred (Inflows) of <u>Resources</u>
Differences between expected and actual experience	\$ 16,542	\$ (64,333)
Changes of assumptions	107,346	-
Differences between projected and actual earnings on pension plan investments	-	(24,439)
Changes in proportion and differences between contributions and proportionate share of contributions	81,899	(143,788)
Contributions subsequent to the measurement date	<u>144,196</u>	<u>-</u>
Total	<u>\$ 349,983</u>	<u>\$ (232,560)</u>

The amounts reported as deferred outflows of resources and deferred (inflows) of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a pension expense in 2020. Other amounts reported as deferred outflows of resources and deferred (inflows) of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2020	\$ 55,267
2021	(69,183)
2022	(28,454)
2023	<u>15,597</u>
Total	<u>\$ (26,773)</u>

***Actuarial Assumptions***

The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Price inflation	2.50% per year
Wage inflation	3.25% per year (3.00% for Teachers)
Salary increases	5.60% average, including inflation
Investment rate of return	7.25%, net of plan investment expense, including inflation

Mortality rates were based on the RP-2014 employee generational mortality tables for males and females, adjusted for mortality improvements using scale MP-2015.

Certain actuarial assumptions used in the June 30, 2018 valuation were based on the results of the most recent actuarial experience study, most recently performed in 2016.

The long-term expected rate of return on pension plan investments was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return net of investment expenses by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major class are summarized in the following table:

Asset Class	Target Allocation Percentage	Weighted Average Average Long- Term Expected Real Rate of Return
Large Cap Equities	22.50 %	4.25%
Small/Mid Cap Equities	7.50	4.50%
Total domestic equities	30.00	
Int'l Equities (unhedged)	13.00	4.50%
Emerging Int'l Equities	7.00	6.00%
Total international equities	20.00	
Core Bonds	9.00	1.12%
Global Multi-Sector Fixed Income	10.00	2.46%
Absolute Return Fixed Income	6.00	1.50%
Total fixed income	25.00	
Private equity	10.00	7.90%
Private debt	5.00	4.86%
Total alternative investments	15.00	
Real estate	10.00	3.00%
Total	100.00 %	

**Discount Rate**

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that the 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 and 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 investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following presents the Town’s proportionate share of the net pension liability calculated using the discount rate of 7.25 %, 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 one percentage-point lower or one percentage-point higher than the current rate:

1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
\$ 4,006,187	\$ 2,991,833	\$ 2,153,476

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan’s fiduciary net position is available in the separately issued NHRS financial report.

**17. Other Post-Employment Benefits (GASB 75)**

*GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, replaces the requirements of *Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. This Statement identifies the methods and assumptions that are required to be used to project benefit payments, discounted projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

***New Hampshire Retirement System Medical Subsidy Plan Description***

*General Information about the OPEB Plan*

Plan Description

The Town participates in the New Hampshire Retirement System (NHRS) Medical Subsidy. The NHRS administers a cost-sharing, multiple-employer other post-employment benefit plan (OPEB Plan) for retiree health insurance subsidies. Benefit amounts and eligibility requirements are set by state law, and members are designated by type. The four membership types are Group II Police Officer and Firefighters, Group I Teachers, Group I Political Subdivision Employees and Group I State Employees. Collectively, they are referred to as the OPEB Plan.

NHRS issues publicly available financial reports that can be obtained by writing to them at 54 Regional Drive, Concord, NH 03301-8507 or from their website at <http://www:nhrs.org>.

Benefits Provided

The OPEB Plan provides a medical insurance subsidy to qualified retired members. The medical subsidy is a payment made by NHRS to the former employer or their insurance administrator toward the cost of health insurance for a qualified retiree, his/her qualified spouse, and his/her certifiably dependent children with a disability who are living in the household and being cared for by the retiree. Under specific conditions, the qualified beneficiaries of members who die while in service may also be eligible for the medical subsidy. The eligibility requirements for receiving OPEB Plan benefits differ for Group I and Group II members. The monthly Medical Subsidy rates are:

- 1 Person - \$375.56
- 2 Person - \$751.12
- 1 Person Medicare Supplement - \$236.84
- 2 person Medicare Supplement - \$473.68

Contributions

Pursuant to RSA 100-A:16, III, and the biennial actuarial valuation, funding for the Medical Subsidy payment is via the employer contributions rates set forth by NHRS. Employer contributions required to cover that amount of cost not met by the members' contributions are determined by a biennial actuarial valuation by the NHRS actuary using the entry age normal funding method and are expressed as a percentage of Earnable Compensation. The Town contributed 0.29% of gross payroll for Group I employees and 3.66% and 3.66% of gross payroll for Group II fire and police department members, respectively. Employees are not required to contribute. The State Legislature has the authority to establish, amend, and discontinue the contribution requirements of the Medical Subsidy plan.

Actuarial Assumptions and Other Inputs

Actuarial assumptions are the same in the Retirement System footnote.

Net OPEB Liability, Expense, and Deferred Outflows and Inflows

The Town's proportionate share of the net NHRS Medical Subsidy (net OPEB liability) as of the measurement date of June 30, 2019 was \$193,998, representing 0.04425020%.

For the year ended December 31, 2019, the Town recognized an OPEB expense related to the NHRS Medical Subsidy of \$28,909. At December 31, 2019, the Town reported deferred outflows and (inflows) of resources related to OPEB from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred (Inflows) of <u>Resources</u>
Differences between expected and actual experience	\$ -	\$ (338)
Net difference between projected and actual earnings on OPEB investment	-	(218)
Changes in proportion	402	-
Contributions subsequent to the measurement date	<u>9,891</u>	<u>-</u>
Total	<u>\$ 10,293</u>	<u>\$ (556)</u>

The amount reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the net OPEB liability in the year ending December 31, 2020.

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

<u>Year Ended June 30:</u>	
2020	\$ (80)
2021	(145)
2022	15
2023	<u>56</u>
Total	<u>\$ (154)</u>

Sensitivity of the Net NHRS Medical Subsidy OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
\$ 210,420	\$ 193,998	\$ 179,728

Healthcare Cost Trend Rate

Healthcare cost trend rates are not applicable given that the benefits are fixed stipends.

**18. Commitments and Contingencies**

***COVID-19***

The COVID-19 outbreak in the United States (and across the globe) has resulted in economic uncertainties. There is considerable uncertainty around the duration and scope of the economic disruption. The extent of the impact of COVID-19 on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on individuals served by the Town, employees, and vendors, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact our financial condition or results of operations is uncertain.

***Outstanding Legal Issues***

On an ongoing basis, there are typically pending legal issues in which the Town is involved. The 's management is of the opinion that the potential future settlement of these issues would not materially affect its financial statements taken as a whole.

***Grants***

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

**19. New Pronouncements**

The Governmental Accounting Standards Board (GASB) has issued Statement No. 84, *Fiduciary Activities*, effective for the Town beginning with its fiscal year ending December 31, 2020. This statement establishes guidance on how to address the categorization of fiduciary



activities for financial reporting and how fiduciary activities are to be reported and may require reclassification of certain funds.

The Governmental Accounting Standards Board (GASB) has issued Statement No. 87, *Leases*, effective for the Town beginning with its fiscal year ending December 31, 2021. This statement establishes new reporting and disclosure requirements, including the recording of various operating leases in the financial statements.

**TOWN OF SUNAPEE, NEW HAMPSHIRE**

Required Supplementary Information

General Fund

Schedule of Revenues and Other Sources, and Expenditures and Other Uses – Budget and Actual  
For the Year Ended December 31, 2019

	<u>Budgeted Amounts</u>			Variance with Final Budget
	Original <u>Budget</u>	Final <u>Budget</u>	Actual <u>Amounts</u>	Positive <u>(Negative)</u>
<b>Revenues</b>				
Property taxes	\$ 4,363,613	\$ 4,363,613	\$ 4,285,292	\$ (78,321)
Penalties, interest and other taxes	60,000	60,000	73,023	13,023
Licenses and permits	821,500	821,500	1,006,805	185,305
Intergovernmental	420,023	420,023	420,162	139
Charges for services	111,820	111,820	132,247	20,427
Investment income	80,000	80,000	97,567	17,567
Miscellaneous	<u>57,000</u>	<u>57,000</u>	<u>36,755</u>	<u>(20,245)</u>
Total Revenues	5,913,956	5,913,956	6,051,851	137,895
<b>Expenditures</b>				
General government	1,196,818	1,196,818	1,124,349	72,469
Public safety	1,287,355	1,287,355	1,242,503	44,852
Highways and streets	1,866,828	1,866,828	1,872,308	(5,480)
Sanitation	533,327	533,327	527,947	5,380
Health and welfare	64,677	64,677	38,791	25,886
Culture and recreation	463,683	463,683	430,581	33,102
Conservation	3,550	3,550	3,550	-
Capital outlay	319,000	319,000	-	319,000
Debt service	<u>322,362</u>	<u>322,362</u>	<u>321,335</u>	<u>1,027</u>
Total Expenditures	<u>6,057,600</u>	<u>6,057,600</u>	<u>5,561,364</u>	<u>496,236</u>
Excess (deficiency) of revenues over expenditures	(143,644)	(143,644)	490,487	634,131
<b>Other Financing Sources (Uses)</b>				
Transfers in	362,200	362,200	190,738	(171,462)
Transfers out	(540,156)	(540,156)	(545,156)	(5,000)
Use of fund balance:				
To reduce taxes	300,000	300,000	300,000	-
Voted from surplus	<u>21,600</u>	<u>21,600</u>	<u>21,600</u>	<u>-</u>
Total Other Financing Sources/Uses	<u>143,644</u>	<u>143,644</u>	<u>(32,818)</u>	<u>(176,462)</u>
Overall Budgetary Excess (Deficiency)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 457,669</u>	<u>\$ 457,669</u>

See Independent Auditors' Report.

**TOWN OF SUNAPEE, NEW HAMPSHIRE**

Sewer Fund – Major Special Revenue Fund  
 Schedule of Revenues and Other Sources, and Expenditures and Other Uses – Budget and Actual  
 For the Year Ended December 31, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
<b>Revenues</b>				
User fees	\$ 1,116,243	\$ 1,116,243	\$ 1,172,781	\$ 56,538
Investment income	-	-	19,355	19,355
Total Revenues	1,116,243	1,116,243	1,192,136	75,893
<b>Expenditures</b>				
Sanitation	961,136	961,136	760,979	200,157
Debt service	155,107	155,107	155,107	-
Capital outlay	400,000	400,000	325,265	74,735
Total Expenditures	1,516,243	1,516,243	1,241,351	274,892
Excess (deficiency) of revenues over expenditures	<u>(400,000)</u>	<u>(400,000)</u>	<u>(49,215)</u>	<u>350,785</u>
<b>Other Financing Sources (Uses)</b>				
Use of fund balance	400,000	400,000	400,000	-
Total Other Financing Sources (Uses)	400,000	400,000	400,000	-
Overall Budgetary Excess (Deficiency)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>350,785</u>	\$ <u>350,785</u>

See Independent Auditors' Report.

**Notes to the Required Supplemental Information  
for General Fund Budget**

***Budgetary Basis***

The general fund final appropriation appearing on the previous page represents the final amended budget after all reserve fund transfers and supplemental appropriations.

***Budget/GAAP Reconciliation***

The budgetary data for the general fund is based upon accounting principles that differ from generally accepted accounting principles (GAAP). Therefore, in addition to the GAAP basis financial statements, the results of operations of the general fund are presented in accordance with budgetary accounting principles to provide a meaningful comparison to budgetary data.

The following is a summary of adjustments made to the actual revenues and other sources, and expenditures and other uses, to conform to the budgetary basis of accounting.

<u>General Fund</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Financing Sources/Uses</u>
Revenues/expenditures/transfers (GAAP basis)	\$ 6,081,454	\$ 5,562,162	\$ (80,939)
Remove effect of combining capital reserve and general fund	(29,603)	(25,255)	(273,479)
Reserve beginning of year appropriation carryforwards from expenditures	-	(26,372)	-
Add end-of-year appropriation carryforwards from expenditures	-	5,762	-
Recognize use of fund balance as a funding source/use.	-	-	321,600
Other GAAP timing differences	-	45,067	-
Budgetary basis	<u>\$ 6,051,851</u>	<u>\$ 5,561,364</u>	<u>\$ (32,818)</u>
<u>Sewer Fund</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Financing Sources/Uses</u>
Revenues/expenditures/transfers (GAAP basis)	\$ 1,192,136	\$ 1,282,381	\$ 400,000
Reverse beginning of year appropriation carryforwards from expenditures	-	(41,030)	-
Budgetary basis	<u>\$ 1,192,136</u>	<u>\$ 1,241,351</u>	<u>\$ 400,000</u>

See Independent Auditors' Report.

**TOWN OF SUNAPEE, NEW HAMPSHIRE**

Required Supplementary Information  
 Schedule of Proportionate Share of the Net Pension Liability  
 (Unaudited)

New Hampshire Retirement System						
<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Total Pension Liability</u>
December 31, 2019	June 30, 2019	0.06217887%	\$2,991,833	\$ 1,951,640	153.30%	65.59%
December 31, 2018	June 30, 2018	0.06102006%	\$2,938,239	\$ 1,906,032	154.15%	64.73%
December 31, 2017	June 30, 2017	0.06539030%	\$3,215,890	\$ 1,821,232	176.58%	62.66%
December 31, 2016	June 30, 2016	0.06311399%	\$3,356,147	\$ 1,679,578	199.82%	58.30%
December 31, 2015	June 30, 2015	0.06627302%	\$2,625,424	\$ 1,774,027	147.99%	65.50%

*Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.*

See Independent Auditors' Report.

**TOWN OF SUNAPEE, NEW HAMPSHIRE**

Required Supplementary Information  
 Schedule of Pension Contributions  
 (Unaudited)

New Hampshire Retirement System						
<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Actuarially Determined Contribution</u>	<u>Contributions in Relation to the Actuarially Determined Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
December 31, 2019	December 31, 2018	\$ 282,265	\$ 282,265	\$ -	\$ 2,075,426	13.60%
December 31, 2018	December 31, 2017	\$ 264,786	\$ 264,786	\$ -	\$ 1,951,640	13.57%
December 31, 2017	December 31, 2016	\$ 246,009	\$ 246,009	\$ -	\$ 1,819,570	13.52%
December 31, 2016	December 31, 2015	\$ 225,285	\$ 225,285	\$ -	\$ 1,722,872	13.08%
December 31, 2015	December 31, 2014	\$ 218,780	\$ 218,780	\$ -	\$ 1,704,798	12.83%

*Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.*

See Independent Auditors' Report.

**TOWN OF SUNAPEE, NEW HAMPSHIRE**

Required Supplementary Information  
Schedules of Proportionate Share and Contributions of the Net OPEB Liability  
(Unaudited)

**Schedule of Proportionate Share**

New Hampshire Retirement System Medical Subsidy

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Proportion of the Net OPEB Liability</u>	<u>Proportionate Share of the Net OPEB Liability</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Net OPEB Liability</u>
December 31, 2019	June 30, 2019	0.04425020%	\$193,998	\$1,951,640	9.94%	7.75%
December 31, 2018	June 30, 2018	0.04342462%	\$198,818	\$1,906,032	10.43%	7.53%

**Schedule of Contributions**

New Hampshire Retirement System Medical Subsidy

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Contractually Required Contribution</u>	<u>Contributions Relative to Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Employee Payroll</u>
December 31, 2019	June 30, 2019	\$19,964	\$19,964	\$0	\$2,075,426	0.96%
December 31, 2018	June 30, 2018	\$20,299	\$20,299	\$0	\$1,951,640	1.04%

*Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.*

See Independent Auditors' Report.