

TOWN OF CANAAN, NEW HAMPSHIRE

Financial Statements

December 31, 2022

and

Independent Auditor's Report

TOWN OF CANAAN, NEW HAMPSHIRE
FINANCIAL STATEMENTS
December 31, 2022

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FINANCIAL STATEMENTS
December 31, 2022**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Selectmen
Town of Canaan, New Hampshire

Adverse and Unmodified Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Canaan, New Hampshire (the "Town"), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Town of Canaan, New Hampshire'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	Unmodified
General Fund	Unmodified
Permanent Funds	Unmodified
Water Fund	Unmodified
Sewer Fund	Unmodified
Aggregate Remaining Fund Information	Unmodified

Adverse Opinion on Governmental Activities

In our opinion, because of the significance of the matter discussed in the Basis for Adverse and Unmodified Opinions section of our report, the financial statements referred to above do not present fairly the financial position of the governmental activities of the Town of Canaan, New Hampshire, as of December 31, 2022, or the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions on Business-type Activities, Each Major Fund, and Aggregate Remaining Fund Information

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Canaan, New Hampshire, as of December 31, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Adverse and Unmodified Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Canaan, New Hampshire, 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 adverse and unmodified audit opinions.

Matter Giving Rise to Adverse Opinion on Governmental Activities

As discussed in Note 2 to the financial statements, management has not recorded a liability, deferred outflows of resources, or deferred inflows of resources for the Town's single employer other post-employment benefits plan in governmental activities and, accordingly, has not recorded an expense for the current period change in that liability. Accounting principles generally accepted in the United States of America require that other postemployment benefits attributable to employee services already rendered and that are not contingent on a specific event that is outside the control of the employer and employee be accrued as liabilities and expenses as employees earn the rights to the benefits, which would increase the liabilities, deferred outflows and deferred inflows of resources, reduce the net position, and change the expenses of the governmental activities. The amount by which this departure would affect the liabilities, deferred outflows and deferred inflows of resources, net position, and expenses of the governmental activities is not reasonably determinable.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Canaan, New Hampshire'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 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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town of Canaan, New Hampshire'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 Canaan, New Hampshire'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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in the Town's proportionate share of the net OPEB liability, schedule of Town OPEB contributions, schedule of changes in the Town's proportionate share of the net pension liability, and schedule of Town pension contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Canaan, New Hampshire's basic financial statements. The combining nonmajor governmental fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is 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. The 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 nonmajor governmental fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Vachon Clukay & Company PC

Manchester, New Hampshire
June 9, 2023

TOWN OF CANAAN, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ending December 31, 2022

Presented herewith please find the Management Discussion & Analysis Report for the Town of Canaan for the year ending December 31, 2022. The responsibility for accuracy of the data, the completeness and fairness of this documentation (including all disclosures) rests with management. To the best of our knowledge and belief, the data contained herein is accurate in material aspects. This report and its content have been designed to fairly present the Town's financial position, including the result of operations of all the funds of the Town. All the disclosures necessary to enable and to assist the reader in acquiring an accurate understanding of the Town's financial activities have been included.

The Town's management is responsible for establishing accounting and internal control structures designed to ensure that the physical, data, informational, intellectual, and human resource assets of the Town are protected from loss, theft and misuse, and to ensure that adequate accounting information is maintained and reported in conformity with generally accepted accounting principles (GAAP). Management also strives to ensure that these assets are put to good and effective use. The internal control structure is designed to provide reasonable assurances that these objectives are attained.

Overview of the Financial Statements

The financial statements presented herein include all of the activities of the Town of Canaan using the integrated approach as prescribed by GASB Statement 34.

This discussion and analysis is intended to serve as an introduction to the Town of Canaan's financial statements. The basic financial statements comprise three components:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the basic financial statements

This report also contains supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to most private-sector companies. These statements (Statement of Net Position and the Statement of Activities) provide both short-term and long-term information about the Town's overall financial position. These statements are prepared using the accrual basis of accounting.

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

The Statement of Activities presents information showing how the Town's net position changed during the most recent 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 not result in cash flows until future periods (such as uncollected taxes and interest on long-term obligations).

TOWN OF CANAAN, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ending December 31, 2022

Both of the government-wide financial statements have separate sections for two types of activities:

Governmental activities – represent most of the Town's basic services.

Business-type activities – account for the Town's water and sewer operations and receive a majority of their revenue from user fees.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain the control over resources that have been segregated for specific activities or objectives. The Town uses fund accounting to ensure and to demonstrate compliance with finance-related legal requirements. The Town maintains three fund types: governmental, proprietary, and fiduciary 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 expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Town'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, our readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between the governmental activities statement of net position and statement of activities.

The Town maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and the statement of revenues, expenditures and changes in fund balances for the General Fund and the Permanent Funds which are considered major funds. Other governmental funds are aggregated as nonmajor funds.

The Town adopts an annual budget for its governmental funds. A budgetary comparison has been provided for the General Fund to demonstrate compliance with this budget.

Proprietary funds provide water and sewer services to customers and charge a user fee. They are presented on the accrual basis of accounting.

Fiduciary funds are used to account for resources held for the benefit of parties outside of town 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 programs.

Notes to the Basic 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.

TOWN OF CANAAN, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ending December 31, 2022

Required Supplementary Information

The basic financial statements and accompanying notes are followed by a section of required supplementary information. This section includes a budgetary comparison schedule for the Town's major governmental fund and includes a reconciliation between the reported activity of the General Fund's revenues, expenditures and transfers for budgetary purposes (Schedule 1) and the activity as presented in the governmental fund financial statements (Exhibit D). The Town's major governmental fund during 2022 with an adopted budget is the General Fund.

Other Supplementary Information

Other supplemental information includes combining financial statements for nonmajor governmental funds.

Government-Wide Financial Analysis

Governmental Activities

Statement of Net Position

Net position of the Town of Canaan's governmental activities as of December 31, 2022 and 2021 is as follows:

	<u>2022</u>	<u>2021</u>
Capital and other assets:		
Capital assets	\$ 3,840,726	\$ 3,890,375
Other assets	<u>4,300,884</u>	<u>3,691,481</u>
Total assets	<u>8,141,610</u>	<u>7,581,856</u>
Deferred outflows related to OPEB	9,349	7,860
Deferred outflows related to pension	<u>469,339</u>	<u>388,435</u>
Total deferred outflows of resources	<u>478,688</u>	<u>396,295</u>
Long-term and other liabilities:		
Long-term liabilities	2,246,170	1,677,378
Other liabilities	<u>369,539</u>	<u>262,817</u>
Total liabilities	<u>2,615,709</u>	<u>1,940,195</u>
Taxes collected in advance	9,253	17,918
Deferred inflows related to OPEB	-	1,843
Deferred inflows related to pension	<u>131,887</u>	<u>658,648</u>
Total deferred inflows of resources	<u>141,140</u>	<u>678,409</u>
Net position:		
Net investment in capital assets	3,840,726	3,890,375
Restricted	1,177,845	1,039,142
Unrestricted	<u>844,878</u>	<u>430,030</u>
Total net position	<u>\$ 5,863,449</u>	<u>\$ 5,359,547</u>

TOWN OF CANAAN, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ending December 31, 2022

Approximately 65% of the Town's net position reflects the investment in capital assets such as land, buildings, infrastructure, and equipment less the outstanding debt used to acquire those assets. Another 20% of the net position is restricted in regards to how it may be used. For the Town of Canaan, those restrictions include those related to permanent trust funds and the unexpended balance of restricted grants and donations. The remaining unrestricted portion represents the part of net position available to finance day-to-day operations.

Statement of Activities

Changes in net position of the Town's governmental activities for the years ending December 31, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Program revenues:		
Charges for services	\$ 315,518	\$ 319,197
Operating grants and contributions	<u>514,005</u>	<u>297,846</u>
Total program revenues	<u>829,523</u>	<u>617,043</u>
General revenues:		
Property and other taxes	3,042,093	2,777,547
Licenses and permits	838,343	839,158
Intergovernmental revenue	336,762	292,942
Interest and investment earnings	(150,593)	49,635
Miscellaneous	<u>244,594</u>	<u>257,848</u>
Total general revenues	<u>4,311,199</u>	<u>4,217,130</u>
Total revenues	<u>5,140,722</u>	<u>4,834,173</u>
Program expenses:		
General government	1,328,243	1,390,957
Public safety	1,592,451	1,266,650
Highways and streets	1,078,878	990,780
Sanitation	303,641	229,933
Health and welfare	85,779	142,628
Culture and recreation	249,297	222,414
Economic development	6,031	6,031
Interest	<u>-</u>	<u>-</u>
Total expenses	<u>4,644,320</u>	<u>4,249,393</u>
Change in net position before gain on disposal of capital assets and contributions	496,402	584,780
Gain on disposal of capital asset	7,500	25,000
Contributions to permanent fund principal	<u>-</u>	<u>2,500</u>
Change in net position	503,902	612,280
Net position at beginning of year	<u>5,359,547</u>	<u>4,747,267</u>
Net position at end of year	<u>\$ 5,863,449</u>	<u>\$ 5,359,547</u>

TOWN OF CANAAN, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ending December 31, 2022

As shown in the above statement the Town's governmental activities experienced an increase in financial position of \$503,902 on the full accrual basis of accounting.

Business-Type Activities

Statement of Net Position

Net position of the business-type activities as of December 31, 2022 and 2021 is as follows:

	<u>2022</u>	<u>2021</u>
Capital and other assets:		
Capital assets	\$ 2,913,360	\$ 2,694,260
Other assets	504,685	287,572
Total assets	<u>3,418,045</u>	<u>2,981,832</u>
Deferred outflows related to OPEB	354	301
Deferred outflows related to pension	17,739	14,874
Total deferred outflows of resources	<u>18,093</u>	<u>15,175</u>
Long-term and other liabilities:		
Long-term liabilities	84,897	64,226
Other liabilities	673,620	161,262
Total liabilities	<u>758,517</u>	<u>225,488</u>
Deferred inflows related to OPEB	-	70
Deferred inflows related to pension	4,985	25,219
Total deferred inflows of resources	<u>4,985</u>	<u>25,289</u>
Net position:		
Net investment in capital assets	2,574,322	2,694,260
Unrestricted	98,314	51,970
Total net position	<u>\$ 2,672,636</u>	<u>\$ 2,746,230</u>

The largest portion of the Town's net position for its business-type activities reflects its investment in capital assets, primarily utility plant in service and equipment less any related outstanding debt used to acquire those assets. These assets are not available for future spending.

Statement of Activities

Changes in net position of the Town's business-type activities for the years ending December 31, 2022 and 2021 are as follows:

**TOWN OF CANAAN, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ending December 31, 2022**

	<u>2022</u>	<u>2021</u>
Program revenues:		
Charges for services	\$ 198,839	\$ 185,577
Capital grants and contributions	<u>31,104</u>	<u>3,699</u>
Total program revenues	<u>229,943</u>	<u>189,276</u>
General revenues:		
Interest and investment earnings	<u>188</u>	<u>4</u>
Total general revenues	<u>188</u>	<u>4</u>
Total revenues	<u>230,131</u>	<u>189,280</u>
Program expenses:		
Water	125,775	122,312
Sewer	<u>177,950</u>	<u>160,444</u>
Total expenses	<u>303,725</u>	<u>282,756</u>
Change in net position	(73,594)	(93,476)
Net position at beginning of year	<u>2,746,230</u>	<u>2,839,706</u>
Net position at end of year	<u>\$ 2,672,636</u>	<u>\$ 2,746,230</u>

The main funding source for business-type activities is charges for services, which provided 66% and 66% of expenses in 2022 and 2021, respectively. Overall, there was a decrease of \$73,594 in the net position.

Financial Analysis of the Town's Funds

As noted previously, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unreserved 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 main operating fund of the Town. At the end of the current year, the General Fund had an unassigned fund balance of \$263,445. Additional fund balance components at year end amounted to \$2,232,865 and are detailed on page 32 of the Notes to the Basic Financial Statements.

The total General Fund balance increased \$640,443 from December 31, 2021. The increase was mainly the result of conservative spending of the Town as well as additional funding made available to the Town by the State through Senate Bill 401.

TOWN OF CANAAN, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ending December 31, 2022

Permanent Funds

Permanent funds account for resources that are legally restricted to the extent that only earnings and not principal may be used for purposes that support the Town's programs. At December 31, 2022, the balance of \$566,848 was nonspendable and \$183,333 was restricted. The total fund balance in the permanent funds decreased \$130,510 from the prior year as a result of decreased market conditions.

Other Governmental Funds

The total fund balance of \$467,140 in the other governmental funds is committed for the purposes of the individually established fund. The largest portion of this total represents the balance in the Conservation Fund, Police Details Fund, Ambulance Revolving Fund and the Expendable Trust Funds.

Proprietary Funds

The focus of the Town's proprietary funds is on total economic resources, and changes to net position, much as it might be for a private-sector business.

The Town's proprietary funds had a combined unrestricted net position of \$98,314 at December 31, 2022. Charges for services for water and sewer operations covered 66% of operating expenses. The water fund and sewer fund experienced an increase and decrease in net position of \$6,098 and (\$79,692), respectively.

Capital Assets and Long-term Obligations

Capital Assets

The Town of Canaan considers a capital asset to be an asset whose costs exceed or equal \$10,000 and has a useful life of greater than one year. Assets are depreciated using the straight-line method over the course of their useful life. See Note 5 to the basic financial statements for a complete schedule of capital asset activity for the year.

Long-Term Obligations

During 2022, the liability for the Town's proportionate share of the New Hampshire Retirement System's unfunded pension liability increased by \$589,463. The Town's proportionate share of the New Hampshire Retirement System's unfunded OPEB liability increased by \$4,157.

See Notes 7 and 8 in the notes to the basic financial statements for additional information on the OPEB and pension liabilities of the Town.

Budgetary Highlights

Budgetary information for the General Fund (a major governmental fund) is included in the Required Supplementary Information section.

TOWN OF CANAAN, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ending December 31, 2022

Actual revenues and transfers in on the budgetary basis were less than the budgeted amount by \$6,767,108. This unfavorable variance is largely due to the Town's authorization of the flood mitigation project of \$7,510,000 lapsing at year end.

The Town underexpended its budgeted appropriations by \$7,716,487. The overwhelming majority of this related to the lapsed appropriation for the flood mitigation project of \$7,510,000. The Town was able to demonstrate fiscal restraint, with town officials able to manage the town's business under the remaining budget by \$206,487. Detailed budgetary results may be found in Schedule 1 in the financial statements.

Economic Factors

At the time of this audit, the Town of Canaan is in a period of transition. There are numerous new department heads, our finance director has announced her retirement, and the town administrator is departing. This has prompted the town to contract with Municipal Resources Inc (MRI) of Plymouth. MRI will be providing an interim town manager as well as leading the search for a permanent town administrator. The selectboard has temporarily increased its meeting schedule to allow time for management and performance discussions with department heads.

The town transfer station is nearing its expected lifespan, both equipment and facilities. The selectboard is actively researching methods used by towns of similar size as well as pursuing grant funding to assist with improvements.

It is recognized that we are in an inflationary period, and the capital improvement committee (CIP) has successfully completed a re-analysis of future improvements while taking this into consideration. The town is also aware that local banks can provide favorable terms to municipalities if the needs arise.

The town has benefitted from the changes in staff as well as increased public participation. Both the CIP and the budget committee have adopted a process to seek involvement from all department heads rather than a top-down approach to planning and budgeting. There has been a noticeable increase in collaboration and engagement across all departments. Budget vs actual, and the revenue budget is reviewed by department heads and the selectboard monthly to ensure that expenses are monitored. The selectboard is cognizant of and committed to solving for the staffing and inflation challenges the town is currently facing.

Contacting the Town of Canaan's Financial Management

This financial report is to provide our citizens and creditors with a general overview of the Town's finances and to show a measure of accountability for the money it receives. If you have any questions about this report or need to get additional information, contact the Board of Selectmen at, PO Box 38, Canaan, NH 03741, telephone number 603-523-4501 x 5.

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

	<u>Primary Government</u>		
	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
ASSETS	<u>Activities</u>	<u>Activities</u>	
Current Assets:			
Cash and cash equivalents	\$ 1,651,903	\$ 475,643	\$ 2,127,546
Investments	1,929,983	2,962	1,932,945
Taxes receivable, net	474,950		474,950
Accounts receivable, net	108,934	3,305	112,239
Unbilled charges for services		46,628	46,628
Due from other governments	10,744		10,744
Internal balances	23,853	(23,853)	-
Prepaid items	22,619		22,619
Tax deeded property	35,471		35,471
Total Current Assets	<u>4,258,457</u>	<u>504,685</u>	<u>4,763,142</u>
Noncurrent Assets:			
Note receivable employee	42,427		42,427
Capital assets:			
Non-depreciable capital assets	741,749	616,838	1,358,587
Depreciable capital assets, net	3,098,977	2,296,522	5,395,499
Total Noncurrent Assets	<u>3,883,153</u>	<u>2,913,360</u>	<u>6,796,513</u>
Total Assets	<u>8,141,610</u>	<u>3,418,045</u>	<u>11,559,655</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to OPEB	9,349	354	9,703
Deferred outflows related to pension	469,339	17,739	487,078
Total Deferred Outflows of Resources:	<u>478,688</u>	<u>18,093</u>	<u>496,781</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	158,102		158,102
Accrued liabilities	41,694	267	41,961
Advances from grantors		329,029	329,029
Retainage payable		5,223	5,223
Current portion of compensated absences payable	1,393		1,393
Total Current Liabilities	<u>201,189</u>	<u>334,519</u>	<u>535,708</u>
Noncurrent Liabilities:			
State revolving loan payable		333,815	333,815
Compensated absences payable	28,508		28,508
OPEB liability	139,842	5,286	145,128
Net pension liability	2,246,170	84,897	2,331,067
Total Noncurrent Liabilities	<u>2,414,520</u>	<u>423,998</u>	<u>2,838,518</u>
Total Liabilities	<u>2,615,709</u>	<u>758,517</u>	<u>3,374,226</u>
DEFERRED INFLOWS OF RESOURCES			
Taxes collected in advance	9,253		9,253
Deferred inflows related to pension	131,887	4,985	136,872
Total Deferred Inflows of Resources:	<u>141,140</u>	<u>4,985</u>	<u>146,125</u>
NET POSITION			
Net investment in capital assets	3,840,726	2,574,322	6,415,048
Restricted	1,177,845		1,177,845
Unrestricted	844,878	98,314	943,192
Total Net Position	<u>\$ 5,863,449</u>	<u>\$ 2,672,636</u>	<u>\$ 8,536,085</u>

See accompanying notes to the basic financial statements

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

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	
Governmental Activities:							
General government	\$ 1,328,243	\$ 1,369	\$ 12,260		\$ (1,314,614)		\$ (1,314,614)
Public safety	1,592,451	217,344	84,864		(1,290,243)		(1,290,243)
Highways and streets	1,078,878		416,881		(661,997)		(661,997)
Sanitation	303,641	64,059			(239,582)		(239,582)
Health and welfare	85,779	810			(84,969)		(84,969)
Culture and recreation	249,297	31,936			(217,361)		(217,361)
Economic development	6,031				(6,031)		(6,031)
Total governmental activities	<u>4,644,320</u>	<u>315,518</u>	<u>514,005</u>	\$ -	<u>(3,814,797)</u>	\$ -	<u>(3,814,797)</u>
Business-type Activities:							
Water	125,775	100,721		31,104		6,050	6,050
Sewer	177,950	98,118				(79,832)	(79,832)
Total business-type activities	<u>303,725</u>	<u>198,839</u>	-	<u>31,104</u>	-	<u>(73,782)</u>	<u>(73,782)</u>
Total primary government	<u>\$ 4,948,045</u>	<u>\$ 514,357</u>	<u>\$ 514,005</u>	<u>\$ 31,104</u>	<u>(3,814,797)</u>	<u>(73,782)</u>	<u>(3,888,579)</u>
General revenues:							
Property and other taxes					3,042,093		3,042,093
Licenses and permits					838,343		838,343
Grants and contributions:							
Rooms and meals tax distribution					336,589		336,589
State and federal forest land					173		173
Interest and investment income (loss)					(150,593)	188	(150,405)
Miscellaneous					244,594		244,594
Net gain on disposal of capital assets					7,500		7,500
Total general revenues and net gain on disposal of capital assets					<u>4,318,699</u>	<u>188</u>	<u>4,318,887</u>
Change in net position					<u>503,902</u>	<u>(73,594)</u>	<u>430,308</u>
Net Position at beginning of year					<u>5,359,547</u>	<u>2,746,230</u>	<u>8,105,777</u>
Net Position at end of year					<u>\$ 5,863,449</u>	<u>\$ 2,672,636</u>	<u>\$ 8,536,085</u>

See accompanying notes to the basic financial statements

EXHIBIT C
TOWN OF CANAAN, NEW HAMPSHIRE
Balance Sheet
Governmental Funds
December 31, 2022

	General <u>Fund</u>	Permanent <u>Funds</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
ASSETS				
Cash and cash equivalents	\$ 1,463,369		\$ 188,534	\$ 1,651,903
Investments	995,407	\$ 750,181	184,395	1,929,983
Taxes receivable, net	474,950			474,950
Accounts receivable, net			108,934	108,934
Due from other governments			10,744	10,744
Due from other funds	62,419		13,099	75,518
Prepaid items	22,619			22,619
Tax deeded property	35,471			35,471
Total Assets	<u>3,054,235</u>	<u>750,181</u>	<u>505,706</u>	<u>4,310,122</u>
DEFERRED OUTFLOWS OF RESOURCES				
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 3,054,235</u>	<u>\$ 750,181</u>	<u>\$ 505,706</u>	<u>\$ 4,310,122</u>
LIABILITIES				
Accounts payable	\$ 158,102			\$ 158,102
Accrued liabilities	41,694			41,694
Due to other funds	13,099		\$ 38,566	51,665
Total Liabilities	<u>212,895</u>	<u>\$ -</u>	<u>38,566</u>	<u>251,461</u>
DEFERRED INFLOWS OF RESOURCES				
Uncollected land use taxes	5,283			5,283
Uncollected property taxes	330,494			330,494
Taxes collected in advance	9,253			9,253
Total Deferred Inflows of Resources	<u>345,030</u>	<u>-</u>	<u>-</u>	<u>345,030</u>
FUND BALANCES				
Nonspendable	58,090	566,848		624,938
Restricted	427,664	183,333		610,997
Committed	1,147,554		467,140	1,614,694
Assigned	599,557			599,557
Unassigned	263,445			263,445
Total Fund Balances	<u>2,496,310</u>	<u>750,181</u>	<u>467,140</u>	<u>3,713,631</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 3,054,235</u>	<u>\$ 750,181</u>	<u>\$ 505,706</u>	<u>\$ 4,310,122</u>

See accompanying notes to the basic financial statements

EXHIBIT C-1
TOWN OF CANAAN, NEW HAMPSHIRE
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
December 31, 2022

Total Fund Balances - Governmental Funds (Exhibit C)	\$ 3,713,631
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	3,840,726
Taxes are recognized on an accrual basis in the statement of net position, not the modified accrual basis.	335,777
Long-term notes receivable are recognized on an accrual basis in the the statement of net position, not the modified accrual basis.	42,427
Deferred outflows of resources and deferred inflows of resources that do not require or provide the use of current financial resources are not reported within the funds.	
Deferred outflows of resources related to OPEB	9,349
Deferred outflows of resources related to net pension liability	469,339
Deferred inflows of resources related to net pension liability	(131,887)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. Long-term liabilities at year end consist of:	
Compensated absences payable	(29,901)
OPEB liability	(139,842)
Net pension liability	<u>(2,246,170)</u>
Net Position of Governmental Activities (Exhibit A)	<u>\$ 5,863,449</u>

See accompanying notes to the basic financial statements

EXHIBIT D
TOWN OF CANAAN, NEW HAMPSHIRE
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2022

	General <u>Fund</u>	Permanent <u>Funds</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Revenues:				
Taxes	\$ 3,078,690		\$ 5,000	\$ 3,083,690
Licenses and permits	838,343			838,343
Intergovernmental	856,289			856,289
Charges for services	75,731		239,787	315,518
Interest and investment income (loss)	(38,807)	\$ (101,278)	(10,508)	(150,593)
Miscellaneous	188,770		13,397	202,167
Total Revenues	<u>4,999,016</u>	<u>(101,278)</u>	<u>247,676</u>	<u>5,145,414</u>
Expenditures:				
Current operations:				
General government	1,295,718	17,277	7,200	1,320,195
Public safety	1,183,022		373,663	1,556,685
Highways and streets	907,483			907,483
Sanitation	296,208			296,208
Health and welfare	85,779			85,779
Culture and recreation	195,445		25,728	221,173
Capital outlay	233,282			233,282
Total Expenditures	<u>4,196,937</u>	<u>17,277</u>	<u>406,591</u>	<u>4,620,805</u>
Excess revenues over (under) expenditures	<u>802,079</u>	<u>(118,555)</u>	<u>(158,915)</u>	<u>524,609</u>
Other financing sources (uses):				
Transfers in	13,364		175,000	188,364
Transfers out	(175,000)	(11,955)	(1,409)	(188,364)
Total Other financing sources (uses)	<u>(161,636)</u>	<u>(11,955)</u>	<u>173,591</u>	<u>-</u>
Net change in fund balances	640,443	(130,510)	14,676	524,609
Fund Balances at beginning of year	<u>1,855,867</u>	<u>880,691</u>	<u>452,464</u>	<u>3,189,022</u>
Fund Balances at end of year	<u>\$ 2,496,310</u>	<u>\$ 750,181</u>	<u>\$ 467,140</u>	<u>\$ 3,713,631</u>

See accompanying notes to the basic financial statements

EXHIBIT D-1
TOWN OF CANAAN, 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, 2022

Net Change in Fund Balances - Governmental Funds (Exhibit D)	\$ 524,609
Amounts reported for governmental activities in the statement of activities are different because:	
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Property taxes	(46,558)
Land use taxes	4,961
Note receivable	44,000
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. Depreciation expense and capital outlays in the current period are as follows:	
Capital outlays	253,002
Depreciation expense	(310,151)
Governmental funds only report the disposal of assets to the extent proceeds are received from the disposal. In the statement of activities, a gain or loss is reported for each disposal. This is the amount of the gain on disposed capital assets reduced by the actual proceeds received on the disposal.	
	7,500
Revenues in the governmental fund financial statements that reduce long-term assets recorded on the statement of net position are not reported as revenues in the statement of activities.	
	(7,095)
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. These expenses are as follows:	
Compensated absences	(4,207)
Governmental funds report OPEB and pension contributions as expenditures. However, in the statement of activities, OPEB and pension expense reflects the change in the OPEB liability and net pension liability and related deferred outflows and inflows of resources, and does not require the use of current financial resources. This is the amount by which OPEB and pension expense differed from OPEB and pension contributions in the current period.	
Net changes in OPEB	(1,032)
Net changes in pension	38,873
Change in Net Position of Governmental Activities (Exhibit B)	<u>\$ 503,902</u>

See accompanying notes to the basic financial statements

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

	Business-type Activities		
	Water Fund	Sewer Fund	Totals
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 5,223	\$ 470,420	\$ 475,643
Investments	2,962		2,962
Accounts receivable	1,871	1,434	3,305
Unbilled charges for services	25,916	20,712	46,628
Due from other funds	490,173		490,173
Total Current Assets	<u>526,145</u>	<u>492,566</u>	<u>1,018,711</u>
Noncurrent Assets:			
Capital assets:			
Non-depreciable capital assets	370,857	245,981	616,838
Depreciable capital assets, net	727,289	1,569,233	2,296,522
Total Noncurrent Assets	<u>1,098,146</u>	<u>1,815,214</u>	<u>2,913,360</u>
Total Assets	<u>1,624,291</u>	<u>2,307,780</u>	<u>3,932,071</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to OPEB	188	166	354
Deferred outflows related to pension	9,417	8,322	17,739
Total Deferred Outflows of Resources	<u>9,605</u>	<u>8,488</u>	<u>18,093</u>
LIABILITIES			
Current Liabilities:			
Accrued liabilities	229	38	267
Retainage payable	5,223		5,223
Advances from grantors	329,029		329,029
Due to other funds	14,884	499,142	514,026
Total Current Liabilities	<u>349,365</u>	<u>499,180</u>	<u>848,545</u>
Noncurrent Liabilities:			
State revolving loan payable	333,815		333,815
OPEB liability	2,806	2,480	5,286
Net pension liability	45,065	39,832	84,897
Total Noncurrent Liabilities	<u>381,686</u>	<u>42,312</u>	<u>423,998</u>
Total Liabilities	<u>731,051</u>	<u>541,492</u>	<u>1,272,543</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pension	2,646	2,339	4,985
Total Deferred Inflows of Resources	<u>2,646</u>	<u>2,339</u>	<u>4,985</u>
NET POSITION			
Net investment in capital assets	759,108	1,815,214	2,574,322
Unrestricted (deficit)	141,091	(42,777)	98,314
Total Net Position	<u>\$ 900,199</u>	<u>\$ 1,772,437</u>	<u>\$ 2,672,636</u>

See accompanying notes to the basic financial statements

EXHIBIT F
TOWN OF CANAAN, NEW HAMPSHIRE
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2022

	Business-type Activities		
	Water <u>Fund</u>	Sewer <u>Fund</u>	<u>Totals</u>
Operating revenues:			
Charges for services	\$ 100,721	\$ 98,118	\$ 198,839
Total Operating revenues	<u>100,721</u>	<u>98,118</u>	<u>198,839</u>
Operating expenses:			
Personnel services	58,893	49,092	107,985
Contractual services	9,914	1,063	10,977
Repairs and maintenance	3,239	25,623	28,862
Materials and supplies	4,638	7,314	11,952
Utilities	5,309	15,608	20,917
Depreciation	43,782	79,250	123,032
Total Operating expenses	<u>125,775</u>	<u>177,950</u>	<u>303,725</u>
Operating loss	<u>(25,054)</u>	<u>(79,832)</u>	<u>(104,886)</u>
Non-operating revenues and (expenses):			
Interest revenue	<u>48</u>	<u>140</u>	<u>188</u>
Net Non-operating revenues and (expenses)	<u>48</u>	<u>140</u>	<u>188</u>
Loss before capital contributions	(25,006)	(79,692)	(104,698)
Capital contributions	<u>31,104</u>	<u> </u>	<u>31,104</u>
Change in net position	6,098	(79,692)	(73,594)
Net Position at beginning of year	<u>894,101</u>	<u>1,852,129</u>	<u>2,746,230</u>
Net Position at end of year	<u>\$ 900,199</u>	<u>\$ 1,772,437</u>	<u>\$ 2,672,636</u>

See accompanying notes to the basic financial statements

EXHIBIT G
TOWN OF CANAAN, NEW HAMPSHIRE
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2022

	Business-type Activities		
	Water <u>Fund</u>	Sewer <u>Fund</u>	<u>Totals</u>
Cash flows from operating activities:			
Cash received from customers	\$ 100,537	\$ 96,369	\$ 196,906
Cash paid to suppliers	(45,100)	(69,265)	(114,365)
Cash paid to employees	(36,452)	(32,983)	(69,435)
Net cash provided (used) by operating activities	<u>18,985</u>	<u>(5,879)</u>	<u>13,106</u>
Cash flows from capital financing activities:			
Purchases of capital assets	(336,909)		(336,909)
Grant advances	204,092		204,092
Proceeds from state revolving loan	333,815		333,815
Net cash provided for capital financing activities	<u>200,998</u>	<u>-</u>	<u>200,998</u>
Cash flows from investing activities:			
Interest on investments		140	140
Net cash provided by investing activities	<u>-</u>	<u>140</u>	<u>140</u>
Net increase (decrease) in cash and cash equivalents	219,983	(5,739)	214,244
Cash and cash equivalents (deficiency) at beginning of year	<u>260,529</u>	<u>(22,983)</u>	<u>237,546</u>
Cash and cash equivalents (deficiency) at end of year	<u>\$ 480,512</u>	<u>\$ (28,722)</u>	<u>\$ 451,790</u>
Reconciliation of operating loss to net cash provided (used) by operating activities:			
Operating loss	\$ (25,054)	\$ (79,832)	\$ (104,886)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:			
Depreciation expense	43,782	79,250	123,032
Change in deferred outflows related to OPEB	(37)	(16)	(53)
Change in deferred outflows related to pension	(1,971)	(894)	(2,865)
Change in deferred inflows related to OPEB	(35)	(35)	(70)
Change in deferred inflows related to pension	(9,979)	(10,255)	(20,234)
Changes in assets and liabilities:			
Accounts receivable	519	(1,069)	(550)
Unbilled charges for services	(703)	(680)	(1,383)
Accrued liabilities	(659)	5	(654)
OPEB liability	209	(111)	98
Net pension liability	12,913	7,758	20,671
Net cash provided (used) by operating activities	<u>\$ 18,985</u>	<u>\$ (5,879)</u>	<u>\$ 13,106</u>

See accompanying notes to the basic financial statements

EXHIBIT H
TOWN OF CANAAN, NEW HAMPSHIRE
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2022

	Private- Purpose <u>Trust Funds</u>	Custodial <u>Funds</u>
ASSETS		
Cash and cash equivalents		\$ 4,114,923
Investments	\$ 42,669	1,047,194
Taxes receivable		479,437
Total Assets	<u>42,669</u>	<u>5,641,554</u>
LIABILITIES		
Due to other governments		<u>4,594,360</u>
Total Liabilities	<u>-</u>	<u>4,594,360</u>
NET POSITION		
Restricted for:		
Individuals, organizations, and other governments	<u>42,669</u>	<u>1,047,194</u>
Total Net Position	<u>\$ 42,669</u>	<u>\$ 1,047,194</u>

See accompanying notes to the basic financial statements

EXHIBIT I
TOWN OF CANAAN, NEW HAMPSHIRE
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended December 31, 2022

	Private- Purpose <u>Trust Funds</u>	Custodial <u>Funds</u>
ADDITIONS:		
Contributions:		
Bequests		\$ 3,158
Total Contributions	<u>\$ -</u>	<u>3,158</u>
Investment earnings:		
Interest income	1,106	10,922
Realized gains on investments	1,719	3,595
Net increase (decrease) in the fair value of investments	<u>(8,154)</u>	<u>(58,930)</u>
Total Investment earnings	(5,329)	(44,413)
Less: Investment expense	<u>(285)</u>	<u>(5,027)</u>
Net Investment earnings	<u>(5,614)</u>	<u>(49,440)</u>
Property tax collections for other governments		9,424,609
Motor vehicle fee collections for other governments		305,814
Miscellaneous		<u>180,000</u>
Total Additions	<u>(5,614)</u>	<u>9,864,141</u>
DEDUCTIONS:		
Beneficiary payments to individuals	901	3,351
Beneficiary payments to other governments		58,000
Payments of property tax to other governments		9,424,609
Payments of motor vehicle fees to other governments		<u>305,814</u>
Total Deductions	<u>901</u>	<u>9,791,774</u>
Change in net position	(6,515)	72,367
Net Position at beginning of year	<u>49,184</u>	<u>974,827</u>
Net Position at end of year	<u>\$ 42,669</u>	<u>\$ 1,047,194</u>

See accompanying notes to the basic financial statements

TOWN OF CANAAN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended December 31, 2022

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Canaan, New Hampshire conform to accounting principles generally accepted in the United States of America for local governmental units, except as indicated hereinafter. The following is a summary of significant accounting policies.

Financial Reporting Entity

The Town of Canaan, New Hampshire (the Town) was incorporated on July 9, 1761. The Town operates under the Town Meeting/Board of Selectmen form of government and performs local governmental functions authorized by State law.

The financial statements include those of the various departments governed by the Board of Selectmen and other elected officials with financial responsibility. The Town has no other separate organizational units, which meet criteria for inclusion in the financial statements as defined by the Governmental Accounting Standards Board (GASB).

Basis of Presentation

The Town's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

1. Government-Wide Financial Statements:

The statement of net position and statement of activities display information about the Town as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net position presents the financial condition of the governmental and business-type activities of the Town at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Town's governmental and business-type activities. Direct expenses are those that are specifically associated with a service, program or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Town. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Town.

2. Fund Financial Statements:

During the year, the Town segregates transactions related to certain Town functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Town at this more detailed level. The focus of governmental and proprietary fund financial statements is on major funds. Each major fund is

TOWN OF CANAAN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2022

presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The fiduciary funds are reported by type.

Fund Accounting

The Town uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The Town employs the use of three categories of funds: governmental, proprietary, and fiduciary.

1. Governmental Funds:

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and deferred outflows of resources, and liabilities and deferred inflows of resources, is reported as fund balance. The following are the Town's major governmental funds:

The *General Fund* is the main operating fund of the Town and is used to account for all financial resources except those required to be accounted for in another fund.

The *Permanent Funds* are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the Town's programs.

2. Proprietary Funds:

Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. Proprietary funds are classified as enterprise or internal service. The Town has no internal service funds. The following are the Town's major proprietary funds:

The *Water Fund* and *Sewer Fund* account for all revenues and expenses pertaining to the Town's water and wastewater operations, respectively. The Water Fund and Sewer Fund are utilized to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that the cost (i.e. expenses including depreciation) of providing goods or services to the residents on a continuing basis are financed or recovered primarily through user charges.

3. Fiduciary Funds:

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into two classifications: private-purpose trust funds and custodial funds. Trust funds are used to account for assets held by the Town under a trust agreement for individuals, private organizations, or other governments. Custodial funds are used to account for amounts collected by the Town and remitted to other individuals or governments. The assets of trust funds and custodial funds are therefore not available to support the Town's own programs.

TOWN OF CANAAN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2022

Measurement Focus

1. Government-Wide Financial Statements:

The government-wide financial statements are prepared using the economic resources measurement focus. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of the Town are included on the Statement of Net Position.

2. Fund Financial Statements:

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, the proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of these funds are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows provides information about how the Town finances and meets the cash flow needs of its proprietary activities.

The fiduciary funds are reported using the economic resources measurement focus.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue and in the presentation of expenses versus expenditures.

1. Revenues – Exchange and Non-exchange Transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the Town, available means expected to be received within sixty days of year end.

TOWN OF CANAAN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2022

Non-exchange transactions, in which the Town receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the taxes are levied (see Note 12). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the Town must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Town on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: property taxes, charges for services, and interest on investments.

Licenses and permits and miscellaneous revenues are recorded as revenues when received in cash because they are generally not measurable until actually received.

Grants received before the eligibility requirements are met are recorded as advances from grantors. On governmental fund financial statements, taxes receivable that will not be collected within the available period have been reported as deferred inflows of resources.

2. Expenses/Expenditures:

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization are not recognized in governmental funds.

Budgetary Data

The Town's budget represents functional appropriations as authorized by annual or special Town meetings. The Selectmen may transfer funds between operating categories as they deem necessary. The Town adopts its budget under State regulations, which differ somewhat from accounting principles generally accepted in the United States of America in that the focus is on the entire governmental unit rather than on the basis of fund types.

Cash and Cash Equivalents

For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of the following:

	Water <u>Fund</u>	Sewer <u>Fund</u>	<u>Totals</u>
Cash	\$ 5,223	\$ 470,420	\$ 475,643
Due from other funds	490,173		490,173
Due to other funds	(14,884)	(499,142)	(514,026)
Totals	<u>\$ 480,512</u>	<u>\$ (28,722)</u>	<u>\$ 451,790</u>

TOWN OF CANAAN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2022

Investments

Investments are stated at their fair value in all funds. Certificates of deposit and repurchase agreements with a maturity of greater than ninety days from the date of issuance are included in investments.

Taxes Receivable

Taxes levied during the current year and prior and uncollected at December 31, 2022 are recorded as receivables net of reserves for estimated uncollectibles of \$59,596.

Accounts Receivable

Charges for services billed during the current year and prior and uncollected at December 31, 2022 are recorded as receivables net of reserves for estimated uncollectibles of \$461,547 in the Ambulance Revolving Fund, a Nonmajor Governmental Fund.

Capital Assets

General capital assets result from expenditures in the governmental funds. These assets are reported in the government-wide statement of net position, but are not reported in the governmental fund financial statements. In the government-wide financial statements, capital assets are reported in the applicable governmental or business-type activities column.

All capital assets including infrastructure and intangible assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition value as of the date received. The Town maintains a capitalization threshold of \$10,000. The Town's infrastructure consists of roads, bridges, sidewalks, water purification and distribution system, sewer collection and treatment system, and similar items. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

The Town is not required to retroactively report its general infrastructure. Infrastructure records have been maintained effective January 1, 2004 and are included in these financial statements.

All reported capital assets except for land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the Town's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

	<u>Description</u>	<u>Years</u>
	Infrastructure	30-50
	Buildings and improvements	10-40
	Land improvements	7-15
	Vehicles and equipment	3-25

TOWN OF CANAAN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2022

Compensated Absences

Full time employees may accumulate sick leave days at a rate of one day per month, cumulative to a maximum of sixty days. No payment for unused sick leave is made upon termination.

Dependent upon length of service, full-time employees earn vacation leave at the rate of 5 to 25 days per year. Unused vacation time accrued in a year (based on anniversary date) of up to 5 days will be carried forward to the employee's next anniversary date. Upon termination of employment, employees will be paid for up to all unused vacation earned through the last day of work.

For governmental fund financial statements, compensated absences are reported as liabilities and expenditures as payments come due each period upon the occurrence of employee death or retirement. The entire compensated absences liability is reported on the government-wide financial statements.

Accrued Liabilities and Long-Term Obligations

Except for the obligation for certain other postemployment benefits (see Note 2), all payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current resources are reported as obligations of the funds. However, compensated absences that will be paid from governmental funds are reported as liabilities in the fund financial statements only to the extent that they are due for payment during the current fiscal year. General obligation debt and other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net 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 (NHRS) OPEB Plan and additions to/deductions from NHRS's fiduciary net position have been determined on the same basis as they are reported by NHRS. For this purpose, NHRS recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for non-registered commingled funds valued at net asset value (NAV) as a practical expedient to estimate fair value.

Pensions

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 New Hampshire Retirement System (NHRS) and additions to/deductions from NHRS's 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 the benefit terms.

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of

TOWN OF CANAAN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2022

accumulated depreciation, reduced by the outstanding balances on any borrowings 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. Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

The Town's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Fund Balance Policy

As of December 31, 2022, the Town has not adopted a formal fund balance policy. The Town has segregated fund balance into five classifications: Nonspendable, Restricted, Committed, Assigned, and Unassigned. These components of fund balance are defined as follows:

- *Nonspendable Fund Balance*: Amounts that are not in a spendable form or are required to be maintained intact.
- *Restricted Fund Balance*: Amounts constrained to specific purposes by their providers through constitutional provisions or by enabling legislation. Restrictions may be changed or lifted only upon the consent of the external resource provider or enabling legislation.
- *Committed Fund Balance*: Amounts constrained to specific purposes by a government itself using its highest level of decision-making authority (Annual Town Meeting). Commitments may be changed or lifted only by the governing body taking the same formal action that imposed the constraint originally. The governing body's action must either be approved or rescinded, as applicable, prior to the last day of the fiscal year for which the commitment is made. The amount subject to the constraint may be determined in the subsequent period.
- *Assigned Fund Balance*: Amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.
- *Unassigned Fund Balance*: Amounts that are not obligated or specifically designated and is available for any purpose; these amounts are reported only in the General Fund, except for any deficit fund balance of another governmental fund.

Spending Prioritizations

In circumstances where expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available, restricted fund balance is considered to have been spent first. When expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used, committed amounts should be reduced first, followed by assigned amounts then unassigned amounts.

Interfund Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

TOWN OF CANAAN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2022

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in the proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented in the financial statements.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the water fund and sewer fund, these revenues are charges to customers for sales and services. Operating expenses, which include depreciation on capital assets, are necessary costs incurred to provide the service that is the primary activity of the proprietary fund. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

NOTE 2—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The Town did not implement the provisions of GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* as it pertains to its single employer OPEB plan. Statement 75 requires governments to account for certain other postemployment benefits (OPEB), primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis. The provisions of GASB Statement 75 were required to be implemented by the Town during the year ended December 31, 2018. The Town has only implemented the provisions of GASB Statement 75 as it pertains to its cost-sharing multiple-employer defined benefit OPEB plan (see Note 7).

NOTE 3—DEPOSITS AND INVESTMENTS

The Town's investment policy for governmental and proprietary fund types requires that deposits be made in New Hampshire based financial institutions that are participants in one of the federal depository insurance programs. The Town limits its investments to the New Hampshire Public Deposit Investment Pool (NHPDIP), an external investment pool in accordance with New Hampshire State law (RSA 197:23-a). Town funds may also be deposited into solvent banks within the State of New Hampshire, short-term obligations of United States government agency, or repurchase agreements with banks chartered by the State of New Hampshire and fully collateralized by United States Treasury Bills.

Responsibility for the investments of the expendable trust funds, permanent funds, private-purpose trust funds and custodial funds is with the Board of Trustees. The Trustees of Trust Funds have employed professional banking assistance in accordance with New Hampshire State law (RSA 31:38a). Investments of the library funds are at the discretion of the Library Trustees.

TOWN OF CANAAN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2022

Deposits and investments as of December 31, 2022 are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and cash equivalents	\$ 2,127,546
Investments	1,932,945
Statement of Fiduciary Net Position:	
Cash and cash equivalents	4,114,923
Investments	1,089,863
	<u>\$ 9,265,277</u>

Deposits and investments as of December 31, 2022 consist of the following:

Cash on hand	\$ 100
Deposits with financial institutions	6,242,369
Investments	3,022,808
Total cash and investments	<u>\$ 9,265,277</u>

Interest Rate Risk

Interest rate risk 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. One of the ways that the Town manages its exposure to interest rate risk is by purchasing a combination of shorter-term and longer-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time.

The Town's investment policy for the General Fund, other governmental funds and proprietary funds indicates that investments shall be limited to instruments maturing within one year at the time of purchase or the NHPDIP. The Trustees of Trust Funds and the Library Trustees have no policy with respect to interest rate risk.

Information about the sensitivity of the fair values of the Town's investments to market interest rate fluctuations is provided by the following table that shows the distribution of investments by maturity:

<u>Investment Type</u>	<u>Remaining Maturity (In Years)</u>			
	<u>Fair Value</u>	<u>< 1 Year</u>	<u>1-5 Years</u>	<u>> 5 Years</u>
U.S. Treasury notes	\$ 912,105	\$ 327,852	\$ 549,620	\$ 34,633
Federal agency securities	466,909	19,750	443,962	3,197
Treasury bills	39,144	39,144		
Corporate bonds	227,582		199,553	28,029
	<u>\$ 1,645,740</u>	<u>\$ 386,746</u>	<u>\$ 1,193,135</u>	<u>\$ 65,859</u>

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

TOWN OF CANAAN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2022

The Town’s policy states that the Treasurer may place any excess funds into obligations of the United States government maturing in less than one year or the NHPDIP. The investment policy of the Trustees of Trust Funds states that all investments should be undertaken in a manner that seeks to preserve capital. The Library Trustees have no policy with respect to credit risk.

The following is the actual rating at year end for each investment type.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Rating as of Year End</u>				
		<u>Aaa</u>	<u>Aa</u>	<u>A</u>	<u>Baa</u>	<u>Unrated</u>
Corporate bonds	\$ 227,582		\$ 58,261	\$ 97,421	\$ 71,900	
Money market funds	766,561					\$ 766,561
Exchange traded funds	219,508					219,508
State investment pool	105,812	\$ 105,812				
	<u>\$ 1,319,463</u>	<u>\$ 105,812</u>	<u>\$ 58,261</u>	<u>\$ 97,421</u>	<u>\$ 71,900</u>	<u>\$ 986,069</u>

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Town’s deposits may not be returned. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

The Town’s policy for governmental and proprietary funds states that deposits shall be fully collateralized with the delivery of United States government obligations, United States government agency obligations, or obligations of the State of New Hampshire in market value at least equal to 100% of the cash deposit. The Trustees of Trust Funds policy states that its investments shall be diversified to minimize the risk of loss resulting from over-concentration of assets in a specific maturity, industry or specific issuer. The Trustees shall also use prudence in the selection of securities. The Library Trustees have no policy with respect to custodial credit risk.

The Town does not have any deposits with financial institutions at year end that are exposed to custodial credit risk. As of December 31, 2022, Town investments in the following investment types were held by the same counterparty that was used to buy the securities:

<u>Investment Type</u>	<u>Reported Amount</u>
U.S. Treasury notes	\$ 912,105
Federal agency securities	466,909
Treasury bills	39,144
Corporate bonds	227,582
Equity securities	285,187
Exchange traded funds	219,508
	<u>\$ 2,150,435</u>

TOWN OF CANAAN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2022

Fair Value Measurement of Investments

The Town categorizes the fair value measurements of its investments within the fair value hierarchy established by accounting principles generally accepted in the United States. The fair value hierarchy categorizes the inputs to valuation techniques used for fair value measurement into three levels as follows (in order of priority):

- Level 1 Inputs - Inputs that reflect quoted prices (unadjusted) in active markets for identical assets or liabilities that the Town has the ability to access at the measurement date.
- Level 2 Inputs - Inputs other than quoted prices that are observable for assets or liabilities either directly or indirectly, including inputs in markets that are not considered to be active.
- Level 3 Inputs - Significant unobservable inputs.

As of December 31, 2022, the Town’s investments measured at fair value, by type, were as follows:

<u>Investment Type</u>	<u>Fair Value Measurements Using:</u>			<u>Totals</u>
	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>	
U.S. Treasury notes		\$ 912,105		\$ 912,105
Federal agency securities		466,909		466,909
Treasury bills		39,144		39,144
Corporate bonds		227,582		227,582
Equity securities	\$ 285,187			285,187
Exchange traded funds	219,508			219,508
	<u>\$ 504,695</u>	<u>\$ 1,645,740</u>	<u>\$ -</u>	<u>\$ 2,150,435</u>

Equity securities and exchange traded funds classified as Level 1 are valued using unadjusted quoted prices in active markets for those securities. U.S. Treasury notes, federal agency securities, Treasury bills and corporate bonds classified as Level 2 are valued using a matrix pricing model.

Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy.

Investment in NHPDIP

The Town is a voluntary participant in the New Hampshire Public Deposit Investment Pool (NHPDIP), an external investment pool. The NHPDIP is not registered with the United States Securities and Exchange Commission as an investment company. The NHPDIP was created by state law and is administered by a public body of state, local and banking officials. Financial statements for the NHPDIP can be accessed through the NHPDIP’s website at www.NHPDIP.com.

The Town’s exposure to derivatives is indirect through its participation in the NHPDIP. The Town’s proportional share of these derivatives is not available. The fair value of the position in the investment pool is equal to the value of the pool shares.

TOWN OF CANAAN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2022

NOTE 4—NOTE RECEIVABLE

Employee Note

During January 2021, the Town sold land to an employee in exchange for a note receivable in the amount of \$44,000. The note calls for monthly payments of \$233, including interest at 2.50%, with all unpaid principal and interest due in full on January 1, 2040. At December 31, 2022, the balance on the note receivable is \$42,427.

NOTE 5—CAPITAL ASSETS

Governmental Activities

The following is a summary of changes in capital assets in the governmental activities:

	<u>Balance</u> <u>1/1/2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/2022</u>
Governmental activities:				
Capital assets not depreciated:				
Land	\$ 582,383			\$ 582,383
Construction in progress	159,366			159,366
Total capital assets not being depreciated	<u>741,749</u>	<u>\$ -</u>	<u>\$ -</u>	<u>741,749</u>
Other capital assets:				
Infrastructure	1,750,383			1,750,383
Buildings and improvements	1,758,564			1,758,564
Land improvements	13,100			13,100
Vehicles and equipment	3,467,643	260,502	(119,434)	3,608,711
Total other capital assets at historical cost	<u>6,989,690</u>	<u>260,502</u>	<u>(119,434)</u>	<u>7,130,758</u>
Less accumulated depreciation for:				
Infrastructure	(426,994)	(43,290)		(470,284)
Buildings and improvements	(1,224,586)	(45,677)		(1,270,263)
Land improvements	(8,806)	(873)		(9,679)
Vehicles and equipment	(2,180,678)	(220,311)	119,434	(2,281,555)
Total accumulated depreciation	<u>(3,841,064)</u>	<u>(310,151)</u>	<u>119,434</u>	<u>(4,031,781)</u>
Total other capital assets, net	3,148,626	(49,649)	-	3,098,977
Total capital assets, net	<u>\$ 3,890,375</u>	<u>\$ (49,649)</u>	<u>\$ -</u>	<u>\$ 3,840,726</u>

Depreciation expense was charged to governmental functions as follows:

General government	\$ 9,541
Public safety	60,547
Highways and streets	196,531
Sanitation	8,294
Culture and recreation	29,207
Economic development	6,031
Total governmental activities depreciation expense	<u>\$ 310,151</u>

TOWN OF CANAAN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2022

Business-Type Activities

The following is a summary of changes in capital assets in the business-type activities:

	<u>Balance</u> <u>1/1/2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/2022</u>
Business-type activities:				
Capital assets not depreciated:				
Land	\$ 238,341			\$ 238,341
Construction in progress	36,365	\$ 342,132		378,497
Total capital assets not being depreciated	<u>274,706</u>	<u>342,132</u>	<u>\$ -</u>	<u>616,838</u>
Other capital assets:				
Infrastructure	5,619,767			5,619,767
Buildings and improvements	67,970			67,970
Land improvements	22,395			22,395
Vehicles and equipment	212,627			212,627
Total other capital assets at historical cost	<u>5,922,759</u>	<u>-</u>	<u>-</u>	<u>5,922,759</u>
Less accumulated depreciation for:				
Infrastructure	(3,219,016)	(112,396)		(3,331,412)
Buildings and improvements	(58,444)	(1,359)		(59,803)
Land improvements	(22,395)			(22,395)
Vehicles and equipment	(203,350)	(9,277)		(212,627)
Total accumulated depreciation	<u>(3,503,205)</u>	<u>(123,032)</u>	<u>-</u>	<u>(3,626,237)</u>
Total other capital assets, net	2,419,554	(123,032)	-	2,296,522
Total capital assets, net	<u>\$ 2,694,260</u>	<u>\$ 219,100</u>	<u>\$ -</u>	<u>\$ 2,913,360</u>

Depreciation expense was charged to proprietary funds as follows:

Water fund	\$ 43,782
Sewer fund	79,250
Total business-type activities depreciation expense	<u>\$ 123,032</u>

NOTE 6—LONG-TERM OBLIGATIONS

Changes in Long-Term Obligations

The changes in the Town's long-term obligations for the year ended December 31, 2022 are as follows:

	<u>Balance</u> <u>1/1/2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/2022</u>	<u>Due Within</u> <u>One Year</u>
Governmental activities:					
Compensated absences payable	\$ 25,694	\$ 10,356	\$ (6,149)	\$ 29,901	\$ 1,393
Business-type activities:					
State revolving loan payable	<u>\$ -</u>	<u>\$ 333,815</u>	<u>\$ -</u>	<u>\$ 333,815</u>	<u>\$ -</u>

Payments on compensated absences will be paid from the General Fund. The State revolving loan will be paid from the Water Fund.

TOWN OF CANAAN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2022

State of New Hampshire Revolving Loan

The Town has drawn \$333,815 of \$550,000 in funds under the State of New Hampshire Drinking Water Revolving Loan Fund Program for the Water Main Transmission Line Replacement Project. Federal financial assistance provided through the Drinking Water State Revolving Loan Fund Program may comprise all or a portion of the principal sum. Any disbursement or other payment from the State to the Town is contingent upon availability of funds.

Payments on the State of New Hampshire revolving loan balance are not scheduled to commence until the date of substantial completion of the project or the date of scheduled completion, whichever is earlier. Interest is accrued at 1% during the construction period of the project and may be paid prior to commencement of loan repayment, at the time of the first loan repayment, or by adding the charges to the outstanding principal loan balance so long as the Town's authority to borrow is not exceeded.

NOTE 7—OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The New Hampshire Retirement System (NHRS) administers a cost-sharing multiple-employer other postemployment benefit plan (OPEB Plan). The OPEB Plan provides a medical insurance subsidy to qualified retired members.

The NHRS issues a publicly available financial report that includes financial statements and required supplementary information for NHRS. That report may be obtained by writing to New Hampshire Retirement System at 54 Regional Drive, Concord, New Hampshire 03301 or from their website at www.nhrs.org.

The OPEB Plan is divided into four membership types. The four membership types are Group II Police Officer and Firefighters, Group I Teachers, Group I Political Subdivision Employees, and Group I State Employees. The OPEB plan is closed to new entrants.

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 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. Medical subsidy rates established by RSA 100-A:52 II are dependent upon whether retirees are eligible for Medicare. Retirees not eligible for Medicare may receive a maximum medical subsidy of \$375.56 for a single person plan and \$751.12 for a two-person plan.

TOWN OF CANAAN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2022

Retirees eligible for Medicare may receive a maximum medical subsidy of \$236.84 for a single person plan and \$473.68 for a two-person plan.

Funding Policy

Per RSA 100-A:16, contribution rates are established and may be amended by the New Hampshire State legislature and are determined by the NHRS Board of Trustees based on an actuarial valuation. The Town’s contribution rates for the covered payroll of general employees and public safety employees were 0.31% and 3.21%, respectively, for the year ended December 31, 2022. Contributions to the OPEB plan for the Town were \$17,317 for the year ended December 31, 2022. Employees are not required to contribute to the OPEB plan.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At December 31, 2022, the Town reported a liability of \$145,128 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by a roll forward of the actuarial valuation from June 30, 2021. The Town’s proportion of the net OPEB liability was based on actual contributions by the Town during the relevant fiscal year relative to the actual contributions of all participating plan members, excluding contributions to separately finance specific liabilities of individual employers or NHRS. At June 30, 2022, the Town’s proportion was approximately 0.0384 percent, which was an increase of approximately 0.0033 percentage points from its proportion measured as of June 30, 2021.

For the year ended December 31, 2022, the Town recognized OPEB expense of \$18,324. At December 31, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Net difference between projected and actual earnings on OPEB plan investments	\$ 397	
Town contributions subsequent to the measurement date	<u>9,306</u>	
Totals	<u>\$ 9,703</u>	<u>\$ -</u>

The net amount of deferred outflows of resources and deferred inflows of resources related to OPEB is reflected as an increase to unrestricted net position in the amount of \$9,703. The Town reported \$9,306 as deferred outflows of resources related to OPEB resulting from Town contributions subsequent to the measurement date. This amount will be recognized as a reduction of the net OPEB liability in the measurement period ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense for the measurement periods as follows:

TOWN OF CANAAN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2022

<u>June 30,</u>	
2023	\$ 66
2024	17
2025	(156)
2026	<u>470</u>
	<u>\$ 397</u>

Actuarial Assumptions

The total OPEB liability was determined by a roll forward of the actuarial valuation as of June 30, 2021, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.00%
Wage inflation	2.75% (2.25% for Teachers)
Salary increases	5.40%, average, including inflation
Investment rate of return	6.75% per year, 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, 2021 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2015 – June 30, 2019.

The long-term expected rate of return on OPEB 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. 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</u>
Public Equity	50%	7.60-7.90%
Private Market Equity	20%	6.60-8.85%
Private Debt	5%	7.25%
Fixed Income	<u>25%</u>	3.60%
Total	<u>100%</u>	

The discount rate used to measure the collective total OPEB liability as of June 30, 2022 was 6.75%. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made under the current statutes RSA 100-A:16 and RSA 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.

TOWN OF CANAAN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2022

Sensitivity of the Town’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the Town’s proportionate share of the net OPEB liability calculated using the discount rate of 6.75 percent, as well as what the Town’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the single discount rate:

	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
Net OPEB liability	\$ 157,561	\$ 145,128	\$ 134,300

NOTE 8—DEFINED BENEFIT PENSION PLAN

Plan Description

The Town contributes to the New Hampshire Retirement System (NHRS), a public employee retirement system that administers a single cost-sharing multiple-employer defined benefit pension plan. The plan provides service, disability, death and vested retirement allowances to plan members and beneficiaries. Benefit provisions are established and may be amended by the New Hampshire State legislature.

The NHRS issues a publicly available financial report that includes financial statements and required supplementary information for NHRS. That report may be obtained by writing to New Hampshire Retirement System at 54 Regional Drive, Concord, New Hampshire 03301 or from their website at www.nhrs.org.

Substantially all full-time state and local employees, public school teachers, permanent firefighters and permanent police officers within the State are eligible and required to participate in the Pension Plan.

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.

Benefits Provided

Benefit formulas and eligibility requirements for the pension plan are set by State law (RSA 100-A).

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:

TOWN OF CANAAN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2022

Years of Creditable Services as of <u>January 1, 2012</u>	<u>Minimum Age</u>	<u>Minimum Service</u>	<u>Benefit Multiplier</u>
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%

Funding Policy

Covered police officers are required to contribute 11.55% of their covered salary, whereas general employees are required to contribute 7.0% of their covered salary. The Town is required to contribute at an actuarially determined rate. The Town’s contribution rates for the covered payroll of police officers and general employees were 30.67% and 13.75%, respectively, for the year ended December 31, 2022. The Town contributed 100% of the employer cost for police officers and general employees of the Town.

Per RSA 100-A:16, plan member contribution rates are established and may be amended by the New Hampshire State legislature and employer contribution rates are determined by the NHRS Board of Trustees based on an actuarial valuation. The Town’s contributions to the NHRS for the year ended December 31, 2022 were \$258,541.

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

At December 31, 2022, the Town reported a liability of \$2,331,067 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by a roll forward of the actuarial valuation from June 30, 2021. The Town’s proportion of the net pension liability was based on actual contributions by the Town during the relevant fiscal year relative to the actual contributions of all participating plan members, excluding contributions to separately finance specific liabilities of individual employers or NHRS. At June 30, 2022, the Town's proportion was approximately 0.0406 percent, which was an increase of approximately 0.0013 percentage points from its proportion measured as of June 30, 2021.

For the year ended December 31, 2022, the Town recognized pension expense of \$217,240. At December 31, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

TOWN OF CANAAN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2022

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between expected and actual experience	\$ 43,750	\$ 8,949
Net difference between projected and actual earnings on pension plan investments	88,344	
Changes of assumptions	123,994	
Changes in proportion and differences between Town contributions and proportionate share of contributions	92,382	127,923
Town contributions subsequent to the measurement date	<u>138,608</u>	
Totals	<u>\$ 487,078</u>	<u>\$ 136,872</u>

The net amount of deferred outflows of resources and deferred inflows of resources related to pension is reflected as an increase to unrestricted net position in the amount of \$350,206. The Town reported \$138,608 as deferred outflows of resources related to pension resulting from Town contributions subsequent to the measurement date. This amount will be recognized as a reduction of the net pension liability in the measurement period ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized as pension expense in the measurement periods as follows:

<u>June 30,</u>	
2023	\$ 74,827
2024	67,887
2025	(64,808)
2026	<u>133,692</u>
	<u>\$ 211,598</u>

Actuarial Assumptions

The total pension liability was determined by a roll forward of the actuarial valuation as of June 30, 2021, using the following actuarial assumptions.

Inflation	2.00%
Wage inflation	2.75% (2.25% for Teachers)
Salary increases	5.40%, average, including inflation
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, 2021 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2015 – June 30, 2019.

TOWN OF CANAAN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2022

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. 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</u>
Public Equity	50%	7.60-7.90%
Private Market Equity	20%	6.60-8.85%
Private Debt	5%	7.25%
Fixed Income	25%	3.60%
Total	<u>100%</u>	

Discount Rate

The discount rate used to measure the collective 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 contributions are projected based on the expected payroll of current members only. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of 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 collective pension liability.

Sensitivity of the Town’s 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 6.75 percent, 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 or 1-percentage-point higher than the single discount rate:

	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
Net pension liability	\$ 3,127,705	\$ 2,331,067	\$ 1,668,737

NOTE 9—INTERFUND BALANCES AND TRANSFERS

The Town has combined the cash resources of its governmental and proprietary fund types. For accounting and reporting purposes, that portion of the pooled cash balance is reported in the specific fund as an interfund balance. Interfund balances at December 31, 2022 are as follows:

TOWN OF CANAAN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2022

		Due from				
		General	Nonmajor Governmental	Water	Sewer	
		<u>Fund</u>	<u>Funds</u>	<u>Fund</u>	<u>Fund</u>	<u>Totals</u>
General Fund			\$ 38,566	\$ 14,884	\$ 8,969	\$ 62,419
Due to Nonmajor Governmental Funds	\$ 13,099					13,099
Water Fund					490,173	490,173
Totals	<u>\$ 13,099</u>	<u>\$ 38,566</u>	<u>\$ 14,884</u>	<u>\$ 499,142</u>	<u>\$ 565,691</u>	

During the year, interfund transactions occurred between funds. Transfers out of the Permanent Funds to the General Fund in the amount of \$11,955 and transfers out of the Expendable Trust Funds, a Nonmajor Governmental Fund, in the amount of \$1,409, were made to distribute income earned on investments during the year to support the Town’s programs. In addition, the General Fund transferred \$175,000 to the Ambulance Revolving Fund, a Nonmajor Governmental Fund, in accordance with budgetary authorization.

NOTE 10—RESTRICTED NET POSITION

Net position of governmental activities is restricted for specific purposes as follows at year end:

Permanent Funds - Principal	\$ 566,848
Permanent Funds - Income	183,333
SB 401 - Highway Block Grant	134,981
SB 401 - Bridge Aid	124,271
Library	168,412
	<u>\$ 1,177,845</u>

NOTE 11—COMPONENTS OF FUND BALANCE

Fund balance components of governmental funds are comprised as follows at year end:

<u>Fund Balances</u>	<u>General Fund</u>	<u>Permanent Funds</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable:				
Permanent Funds - Principal		\$ 566,848		\$ 566,848
Prepaid items	\$ 22,619			22,619
Tax deeded property	35,471			35,471
Restricted for:				
Permanent Funds - Income		183,333		183,333
SB 401 - Highway Block Grant	134,981			134,981
SB 401 - Bridge Aid	124,271			124,271
Library	168,412			168,412

TOWN OF CANAAN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2022

Committed for:

Carryforward appropriations	219,546		219,546
Capital Reserves	928,008		928,008
Conservation		\$ 92,530	92,530
Expendable Trusts		96,865	96,865
Transfer Station		23,245	23,245
Police Outside Details		37,730	37,730
Recreation		23,466	23,466
Ambulance		193,304	193,304

Assigned for:

Designated for subsequent year expenditures	451,500		451,500
Encumbrances	148,057		148,057

Unassigned:

Unassigned	263,445		263,445
	<u>\$ 2,496,310</u>	<u>\$ 750,181</u>	<u>\$ 467,140</u>
			<u>\$ 3,713,631</u>

NOTE 12—PROPERTY TAXES

Taxes are levied on the assessed valuation of all taxable real property as of the prior April 1 (\$450,496,812 as of April 1, 2022) and are due in two installments on July 1, 2022 and December 15, 2022. Taxes paid after the due dates accrue interest at 8% per annum. Property taxes are recognized as revenue when received in cash or if available to finance current period operations (within sixty days of year-end).

Under State law, the Tax Collector obtains tax liens on properties which have unpaid taxes in the following calendar year after taxes were due for the amount of unpaid taxes, interest and costs. Priority tax liens obtained prior to April 1, 2019 accrue interest at 18% per annum. Priority tax liens obtained after April 1, 2019 accrue interest at 14% per annum. If the property is not redeemed within a two year redemption period, the property may be tax dedeed to the Town.

In accordance with State law, the Town collects taxes for the Mascoma Valley Regional School District and Grafton County, both independent governmental units, which are remitted to them as required by law. The Town also collects State of New Hampshire Education taxes, which are remitted directly to the school district. Total taxes appropriated during the year were \$8,808,537 and \$616,072 for the Mascoma Valley Regional School District and Grafton County, respectively. These taxes are recognized in these financial statements within the fiduciary funds only. The Town bears responsibility for uncollected taxes.

NOTE 13—RISK MANAGEMENT

The Town is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended December 31, 2022, the Town was a member of and participated in a public entity risk pool (Trust) for property and liability insurance and worker’s compensation coverage. Coverage has not been significantly reduced from the prior year and settled claims have not exceeded coverage in any of the past three years.

The Trust agreements permit the Trust to make additional assessments to members should there be a deficiency in Trust assets to meet its liabilities. Accounting principles generally accepted in the United States of America require members of pools with a sharing of risk to determine whether or not such

TOWN OF CANAAN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2022

assessment is probable and, if so, a reasonable estimate of such assessment. At this time, the Trust foresees no likelihood of an additional assessment for any of the past years. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. Based on the best available information there is no liability at December 31, 2022.

Property and Liability Insurance

The Trust provides certain property and liability insurance coverage to member towns, cities, and other qualified political subdivisions of New Hampshire. As a member of the Trust, the Town shares in contributing to the cost of and receiving benefit from a self-insured pooled risk management program. The program includes a Self-Insured Retention Fund from which is paid up to \$200,000 for each and every covered property, crime and/or liability loss that exceeds \$1,000, up to an aggregate of \$1,200,000. Each property loss is subject to a \$1,000 deductible. All losses over the aggregate are covered by insurance policies.

Worker's Compensation

The Trust provides statutory worker's compensation coverage to member towns, cities, and other qualified political subdivisions of New Hampshire. The Trust is self-sustaining through annual member premiums and provides coverage for the statutorily required workers' compensation benefits and employer's liability coverage up to \$2,000,000. The program includes a Loss Fund from which is paid up to \$500,000 for each and every covered claim.

NOTE 14—COMMITMENTS AND CONTINGENCIES

Litigation

There may be various claims and suits pending against the Town, which arise in the normal course of the Town's activities. In the opinion of Town management, any potential claims against the Town which are not covered by insurance are immaterial and would not affect the financial position of the Town.

SCHEDULE 1
TOWN OF CANAAN, NEW HAMPSHIRE
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Budgetary Basis) - General Fund
For the Year Ended December 31, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
Revenues:				
Taxes	\$ 2,802,006	\$ 2,802,006	\$ 3,032,132	\$ 230,126
Licenses and permits	832,600	832,600	838,343	5,743
Intergovernmental	7,969,109	7,969,109	856,289	(7,112,820)
Charges for services	40,762	40,762	75,731	34,969
Interest income	2,000	2,000	1,978	(22)
Miscellaneous	69,440	69,440	157,665	88,225
Total Revenues	<u>11,715,917</u>	<u>11,715,917</u>	<u>4,962,138</u>	<u>(6,753,779)</u>
Expenditures:				
Current operations:				
General government	1,472,562	1,472,562	1,287,262	185,300
Public safety	1,237,231	1,237,231	1,188,816	48,415
Highways and streets	913,031	913,031	961,056	(48,025)
Sanitation	224,069	224,069	271,208	(47,139)
Health and welfare	115,796	115,796	85,779	30,017
Culture and recreation	19,936	19,936	9,673	10,263
Capital outlay	8,005,260	7,709,714	188,312	7,521,402
Debt service:				
Principal retirement	1	1	-	1
Interest and fiscal charges	2	2	-	2
Total Expenditures	<u>11,987,888</u>	<u>11,692,342</u>	<u>3,992,106</u>	<u>7,700,236</u>
Excess revenues over (under) expenditures	<u>(271,971)</u>	<u>23,575</u>	<u>970,032</u>	<u>946,457</u>
Other financing sources (uses):				
Transfers in	294,712	218,712	205,383	(13,329)
Transfers out	(687,287)	(687,287)	(671,036)	16,251
Total Other financing sources (uses)	<u>(392,575)</u>	<u>(468,575)</u>	<u>(465,653)</u>	<u>2,922</u>
Net change in fund balance	(664,546)	(445,000)	504,379	949,379
Fund Balance at beginning of year				
- Budgetary Basis	<u>1,071,474</u>	<u>1,071,474</u>	<u>1,071,474</u>	<u>-</u>
Fund Balance at end of year				
- Budgetary Basis	<u>\$ 406,928</u>	<u>\$ 626,474</u>	<u>\$ 1,575,853</u>	<u>\$ 949,379</u>

See accompanying notes to the required supplementary information

SCHEDULE 2

TOWN OF CANAAN, NEW HAMPSHIRE

Schedule of Changes in the Town's Proportionate Share of the Net OPEB Liability

For the Year Ended December 31, 2022

Measurement Period Ended	Cost-Sharing Multiple Employer Plan Information Only				
	Town's Proportion of the Net OPEB Liability	Town's Proportionate Share of the Net OPEB Liability	Town's Covered Payroll	Town's Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
June 30, 2022	0.03840508%	\$ 145,128	\$ 1,174,121	12.36%	10.64%
June 30, 2021	0.03512633%	\$ 140,666	\$ 1,145,765	12.28%	11.06%
June 30, 2020	0.03856975%	\$ 168,823	\$ 1,223,948	13.79%	7.74%
June 30, 2019	0.03972088%	\$ 174,141	\$ 1,077,885	16.16%	7.75%
June 30, 2018	0.04227163%	\$ 193,539	\$ 1,070,226	18.08%	7.53%
June 30, 2017	0.02866370%	\$ 131,060	\$ 997,162	13.14%	7.91%
June 30, 2016	0.02819841%	\$ 136,510	\$ 946,240	14.43%	5.21%
June 30, 2015	*	*	*	*	*
June 30, 2014	*	*	*	*	*
June 30, 2013	*	*	*	*	*

* 10 Year schedule, historical information not available

Significant Actuarial Assumptions

Measurement Periods	Inflation	Salary Increases	Investment	Mortality Table	Mortality Scale
			Rate of Return		
June 30, 2022	2.00%	5.40%	6.75%	Pub-2010	MP-2019
June 30, 2020 - 2021	2.00%	5.60%	6.75%	Pub-2010	MP-2019
June 30, 2016 - 2019	2.50%	5.60%	7.25%	RP-2014	MP-2015

See accompanying notes to the required supplementary information

SCHEDULE 3
TOWN OF CANAAN, NEW HAMPSHIRE
Schedule of Town OPEB Contributions
For the Year Ended December 31, 2022

Cost-Sharing Multiple Employer Plan Information Only					
<u>Year Ended</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to the Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Town's Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
December 31, 2022	\$ 17,317	\$ (17,317)	\$ -	\$ 1,319,022	1.31%
December 31, 2021	\$ 16,704	\$ (16,704)	\$ -	\$ 1,146,158	1.46%
December 31, 2020	\$ 16,934	\$ (16,934)	\$ -	\$ 1,161,418	1.46%
December 31, 2019	\$ 18,151	\$ (18,151)	\$ -	\$ 1,206,996	1.50%
December 31, 2018	\$ 18,677	\$ (18,677)	\$ -	\$ 1,096,885	1.70%
December 31, 2017	\$ 17,844	\$ (17,844)	\$ -	\$ 1,023,827	1.74%
December 31, 2016	\$ 16,861	\$ (16,861)	\$ -	\$ 973,044	1.73%
December 31, 2015	*	*	*	*	*
December 31, 2014	*	*	*	*	*
December 31, 2013	*	*	*	*	*

* 10 Year schedule, historical information not available

See accompanying notes to the required supplementary information

SCHEDULE 4

TOWN OF CANAAN, NEW HAMPSHIRE

Schedule of Changes in the Town's Proportionate Share of the Net Pension Liability

For the Year Ended December 31, 2022

<u>Measurement Period Ended</u>	<u>Town's Proportion of the Net Pension Liability</u>	<u>Town's Proportionate Share of the Net Pension Liability</u>	<u>Town's Covered Payroll</u>	<u>Town's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
June 30, 2022	0.04063832%	\$ 2,331,067	\$ 1,174,121	198.54%	65.12%
June 30, 2021	0.03929683%	\$ 1,741,604	\$ 1,145,765	152.00%	72.22%
June 30, 2020	0.04329352%	\$ 2,769,119	\$ 1,223,948	226.24%	58.72%
June 30, 2019	0.04126806%	\$ 1,985,677	\$ 1,077,885	184.22%	65.59%
June 30, 2018	0.04179718%	\$ 2,012,619	\$ 1,070,226	188.06%	64.73%
June 30, 2017	0.04211241%	\$ 2,071,085	\$ 997,162	207.70%	62.66%
June 30, 2016	0.04118113%	\$ 2,189,846	\$ 946,240	231.43%	58.30%
June 30, 2015	0.04000351%	\$ 1,584,750	\$ 931,817	170.07%	65.47%
June 30, 2014	0.03824704%	\$ 1,435,635	\$ 860,676	166.80%	66.32%
June 30, 2013	0.03594569%	\$ 1,547,025	\$ 781,213	198.03%	59.81%

Significant Actuarial Assumptions

<u>Measurement Periods</u>	<u>Inflation</u>	<u>Salary Increases</u>	<u>Investment Rate of Return</u>	<u>Mortality Table</u>	<u>Mortality Scale</u>
June 30, 2022	2.00%	5.40%	6.75%	Pub-2010	MP-2019
June 30, 2020 - 2021	2.00%	5.60%	6.75%	Pub-2010	MP-2019
June 30, 2016 - 2019	2.50%	5.60%	7.25%	RP-2014	MP-2015
June 30, 2013 - 2015	3.00%	3.75-5.80%	7.75%	RP-2000	Scale AA

See accompanying notes to the required supplementary information

SCHEDULE 5
TOWN OF CANAAN, NEW HAMPSHIRE
Schedule of Town Pension Contributions
For the Year Ended December 31, 2022

<u>Year Ended</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to the Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Town's Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
December 31, 2022	\$ 258,541	\$ (258,541)	\$ -	\$ 1,319,022	19.60%
December 31, 2021	\$ 206,632	\$ (206,632)	\$ -	\$ 1,146,158	18.03%
December 31, 2020	\$ 182,278	\$ (182,278)	\$ -	\$ 1,161,418	15.69%
December 31, 2019	\$ 189,980	\$ (189,980)	\$ -	\$ 1,206,996	15.74%
December 31, 2018	\$ 179,234	\$ (179,234)	\$ -	\$ 1,096,885	16.34%
December 31, 2017	\$ 164,458	\$ (164,458)	\$ -	\$ 1,023,827	16.06%
December 31, 2016	\$ 151,448	\$ (151,448)	\$ -	\$ 973,044	15.56%
December 31, 2015	\$ 140,206	\$ (140,206)	\$ -	\$ 936,284	14.97%
December 31, 2014	\$ 125,738	\$ (125,738)	\$ -	\$ 879,027	14.30%
December 31, 2013	\$ 109,018	\$ (109,018)	\$ -	\$ 839,363	12.99%

See accompanying notes to the required supplementary information

TOWN OF CANAAN, NEW HAMPSHIRE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended December 31, 2022

NOTE 1—BUDGET TO ACTUAL RECONCILIATION

General Fund

Amounts recorded as budgetary amounts in the Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budgetary Basis) – General Fund (Schedule 1) are reported on the basis budgeted by the Town under state regulations. Those amounts differ from those reported in conformity with accounting principles generally accepted in the United States of America in the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds (Exhibit D). Property tax budgetary revenues are recognized when levied rather than when susceptible to accrual. Budgetary revenues and other financing sources and expenditures and other financing uses were adjusted for encumbrances, non-budgetary revenues and expenditures, and budgetary transfers as follows:

	Revenues and Other Financing <u>Sources</u>	Expenditures and Other Financing <u>Uses</u>
Per Exhibit D	\$ 5,012,380	\$ 4,371,937
Difference in property taxes meeting susceptible to accrual criteria	(46,558)	
Encumbrances - December 31, 2022		148,057
Encumbrances - December 31, 2021		(159,502)
Non-budgetary revenues and expenditures	9,680	(193,386)
Budgetary transfers	<u>192,019</u>	<u>496,036</u>
Per Schedule 1	<u>\$ 5,167,521</u>	<u>\$ 4,663,142</u>

SCHEDULE A
TOWN OF CANAAN, NEW HAMPSHIRE
Combining Balance Sheet
Governmental Funds - All Nonmajor Funds
December 31, 2022

	Conservation <u>Fund</u>	Expendable Trust <u>Funds</u>	Transfer Station <u>Fund</u>	Police Outside <u>Detail Fund</u>	Recreation Revolving <u>Fund</u>	Ambulance Revolving <u>Fund</u>	Total Nonmajor Governmental <u>Funds</u>
ASSETS							
Cash and cash equivalents			\$ 15,146	\$ 37,522	\$ 25,365	\$ 110,501	\$ 188,534
Investments	\$ 87,530	\$ 96,865					184,395
Accounts receivable, net				2,375		106,559	108,934
Due from other governments						10,744	10,744
Due from other funds	5,000		8,099				13,099
Total Assets	<u>92,530</u>	<u>96,865</u>	<u>23,245</u>	<u>39,897</u>	<u>25,365</u>	<u>227,804</u>	<u>505,706</u>
DEFERRED OUTFLOWS OF RESOURCES							
Total Deferred Outflows of Resources	-	-	-	-	-	-	-
Total Assets and Deferred Outflows of Resources	<u>\$ 92,530</u>	<u>\$ 96,865</u>	<u>\$ 23,245</u>	<u>\$ 39,897</u>	<u>\$ 25,365</u>	<u>\$ 227,804</u>	<u>\$ 505,706</u>
LIABILITIES							
Due to other funds				\$ 2,167	\$ 1,899	\$ 34,500	\$ 38,566
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>2,167</u>	<u>1,899</u>	<u>34,500</u>	<u>38,566</u>
DEFERRED INFLOWS OF RESOURCES							
Total Deferred Inflows of Resources	-	-	-	-	-	-	-
FUND BALANCES							
Committed	<u>92,530</u>	<u>96,865</u>	<u>23,245</u>	<u>37,730</u>	<u>23,466</u>	<u>193,304</u>	<u>467,140</u>
Total Fund Balances	<u>92,530</u>	<u>96,865</u>	<u>23,245</u>	<u>37,730</u>	<u>23,466</u>	<u>193,304</u>	<u>467,140</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 92,530</u>	<u>\$ 96,865</u>	<u>\$ 23,245</u>	<u>\$ 39,897</u>	<u>\$ 25,365</u>	<u>\$ 227,804</u>	<u>\$ 505,706</u>

SCHEDULE B
TOWN OF CANAAN, NEW HAMPSHIRE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds - All Nonmajor Funds
For the Year Ended December 31, 2022

	Conservation <u>Fund</u>	Expendable Trust <u>Funds</u>	Transfer Station <u>Fund</u>	Police Outside <u>Detail Fund</u>	Recreation Revolving <u>Fund</u>	Ambulance Revolving <u>Fund</u>	Total Nonmajor Governmental <u>Funds</u>
Revenues:							
Taxes	\$ 5,000						\$ 5,000
Charges for services			\$ 8,099	\$ 15,725	\$ 31,936	\$ 184,027	239,787
Interest and investment income (loss)	1,438	\$ (12,018)	4	7	6	55	(10,508)
Miscellaneous						13,397	13,397
Total Revenues	<u>6,438</u>	<u>(12,018)</u>	<u>8,103</u>	<u>15,732</u>	<u>31,942</u>	<u>197,479</u>	<u>247,676</u>
Expenditures:							
Current operations:							
General government		7,200					7,200
Public safety				18,280		355,383	373,663
Culture and recreation	534				25,194		25,728
Total Expenditures	<u>534</u>	<u>7,200</u>	<u>-</u>	<u>18,280</u>	<u>25,194</u>	<u>355,383</u>	<u>406,591</u>
Excess revenues over (under) expenditures	<u>5,904</u>	<u>(19,218)</u>	<u>8,103</u>	<u>(2,548)</u>	<u>6,748</u>	<u>(157,904)</u>	<u>(158,915)</u>
Other financing sources (uses):							
Transfers in						175,000	175,000
Transfers out		(1,409)					(1,409)
Total Other financing sources (uses)	<u>-</u>	<u>(1,409)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>175,000</u>	<u>173,591</u>
Net change in fund balances	5,904	(20,627)	8,103	(2,548)	6,748	17,096	14,676
Fund Balances at beginning of year	<u>86,626</u>	<u>117,492</u>	<u>15,142</u>	<u>40,278</u>	<u>16,718</u>	<u>176,208</u>	<u>452,464</u>
Fund Balances at end of year	<u>\$ 92,530</u>	<u>\$ 96,865</u>	<u>\$ 23,245</u>	<u>\$ 37,730</u>	<u>\$ 23,466</u>	<u>\$ 193,304</u>	<u>\$ 467,140</u>