

**TOWN OF DURHAM,
NEW HAMPSHIRE**

ANNUAL FINANCIAL REPORT

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

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

TABLE OF CONTENTS

		<u>PAGES</u>
	INDEPENDENT AUDITOR'S REPORT	1 - 3
	MANAGEMENT'S DISCUSSION AND ANALYSIS.....	4 - 9
BASIC FINANCIAL STATEMENTS		
	Government-wide Financial Statements	
A	Statement of Net Position	10
B	Statement of Activities	11
	Fund Financial Statements	
	<i>Governmental Funds</i>	
C-1	Balance Sheet	12
C-2	Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position.....	13
C-3	Statement of Revenues, Expenditures, and Changes in Fund Balances.....	14
C-4	Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities	15
	<i>Budgetary Comparison Information</i>	
D-1	Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) – General Fund	16
D-2	Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) – Sewer Fund	17
	<i>Fiduciary Funds</i>	
E-1	Statement of Fiduciary Net Position.....	18
E-2	Statement of Changes in Fiduciary Net Position	19
	NOTES TO THE BASIC FINANCIAL STATEMENTS	20 - 49
REQUIRED SUPPLEMENTARY INFORMATION		
F	Schedule of the Town's Proportionate Share of Net Pension Liability	50
G	Schedule of Town Contributions – Pensions	51
	NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION -	
	PENSION LIABILITY	52
H	Schedule of the Town's Proportionate Share of Net Other Postemployment Benefits Liability	53
I	Schedule of Town Contributions – Other Postemployment Benefits	54
J	Schedule of Changes in the Town's Total Other Postemployment Benefits Liability and Related Ratios	55
	NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION -	
	OTHER POSTEMPLOYMENT BENEFITS LIABILITY	56

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

TABLE OF CONTENTS

	<u>PAGES</u>
 COMBINING AND INDIVIDUAL FUND SCHEDULES 	
Governmental Funds	
<i>Major General Fund</i>	
1	Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)..... 57
2	Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis)..... 58 - 59
3	Schedule of Changes in Unassigned Fund Balance..... 60
<i>Nonmajor Governmental Funds</i>	
4	Combining Balance Sheet 61
5	Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances..... 62
Fiduciary Funds	
<i>Custodial Funds</i>	
6	Combining Schedule of Fiduciary Net Position 63
7	Combining Schedule of Changes in Fiduciary Net Position 64
 SINGLE AUDIT ACT SCHEDULES AND INDEPENDENT AUDITOR'S REPORTS 	
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS..... 65 - 66	
REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE 67 - 68	
I	Schedule of Findings and Questioned Costs..... 69
II	Schedule of Expenditures of Federal Awards..... 70
	NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS..... 71



PLODZIK & SANDERSON

Professional Association/Certified Public Accountants

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

INDEPENDENT AUDITOR'S REPORT

To the Members of the Town Council and Town Administrator
Town of Durham
Durham, New Hampshire

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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 Durham's ability to continue as a going concern for twelve months beyond the financial statement date including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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.

Town of Durham
Independent Auditor's Report

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 Durham'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 Durham'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.

Change in Accounting Principle

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

Required Supplementary Information – Accounting principles generally accepted in the United States of America require that the following be presented to supplement the basic financial statements:

- Management's Discussion and Analysis,
- Schedule of the Town's Proportionate Share of Net Pension Liability,
- Schedule of Town Contributions – Pensions,
- Schedule of the Town's Proportionate Share of the Net Other Postemployment Benefits Liability,
- Schedule of Town Contributions – Other Postemployment Benefits,
- Schedule of Changes in the Town's Total Other Postemployment Benefits Liability and Related Ratios, and
- Notes to the Required Supplementary Information

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

Supplementary Information – Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Durham's basic financial statements. The accompanying combining and individual fund schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and is also not a required part of the basic financial statements.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2023 on our consideration of the Town of Durham's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Durham's internal control over financial reporting and compliance.



October 17, 2023
Concord, New Hampshire

PLODZIK & SANDERSON
Professional Association

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Durham, New Hampshire (the Town), we offer readers this narrative overview and analysis of the financial activities of the Town for the fiscal year ended December 31, 2022.

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

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

The government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities include general government, public safety, highways and streets, sanitation, water distribution and treatment, health and human services, welfare, culture and recreation, and conservation.

Fund Financial Statements

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

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating 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, readers may better understand the long-term impact of the Town's near-term financing decisions. Reconciliations are provided to facilitate the comparison between governmental funds and governmental activities.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the Town. 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 Financial Statements

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

Required and Other Supplementary Information

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

Financial Highlights

- As of the close of the current fiscal year, net position in governmental activities was \$21,455,690, a change of \$2,284,745.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$12,644,497, a change of \$1,469,621 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$6,253,954, a change of \$1,158,776 in comparison to the prior year.

Government-Wide Financial Analysis

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

NET POSITION

	Governmental Activities	
	2022	2021 (as restated)
Current and other assets	\$ 27,537,257	\$ 23,676,942
Capital assets	46,120,833	45,175,217
Total assets	73,658,090	68,852,159
Deferred outflows of resources	2,871,046	2,808,676
Other liabilities	12,059,819	11,899,343
Long-term liabilities	40,033,301	36,064,449
Total liabilities	52,093,120	47,963,792
Deferred inflows of resources	2,980,326	4,526,098
Net position:		
Net investment in capital assets	32,040,585	27,478,081
Restricted	4,807,901	4,099,133
Unrestricted	(15,392,796)	(12,406,269)
Total net position	\$ 21,455,690	\$ 19,170,945

As noted earlier, net position may serve over time as a useful indicator of the Town's financial position. At the close of the most recent fiscal year, total net position was \$21,455,690, a change of \$2,284,745 in comparison to the prior year.

The largest portion of net position \$32,040,585 reflects our investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position \$4,807,901 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position reflects a deficit of \$(15,392,796), primarily resulting from unfunded pension and OPEB liabilities.

CHANGES IN NET POSITION

	Governmental Activities	
		2021
	2022	(as restated)
Revenues:		
Program revenues:		
Charges for services	\$ 3,461,628	\$ 4,234,365
Operating grants and contributions	4,394,817	-
Capital grants and contributions	1,309,347	230,532
General revenues:		
Taxes	10,698,423	10,884,860
Licenses and permits	1,641,928	1,602,102
Unrestricted grants and contributions	1,792,718	5,103,690
Miscellaneous	921,899	985,827
Total revenues	<u>24,220,760</u>	<u>23,041,376</u>
Expenses:		
General government	3,548,647	2,996,262
Public safety	8,307,897	8,252,700
Highways and streets	3,983,550	2,484,319
Sanitation	2,740,615	2,798,600
Water distribution & treatment	777,598	808,499
Health	12,200	11,950
Welfare	68,836	42,740
Culture and recreation	1,812,070	1,286,422
Conservation	36,300	85,306
Interest on long-term debt	648,302	715,494
Total expenses	<u>21,936,015</u>	<u>19,482,292</u>
Change in net position	2,284,745	3,559,084
Beginning net position, as restated	19,170,945	15,611,861
Ending net position	<u>\$ 21,455,690</u>	<u>\$ 19,170,945</u>

Governmental Activities

Governmental activities for the year resulted in a change in net position of \$2,284,745. Key elements of this change are as follows:

General Fund operations	\$ 613,113
Capital project operations	635,764
Depreciation expense exceed capital outlay	712,323
Other	323,545
Total	<u>\$ 2,284,745</u>

Financial Analysis of the Town's Funds

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

Governmental Funds

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

General Fund

The General Fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$6,253,954, while total fund balance was \$8,510,284. Unassigned fund balance increased by \$1,158,776 primarily from favorable budgetary result of \$1,525,220, less \$919,485 used to reduce taxes and fund appropriations. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to General Fund expenditures. Refer to the table below.

<u>General Fund</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>	<u>Change</u>	<u>Total General Fund Expenditures</u>
Unassigned fund balance	\$ 6,253,954	\$ 5,095,178	\$ 1,158,776	37%
Total fund balance	\$ 8,510,284	\$ 7,897,171	\$ 613,113	50%

The total fund balance of the General Fund changed by \$613,113 during the current fiscal year. Key factors in this change are as follows:

Use of fund balance as a funding source	\$ (880,815)
Use of fund balance to reduce taxes	(38,670)
Revenues in excess of budget	1,037,759
Expenditures less than budget	487,461
Other	7,378
Total	<u>\$ 613,113</u>

Included in the total fund balance of the General Fund are the Town's capital reserve account with the following balance:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>	<u>Change</u>
Capital reserves	\$ 1,493,609	\$ 1,484,050	\$ 9,559

Nonmajor Governmental Funds

The fund balance of nonmajor governmental funds changed by \$221,189, primarily from excess of water and TIF fund revenues over expenditures.

Major Governmental Funds

The fund balance of the Capital Project Fund changed by \$635,764 primarily from bond issuances and transfers in.

General Fund Budgetary Highlights

Differences between the original and final budget of the general fund are shown on Exhibit D-1.

Capital Assets and Debt Administration

Capital Assets

Total investment in capital assets for governmental activities at year-end amounted to \$46,120,833 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings and improvements, machinery, equipment, furnishings, and infrastructure. Major capital asset events during the current fiscal year included the following:

- \$2,657,155 – Various infrastructure projects and construction in progress

Additional information on capital assets can be found in the Notes to Financial Statements.

Long-Term Debt

At the end of the current fiscal year, total bonded debt outstanding was \$20,339,148, all of which was backed by the full faith and credit of the government.

Additional information on long-term debt can be found in the Notes to Financial Statements.

Requests for Information

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

Office of the Business Manager
Town of Durham, New Hampshire
8 Newmarket Road
Durham, NH 03824

BASIC FINANCIAL STATEMENTS

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

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 20,799,142
Investments	3,159,010
Taxes receivables (net)	1,315,985
Accounts receivable	266,216
Intergovernmental receivable	1,902,793
Prepaid items	94,111
Capital assets:	
Land and construction in progress	12,454,172
Other capital assets, net of depreciation	33,666,661
Total assets	<u>73,658,090</u>
DEFERRED OUTFLOWS OF RESOURCES	
Amounts related to pensions	2,714,272
Amounts related to other postemployment benefits	156,774
Total deferred outflows of resources	<u>2,871,046</u>
LIABILITIES	
Accounts payable	1,165,075
Accrued salaries and benefits	427,692
Retainage payable	48,650
Accrued interest payable	270,517
Intergovernmental payable	9,772,756
Escrow and performance deposits	369,625
Other	5,504
Long-term liabilities:	
Due within one year	2,783,102
Due in more than one year	37,250,199
Total liabilities	<u>52,093,120</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue - property taxes	1,789
Unavailable revenue - other	2,165,660
Amounts related to pensions	524,921
Amounts related to other postemployment benefits	287,956
Total deferred inflows of resources	<u>2,980,326</u>
NET POSITION	
Net investment in capital assets	32,040,585
Restricted	4,807,901
Unrestricted	<u>(15,392,796)</u>
Total net position	<u>\$ 21,455,690</u>

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

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

		Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Change In Net Position
	Expenses				
General government	\$ 3,548,647	\$ 23,813	\$ 223,040	\$ 11,897	\$ (3,289,897)
Public safety	8,307,897	152,668	2,458,260	850,608	(4,846,361)
Highways and streets	3,983,550	-	-	292,962	(3,690,588)
Sanitation	2,740,615	1,271,270	1,675,393	54,301	260,349
Water distribution and treatment	777,598	1,195,857	17,024	99,579	534,862
Health	12,200	-	-	-	(12,200)
Welfare	68,836	-	-	-	(68,836)
Culture and recreation	1,812,070	818,020	21,100	-	(972,950)
Conservation	36,300	-	-	-	(36,300)
Interest on long-term debt	648,302	-	-	-	(648,302)
Total governmental activities	<u>\$ 21,936,015</u>	<u>\$ 3,461,628</u>	<u>\$ 4,394,817</u>	<u>\$ 1,309,347</u>	<u>(12,770,223)</u>
General revenues:					
Taxes:					
Property					9,530,497
Other					1,167,926
Motor vehicle permit fees					1,209,050
Licenses and other fees					432,878
Grants and contributions not restricted to specific programs					1,792,718
Unrestricted investment earnings					122,711
Miscellaneous					799,188
Total general revenues					<u>15,054,968</u>
Change in net position					<u>2,284,745</u>
Net position, beginning, as restated (see Note 20)					<u>19,170,945</u>
Net position, ending					<u>\$ 21,455,690</u>

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

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

	General	Sewer	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 17,678,340	\$ 1,855,793	\$ -	\$ 1,265,009	\$ 20,799,142
Investments	1,607,527	746,820	-	804,663	3,159,010
Taxes receivable	1,315,985	-	-	-	1,315,985
Accounts receivable	81,056	64,027	-	121,133	266,216
Intergovernmental receivable	66,683	34,202	832,200	27,400	960,485
Interfund receivable	783,681	7,435	-	21,857	812,973
Prepaid items	134,877	13,225	-	7,055	155,157
Total assets	<u>\$ 21,668,149</u>	<u>\$ 2,721,502</u>	<u>\$ 832,200</u>	<u>\$ 2,247,117</u>	<u>\$ 27,468,968</u>
LIABILITIES					
Accounts payable	\$ 450,955	\$ 89,425	\$ 532,908	\$ 91,787	\$ 1,165,075
Accrued salaries and benefits	374,437	39,586	-	13,669	427,692
Retainage payable	-	-	48,650	-	48,650
Intergovernmental payable	9,708,460	64,296	-	-	9,772,756
Interfund payable	29,292	-	783,681	-	812,973
Escrow and performance deposits	369,625	-	-	-	369,625
Other	4,423	-	-	1,081	5,504
Total liabilities	<u>10,937,192</u>	<u>193,307</u>	<u>1,365,239</u>	<u>106,537</u>	<u>12,602,275</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	56,536	-	-	-	56,536
Unavailable revenue - other	2,164,137	-	-	1,523	2,165,660
Total deferred inflows of resources	<u>2,220,673</u>	<u>-</u>	<u>-</u>	<u>1,523</u>	<u>2,222,196</u>
FUND BALANCES (DEFICIT)					
Nonspendable	134,877	13,225	-	387,449	535,551
Restricted	479,896	2,514,970	-	1,412,361	4,407,227
Committed	1,493,609	-	-	339,247	1,832,856
Assigned	147,948	-	-	-	147,948
Unassigned (deficit)	6,253,954	-	(533,039)	-	5,720,915
Total fund balances (deficit)	<u>8,510,284</u>	<u>2,528,195</u>	<u>(533,039)</u>	<u>2,139,057</u>	<u>12,644,497</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 21,668,149</u>	<u>\$ 2,721,502</u>	<u>\$ 832,200</u>	<u>\$ 2,247,117</u>	<u>\$ 27,468,968</u>

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

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

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

Total fund balances of governmental funds (Exhibit C-1)		\$ 12,644,497
Long-term assets not available to pay for current period expenditures are not reported in the governmental funds.		
Long-term intergovernmental receivable		942,308
Capital assets used in governmental activities are not current financial resources, therefore, are not reported in the governmental funds.		
Cost	\$ 66,320,148	
Less accumulated depreciation	<u>(20,199,315)</u>	
		46,120,833
Differences between expected and actual experiences, assumption changes and net differences between projected and actual earnings and contributions subsequent to the measurement date for the post-retirement benefits (pension and OPEB) are recognized as deferred outflows of resources and deferred inflows of resources on the Statement of Net Position		
Deferred outflows of resources related to pensions	\$ 2,714,272	
Deferred inflows of resources related to pensions	(524,921)	
Deferred outflows of resources related to OPEB	156,774	
Deferred inflows of resources related to OPEB	<u>(287,956)</u>	
		2,058,169
Interfund receivables and payables between governmental funds are eliminated on the Statement of Net Position.		
Receivables	\$ (812,973)	
Payables	<u>812,973</u>	
		-
Property taxes not collected within 60 days of fiscal year-end are not available to pay for current period expenditures, and therefore are deferred in the governmental funds.		
Deferred property taxes		54,747
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(270,517)
Repayment of long-term liabilities not due until subsequent year are recorded in the governmental funds as prepaid items, but reduce the liability on the government-wide financial statements.		(61,046)
Long-term liabilities that are not due and payable in the current period, therefore, are not reported in the governmental funds.		
Bonds	\$ 15,315,550	
Notes	3,676,665	
Unamortized bond premium	1,346,933	
Compensated absences	1,043,256	
Accrued landfill postclosure care costs	499,800	
Net pension liability	16,368,254	
Other postemployment benefits	<u>1,782,843</u>	
		(40,033,301)
Net position of governmental activities (Exhibit A)		<u>\$ 21,455,690</u>

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

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

	General	Sewer	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 10,536,310	\$ -	\$ -	\$ 184,485	\$ 10,720,795
Licenses and permits	1,553,803	-	-	88,125	1,641,928
Intergovernmental	4,339,953	1,667,910	1,023,135	17,024	7,048,022
Charges for services	660,114	1,241,101	-	1,560,413	3,461,628
Miscellaneous	807,842	42,445	-	71,612	921,899
Total revenues	<u>17,898,022</u>	<u>2,951,456</u>	<u>1,023,135</u>	<u>1,921,659</u>	<u>23,794,272</u>
EXPENDITURES					
Current:					
General government	3,340,244	-	-	62,841	3,403,085
Public safety	8,017,155	-	-	-	8,017,155
Highways and streets	1,892,269	-	-	23,610	1,915,879
Water distribution and treatment	-	-	-	711,966	711,966
Sanitation	779,902	1,439,985	-	-	2,219,887
Health	12,200	-	-	-	12,200
Welfare	68,836	-	-	-	68,836
Culture and recreation	1,163,145	-	-	320,725	1,483,870
Conservation	31,901	-	-	4,399	36,300
Debt service:					
Principal	1,327,724	1,001,217	-	258,788	2,587,729
Interest	349,363	270,978	-	95,262	715,603
Other	-	2,500	-	1,000	3,500
Capital outlay	-	-	4,293,641	-	4,293,641
Total expenditures	<u>16,982,739</u>	<u>2,714,680</u>	<u>4,293,641</u>	<u>1,478,591</u>	<u>25,469,651</u>
Excess (deficiency) of revenues over (under) expenditures	<u>915,283</u>	<u>236,776</u>	<u>(3,270,506)</u>	<u>443,068</u>	<u>(1,675,379)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	405,820	2,679	789,690	-	1,198,189
Transfers out	(707,990)	(239,900)	(28,420)	(221,879)	(1,198,189)
Bond proceeds	-	-	3,145,000	-	3,145,000
Total other financing sources (uses)	<u>(302,170)</u>	<u>(237,221)</u>	<u>3,906,270</u>	<u>(221,879)</u>	<u>3,145,000</u>
Net change in fund balances	613,113	(445)	635,764	221,189	1,469,621
Fund balances (deficit), beginning, as restated (see Note 20)	<u>7,897,171</u>	<u>2,528,640</u>	<u>(1,168,803)</u>	<u>1,917,868</u>	<u>11,174,876</u>
Fund balances (deficit), ending	<u>\$ 8,510,284</u>	<u>\$ 2,528,195</u>	<u>\$ (533,039)</u>	<u>\$ 2,139,057</u>	<u>\$ 12,644,497</u>

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

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

Net change in fund balances of governmental funds (Exhibit C-3)		\$ 1,469,621
Amounts reported for governmental activities in the Statement of Activities are different because:		
The receipt of long-term state aid provides current financial resources to governmental funds, but has no effect on net position		448,860
Governmental funds report capital outlays as expenditures, while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:		
Capitalized capital outlay	\$ 2,921,117	
Depreciation expense	<u>(2,208,794)</u>	712,323
Transfers in and out between governmental funds are eliminated on the Statement of Activities.		
Transfers in	\$ (1,198,189)	
Transfers out	<u>1,198,189</u>	-
Revenue in the Statement of Activities that does not provide current financial resources is not reported as revenue in the governmental funds.		
Increase in deferred tax revenue		(22,372)
Prepaid debt consumes current financial resources of governmental funds, but reduces net position on the government-wide statements.		
Increase in prepaid debt		(61,046)
Bond and other debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond and other debt principal is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the Statement of Net Position. Also, governmental funds report the effect of premiums and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.		
Issuance of bond	\$ (2,714,200)	
Bond premium on new issuance	(430,800)	
Repayment of bond principal	2,071,210	
Repayment of note principal	579,817	
Amortization of bond premium	<u>70,791</u>	(423,182)
Some expenses reported in the Statement of Activities do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds.		
Decrease in accrued interest expense	\$ 10	
Increase in compensated absences	(135,053)	
Net change in net pension liability, and deferred outflows and inflows of resources related to pensions	280,943	
Net change in net other postemployment benefits liability and deferred outflows and inflows of resources related to other postemployment benefits	<u>14,641</u>	160,541
Change in net position of governmental activities (Exhibit B)		<u>\$ 2,284,745</u>

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

EXHIBIT D-1
TOWN OF DURHAM, NEW HAMPSHIRE
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Fiscal Year Ended December 31, 2022

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 9,875,968	\$ 9,875,968	\$ 10,513,938	\$ 637,970
Licenses and permits	1,422,536	1,422,536	1,516,667	94,131
Intergovernmental	4,237,680	4,237,680	4,318,853	81,173
Charges for services	382,729	382,729	383,555	826
Miscellaneous	435,767	435,767	523,510	87,743
Total revenues	<u>16,354,680</u>	<u>16,354,680</u>	<u>17,256,523</u>	<u>901,843</u>
EXPENDITURES				
Current:				
General government	3,243,800	3,349,615	3,177,865	171,750
Public safety	8,196,000	8,196,000	7,999,559	196,441
Highways and streets	1,799,500	1,799,500	1,616,147	183,353
Sanitation	765,400	765,400	779,002	(13,602)
Health	12,600	12,600	12,200	400
Welfare	30,000	30,000	68,836	(38,836)
Culture and recreation	513,000	513,000	535,512	(22,512)
Conservation	59,450	59,450	31,901	27,549
Debt service:				
Principal	1,327,800	1,327,800	1,327,724	76
Interest	343,600	343,600	343,513	87
Other	5,000	5,000	5,850	(850)
Total expenditures	<u>16,296,150</u>	<u>16,401,965</u>	<u>15,898,109</u>	<u>503,856</u>
Excess (deficiency) of revenues over (under) expenditures	<u>58,530</u>	<u>(47,285)</u>	<u>1,358,414</u>	<u>1,405,699</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	423,200	423,200	559,116	135,916
Transfers out	(1,295,400)	(1,295,400)	(1,311,795)	(16,395)
Total other financing sources (uses)	<u>(872,200)</u>	<u>(872,200)</u>	<u>(752,679)</u>	<u>119,521</u>
Net change in fund balances	<u>\$ (813,670)</u>	<u>\$ (919,485)</u>	605,735	<u>\$ 1,525,220</u>
Increase in nonspendable fund balance			(34,487)	
Decrease in assigned fund balance (non-encumbrance)			596,767	
Unassigned fund balance, beginning			5,140,686	
Unassigned fund balance, ending			<u>\$ 6,308,701</u>	

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

EXHIBIT D-2
TOWN OF DURHAM, NEW HAMPSHIRE
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
Sewer Fund
For the Fiscal Year Ended December 31, 2022

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Intergovernmental	\$ 1,731,575	\$ 1,667,910	\$ (63,665)
Charges for services	1,213,925	1,241,101	27,176
Miscellaneous	22,500	28,923	6,423
Total revenues	<u>2,968,000</u>	<u>2,937,934</u>	<u>(30,066)</u>
EXPENDITURES			
Current:			
Sanitation	1,446,100	1,349,824	96,276
Debt service:			
Principal	1,001,500	1,001,217	283
Interest	275,500	270,978	4,522
Other	5,000	2,500	(2,500)
Total expenditures	<u>2,728,100</u>	<u>2,624,519</u>	<u>98,581</u>
Excess of revenues over expenditures	<u>239,900</u>	<u>313,415</u>	<u>68,515</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	2,679	2,679
Transfers out	(239,900)	(247,335)	(7,435)
Total other financing sources (uses)	<u>(239,900)</u>	<u>(244,656)</u>	<u>(4,756)</u>
Net change in fund balances	<u>\$ -</u>	<u>68,759</u>	<u>\$ 63,759</u>
Restricted fund balance, beginning		1,659,436	
Restricted fund balance, ending		<u>\$ 1,728,195</u>	

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

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

	Private Purpose Trust Funds	Other Custodial Funds	Total
ASSETS			
Cash and cash equivalents	\$ 16,592	\$ 173,039	\$ 189,631
Investments	110,708	1,285,856	1,396,564
Intergovernmental receivable	-	9,707,541	9,707,541
Total assets	<u>127,300</u>	<u>11,166,436</u>	<u>11,293,736</u>
LIABILITIES			
Intergovernmental payable:			
School	<u>-</u>	<u>9,651,895</u>	<u>9,651,895</u>
NET POSITION			
Restricted	<u>\$ 127,300</u>	<u>\$ 1,514,541</u>	<u>\$ 1,641,841</u>

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

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

	Private Purpose Trust Funds	Other Custodial Funds	Total
ADDITIONS			
Contributions	\$ 8,433	\$ 136,097	\$ 144,530
Investment earnings	2,816	24,252	27,068
Tax collections for other governments	-	25,912,892	25,912,892
State motor vehicle fees	-	379,214	379,214
Unrealized loss on investments	(7,979)	(161,530)	(169,509)
Total additions	<u>3,270</u>	<u>26,290,925</u>	<u>26,294,195</u>
DEDUCTIONS			
Benefits paid	22,702	-	22,702
Administrative expenses	980	-	980
Payments of taxes to other governments	-	25,912,892	25,912,892
Payments of motor vehicle fees to State	-	379,214	379,214
Total deductions	<u>23,682</u>	<u>26,292,106</u>	<u>26,315,788</u>
Net change in fiduciary net position	(20,412)	(1,181)	(21,593)
Net position, beginning, as restated (see Note 20)	147,712	1,515,722	1,663,434
Net position, ending	<u>\$ 127,300</u>	<u>\$ 1,514,541</u>	<u>\$ 1,641,841</u>

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

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

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

DETAILED NOTES ON ALL FUNDS

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Durham, New Hampshire (the Town), have been prepared in conformity with U.S. Generally Accepted Accounting Principles (GAAP) for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources.

The more significant of the Town's accounting policies are described below.

1-A Reporting Entity

The Town of Durham is a municipal corporation governed by an elected 9-member Town Council and Town Administrator. In evaluating how to define the Town for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth by the GASB. The Town has no component units to include in its reporting entity.

1-B Basis of Accounting and Measurement Focus

The accounts of the Town are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-wide Financial Statements – The Town's government-wide financial statements include a Statement of Net Position and a Statement of Activities. These statements present the governmental activities for the Town. Fiduciary activities of the Town are not included in these statements.

These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the Town's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows. The types of transactions reported as program revenues for the Town are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

Certain eliminations have been made to interfund activities, payables, and receivables. All internal balances in the Statement of Net Position have been eliminated.

Governmental Fund Financial Statements – Include a Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balances for all major governmental funds and nonmajor funds aggregated. An accompanying statement is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net position and changes in net position presented in the government-wide financial statements. The Town has presented all major funds that met those qualifications.

Governmental fund financial statements are reported using the *current financial resources* measurement focus and the *modified accrual basis* of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, with the exception of reimbursement-based grants, which use a period of one year. Property taxes, licenses, and permits, intergovernmental revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. All other revenue items are considered to be measurable and available only when cash is received by the government.

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

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The Town reports the following major governmental funds:

General Fund – is the Town’s primary operating fund. The general fund accounts for all financial resources except those required to be accounted for in another fund. The primary revenue sources include property taxes, State grants and motor vehicle permit fees. The primary expenditures are for general government, public safety, highways and streets, sanitation, culture and recreation, and debt service. Under GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, guidance the library, parking, police confidential, and expendable trust funds are consolidated in the general fund.

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

Capital Project Fund – the capital project fund accounts for activity pertaining to the Town’s various construction and renovation projects.

Additionally, the Town reports the following fund types:

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

Permanent Fund – is used to record activity of legal trusts for which the interest on the corpus provides funds for the Town’s cemetery operations.

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

Fiduciary Fund Financial Statements – Include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. The Town’s fiduciary funds are private purpose trust and custodial funds, which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. These funds are accounted for on a spending, or “economic resources” measurement focus and the accrual basis of accounting.

The Town also reports the following fiduciary funds:

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

Custodial Fund – are custodial in nature and do not involve the measurement of operating results. A custodial fund is used to account for assets held on behalf of outside parties, including other governments.

1-C Cash and Cash Equivalents

The Town considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Deposits with financial institutions consist primarily of demand deposits and savings accounts. A cash pool is maintained that is available for use by all funds. Each fund’s portion of this pool is reflected on the combined financial statements under the caption “cash and cash equivalents.”

The treasurer is required to deposit such moneys in solvent banks in state or the Public Deposit Investment Pool pursuant to New Hampshire RSA 383:22. Funds may be deposited in banks outside of the state if such banks pledge and deliver to a third party custodial bank or the Federal Reserve Bank, collateral security for such deposits, United States government or government agency obligations or obligations to the State of New Hampshire in value at least equal to the amount of the deposit in each case.

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

1-D Investments

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

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

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

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

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

Level 1 – Inputs reflect quoted prices (unadjusted) in active markets for identical assets or liabilities that the Town has the ability to access at the measurement date.

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

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

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

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

Investments in Certain External Investment Pools – In accordance with GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, the Town held investments with the New Hampshire Public Deposit Investment Pool (NHPDIP). The NHPDIP measures all of its investments at amortized cost. There are no redemption restrictions and shares may be redeemed by the Town in accordance with the NHPDIP's Information Statement.

1-E Receivables

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

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

1-F Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements, and expenses/expenditures as the items are used. Under the full accrual basis of accounting used for the government-wide financial statements, prepayments of debt are recognized as they occurred (see Note 7).

1-G Capital Assets

Capital assets are reported in the governmental activities column in the government-wide financial statements. Purchased or constructed assets are recorded at actual cost or estimated historical cost if actual cost is unavailable. Donated capital assets are recorded at estimated fair value at the date of donation, if received on or before June 15, 2015. Donated capital assets received after June 15, 2015 are recorded at acquisition value. The Town has established a threshold of \$10,000 or more and an estimate useful life in excess of five years for capitalization of depreciable assets.

Major outlays for capital assets and improvements are capitalized as projects are constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets of the Town are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Capital Asset Classes:	
Land improvements	20
Buildings and building improvements	10-50
Infrastructure	15-25
Equipment and vehicles	5-15

1-H Interfund Activities

Interfund activities are reported as follows:

Interfund Receivables and Payables – Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds” (i.e., the current portion of interfund loans). Interfund receivables and payables between funds are eliminated in the Statement of Net Position.

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

1-I Property Taxes

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

Property tax receivables are recognized on the levy or lien date, which is the date the tax warrant is issued. Current year property tax receivables represent taxes levied but not remitted to the Town at December 31, 2022 and unpaid taxes. The succeeding year property tax receivable represent taxes certified by the Town to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. Although the succeeding year property tax receivable have been recorded, the related revenue is reported as a deferred inflow of resources in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

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

In connection with the setting of the tax rate, Town officials with the approval of the Department of Revenue Administration, establish and raise through taxation an amount for tax abatement and refunds, known as overlay. This amount is reported as a reduction in tax revenue and is adjusted by management for any reserve for uncollectable at year-end. The property taxes collected by the Town include taxes levied for the State of New Hampshire, Oyster River Cooperative School District, and Strafford County, which are remitted to these entities as required by law.

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

Total assessment valuation with utilities	\$ 1,244,023,342
Total assessment valuation without utilities	\$ 1,172,933,842

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

	Per \$1,000 of Assessed Valuation	Property Taxes Assessed
Municipal portion	\$ 8.13	\$ 10,104,780
School portion:		
State of New Hampshire	1.53	1,796,982
Local	16.56	20,606,367
County portion	2.82	3,509,543
Total	<u>\$ 29.04</u>	<u>\$ 36,017,672</u>

1-J Accounts Payable

Accounts payable represent the gross amount of expenditures or expenses incurred as a result of normal operations, but for which no actual payment has yet been issued to vendors/providers as of December 31, 2022.

1-K Deferred Outflows/Inflows of Resources

Deferred outflows of resources, a separate financial statement element, represents a consumption of net position or fund balance that applies to a future period(s) and thus will not be recognized as an outflow of resources (expenses) until then. The Town has two items that qualify for reporting in this category. Deferred outflows related to pensions and deferred outflows related to OPEB are reported in the government-wide Statement of Net Position for various estimate differences that will be amortized and recognized over future years.

Deferred inflows of resources, a separate financial statement element, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. The Town has three types of items which qualify for reporting in this category. Deferred inflows of resources related to pensions and OPEB are reported in the government-wide Statement of Net Position for various estimate differences that will be amortized and recognized over future years. In addition, unavailable revenues from grants arises when the related eligible expenditures will not be made until the subsequent period.

1-L Compensated Absences

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

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

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

1-M Long-term Obligations

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

In the fund financial statements, governmental fund types recognize bond premiums during the current period. The face amount of debt issued is reported as other financing sources.

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

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

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

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

1-N Defined Benefit Pension Plan

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

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

1-O Postemployment Benefits Other Than Pensions (OPEB)

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

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

Single Employer Plan – For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information has been determined based on the Town's actuarial report. For this purpose, benefit payments are recognized when due and payable in accordance with benefit terms.

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

1-P Net Position/Fund Balances

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

Net investment in capital assets – Consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

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

Unrestricted net position – Consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

Fund Balance Classifications – GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, provides more clearly defined fund balance categories to make sure the nature and extent of the constraints placed on a government's fund balances are more transparent. The following classifications describe the relative strength of the spending constraints:

Nonspendable – Amounts that cannot be spent because they are either (a) not in spendable form (such as prepaid items, inventory, or tax deeded property subject to resale); or (b) are legally or contractually required to be maintained intact.

Restricted – Amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the legislative body (Town Meeting). These amounts cannot be used for any other purpose unless the legislative body removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

Assigned – Amounts that are constrained by the Town's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Selectmen through the budgetary process.

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

When multiple net position/fund balance classifications are available for use, it is the government's policy to utilize the most restricted balances first, then the next most restricted balance as needed. When components of unrestricted fund balance are used, committed fund balance is depleted first followed by assigned fund balance. Unassigned fund balance is applied last.

The Town's fund balance policy stipulates the following:

Minimum Target Balance: The Town shall work toward maintaining an unassigned fund balance of at least 5% to 8% of the general fund's annual budget, including Town, School, and County appropriations.

Plan for Target Balances: The unassigned fund balance target level shall be achieved by conservatively estimating revenues and using only minimal amounts to reduce the tax rate when necessary. Furthermore, attaining the target fund balance level of 8% may also be achieved by adding a line item to the annual budget for the sole purpose of building unassigned fund balance if it is determined appropriate to do so.

Fund Balance Uses: Unassigned fund balance may be used to offset property taxes as part of the final adopted budget for a fiscal year keeping in consideration the Town's desire to maintain a targeted unassigned fund balance level of 5% to 8%. For emergency purposes, or other uses as deemed necessary, the Council may appropriate unassigned fund balances even if such use decreases the unassigned fund balance below the designated percentage.

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

1-Q Use of Estimates

The financial statements and related disclosures are prepared in conformity with accounting principles generally accepted in the United States. Management is required to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses/expenditures during the period reported. These estimates include assessing the useful lives and impairment of capital assets, net pension liability, other postemployment benefit liability, deferred outflows and inflows of resources related to both pension and other postemployment benefits, and accrued landfill postclosure care costs, among others. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from estimates.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

2-A Budgetary Information

General governmental revenues and expenditures accounted for in budgetary funds are controlled by a formal integrated budgetary accounting system in accordance with various legal requirements which govern the Town's operations. At its annual meeting, the Town adopts a budget for the current year for the general and sewer funds, as well as the nonmajor water, Depot Road parking, Churchill Rink, and TIF District funds. Except as reconciled below, the budget was adopted on a basis consistent with US generally accepted accounting principles.

Management may transfer appropriations between operating categories as deemed necessary, but expenditures may not legally exceed budgeted appropriations in total. All annual appropriations lapse at year-end unless encumbered.

Encumbrance accounting, under which purchase orders, contracts, and continuing appropriations (certain projects and specific items not fully expended at year-end) are recognized, is employed in the governmental funds. Encumbrances are not the equivalent of expenditures, and are therefore, reported as part of the assigned fund balance at year-end, and are carried forward to supplement appropriations of the subsequent year.

State statutes require balanced budgets but provide for the use of beginning unassigned fund balance to achieve that end. For the fiscal year 2022, \$38,670 of the beginning general fund unassigned fund balance was applied for this purpose and \$880,815 was voted from unassigned fund balance to fund appropriations. Additionally, the Town Council subsequently approved a budget resolution in the amount of \$101,815 to appropriate a refund of unexpended building permits for the Oyster River Middle School project through use of unassigned fund balance. This change is illustrated on Exhibit D-1 in the net change in fund balances under budgeted amounts, when comparing final budget to original.

2-B Budgetary Reconciliation to GAAP Basis

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

	General Fund
Revenues and other financing sources:	
Per Exhibit D-1 (budgetary basis)	\$ 17,815,639
Adjustments:	
Basis differences:	
GASB Statement No. 54:	
To record miscellaneous income of the blended funds	619,127
To eliminate transfers between general fund and blended funds	(153,296)
Change in deferred tax revenue relating to 60-day revenue recognition	
recognized as revenue on the GAAP basis, but not on the budgetary basis	22,372
Per Exhibit C-3 (GAAP basis)	\$ 18,303,842

(Continued)

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

Budgetary reconciliation to GAAP basis continued:

	General Fund
	<hr/>
Expenditures and other financing uses:	
Per Exhibit D-1 (budgetary basis)	\$ 17,209,904
Adjustments:	
Basis differences:	
Encumbrances, beginning	49,357
Encumbrances, ending	(37,098)
GASB Statement No. 54:	
• To record expenditures of the blended funds during the year	1,072,371
To eliminate transfers between general fund and blended expendable trust funds	(603,805)
Per Exhibit C-3 (GAAP basis)	<hr/> <hr/> \$ 17,690,729
	Sewer Fund
	<hr/>
Revenues and other financing sources:	
Per Exhibit D-2 (budgetary basis)	\$ 2,940,613
Adjustment:	
Basis difference:	
GASB Statement No. 54:	
To record miscellaneous income of the blended expendable trust funds	13,522
Per Exhibit C-3 (GAAP basis)	<hr/> <hr/> \$ 2,954,135
Expenditures and other financing uses:	
Per Exhibit D-2 (budgetary basis)	\$ 2,871,854
Adjustments:	
Basis differences:	
GASB Statement No. 54:	
To record expenditures of the blended funds during the year	90,161
To eliminate transfers between the sewer fund and blended expendable trust funds	(7,435)
Per Exhibit C-3 (GAAP basis)	<hr/> <hr/> \$ 2,954,580

2-C Deficit Fund Balances

The capital projects fund had a deficit fund balance of (\$533,039) at December 31, 2022. This deficit will be financed through future revenues of the bond/note proceeds that will be issued in the subsequent year.

2-D Accounting Change

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

The Town has assessed all potential agreements that may be applicable for reporting under GASB Statement No. 87 and have determined that none of the agreements have met the requirements of the pronouncement.

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

DETAILED NOTES ON ALL FUNDS

NOTE 3 – CASH AND CASH EQUIVALENTS

The Town's deposits are entirely covered by Federal Depository Insurance Corporation (FDIC) or by collateral held by the Town's agent in the Town's name. The FDIC currently insures the first \$250,000 of the Town's deposits at each financial institution, per case custodian. Deposit balances over \$250,000 are insured by the collateral. As of year-end, the carrying amount of the Town's deposits was \$20,988,773 and the bank balances totaled \$21,116,201. Petty cash totaled \$2,040.

Cash and cash equivalents reconciliation:

Cash per Statement of Net Position (Exhibit A)	\$ 20,799,142
Cash per Statement of Fiduciary Net Position - Fiduciary Funds (Exhibit E-1)	189,631
Total cash and cash equivalents	<u>\$ 20,988,773</u>

NOTE 4 – INVESTMENTS

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

	Valuation Measurement Method	Reported Balance	Less Than 1 Year	1-5 Years	6-10 Years
Investments type:					
Certificates of deposit	Level 1	\$ 250,652	\$ 250,652	\$ -	\$ -
Common stock	Level 1	1,220,840	-	-	-
Corporate bonds	Level 2	2,509,481	378,139	1,719,199	412,143
Equity exchange traded funds	Level 1	14,721	-	-	-
International equity exchange traded funds	Level 1	93,621	-	-	-
Fixed income mutual funds	Level 2	283,879	-	-	-
Other fixed income mutual funds	Level 1	67,078	-	-	-
Total fair value		<u>4,440,272</u>	<u>\$ 628,791</u>	<u>\$ 1,719,199</u>	<u>\$ 412,143</u>
Investments carried at amortized cost					
New Hampshire Public Deposit Investment Pool		<u>115,302</u>			
Total investments		<u>\$ 4,555,574</u>			

Interest Rate Risk – This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The Trustees of Trust Funds investment policy stipulates the following in regard to interest rate risk:

- The Trustees will seek to manage interest rate risk actively by considering bond portfolio duration during quarterly meetings with the investment advisor. Decisions regarding duration will be made and recorded in the minutes of the quarterly meeting.

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

- The Investment Advisor will also provide an assessment of the fair value sensitivity of the investment portfolio during quarterly meetings.

Investments Type	Reported Balance	Exempt from Disclosure
Certificates of deposit	\$ 250,652	\$ 250,652
Common stock	1,220,840	1,220,840
Corporate bonds	2,509,481	2,509,481
Equity exchange traded funds	14,721	14,721
International equity exchange traded funds	93,621	93,621
Fixed income mutual funds	283,879	283,879
Other fixed income mutual funds	67,078	67,078
New Hampshire Public Deposit Investment Pool	115,302	115,302
Total	<u>\$ 4,555,574</u>	<u>\$ 4,555,574</u>

Credit Risk - The Trustees of Trust Funds investment policy stipulates the following in regard to credit risk:

- No investments will be made in private placements, private equities, hedge funds, fixed income swaps or futures, derivatives, equity futures or options (except covered calls which are permitted), or illiquid securities. Margin trading and short sales are not permitted.
- All fixed income security purchases shall either be individual issues with a minimum rating of investment grade (Baa – Moody's, BBB – Standard & Poor's), generally maturing within 10 years; or fixed income mutual funds or ETFs, with at least 80% in investment grade rated bonds as listed in the prospectus. Except for Federal and state securities, the portfolio of fixed income securities will contain no more than 10% of securities from any one issuer.
- Equity investments will be in mutual funds, ETFs, or companies with a proven record of earnings and dividend growth, strong fundamentals, and attractive valuations. Individual equity holdings will primarily be concentrated in stocks from the S&P 500. The average dividend yield of the equity portfolio should target the dividend yield of the S&P 500. Foreign equities should not exceed 30% of the equity portfolio without Trustee approval. The equity portfolio will be broadly diversified with no more than 10% of equities from any single company.

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

- The investment advisor will be a federally or NH chartered bank or trust company wealth management department in order that the funds held in the reserves and trusts are in account with an institution supervised by the US Comptroller of the Treasury or the NH Banking Commission. If the Investment Advisor undergoes an annual external audit, the Trustees should be included on the list of recipients of a copy of the audit, including any exception letters.
- The investment advisor will provide evidence of insurance coverage for loss of funds.

Investment reconciliation:

Investments per Statement of Net Position (Exhibit A)	\$ 3,159,010
Investments per Statement of Net Position - Fiduciary Funds (Exhibit E-1)	1,396,564
Total investments	<u>\$ 4,555,574</u>

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

NOTE 5 – TAXES RECEIVABLE

Taxes receivable represent the amount of current and prior year taxes which have not been collected as of December 31, 2022. Taxes receivable by year are as follows:

Property:	
Levy of 2022	\$ 1,106,962
Unredeemed (under tax lien):	
Levy of 2021	112,874
Levy of 2020	76,327
Levies of 2019 and prior	19,822
Net taxes receivable	<u>\$ 1,315,985</u>

NOTE 6 – OTHER RECEIVABLES

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

Receivables as of December 31, 2022 for the Town's individual major funds and nonmajor funds in the aggregate are as follows:

	Governmental Activities	Governmental Funds					Fiduciary Funds
		General	Sewer	Capital Projects	Nonmajor	Total	
Receivables:							
Accounts	\$ 268,423	\$ 83,263	\$ 64,027	\$ -	\$ 121,133	\$ 268,423	\$ -
Intergovernmental	1,902,793 ¹	66,683	34,202	832,200	27,400	960,485	9,707,541 ²
Gross receivables	<u>2,171,216</u>	<u>149,946</u>	<u>98,229</u>	<u>832,200</u>	<u>148,533</u>	<u>1,228,908</u>	<u>9,707,541</u>
Less: allowance for uncollectibles	(2,207)	(2,207)	-	-	-	(2,207)	-
Net total receivables	<u>\$ 2,169,009</u>	<u>\$ 147,739</u>	<u>\$ 98,229</u>	<u>\$ 832,200</u>	<u>\$ 148,533</u>	<u>\$ 1,226,701</u>	<u>\$ 9,707,541</u>

¹ Governmental Activities - intergovernmental receivable which represents State Aid for projects, see additional information in Note 15.

² Fiduciary Funds - intergovernmental receivables represent property taxes collected on behalf of the Oyster River Cooperative School District. These amounts are collected and are part of the Town's general fund cash at year-end. The general fund reports an offsetting intergovernmental payable for this amount at year-end, see Note 10.

NOTE 7 – PREPAID ITEMS

Prepaid items at December 31, 2022 consisted of the following:

	Governmental Activities (Exhibit A)	Governmental Funds (Exhibit C-1)
Prepaid debt	\$ -	\$ 61,046 *
Insurance	77,788	77,788
Other miscellaneous	16,323	16,323
Total	<u>\$ 94,111</u>	<u>\$ 155,157</u>

*Not recognized on the full accrual basis of accounting.

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

NOTE 8 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2022 is as follows:

	Balance, beginning (as restated)	Additions	Deletions	Balance, ending
At cost:				
Not being depreciated:				
Land	\$ 5,466,891	\$ -	\$ -	\$ 5,466,891
Construction in progress	5,732,709	1,254,572	-	6,987,281
Total capital assets not being depreciated	11,199,600	1,254,572	-	12,454,172
Being depreciated:				
Land improvements	537,265	-	-	537,265
Buildings and building improvements	22,898,440	-	-	22,898,440
Machinery, equipment, and vehicles	10,048,561	263,962	(343,989)	9,968,534
Infrastructure	19,059,154	1,402,583	-	20,461,737
Total capital assets being depreciated	52,543,420	1,666,545	(343,989)	53,865,976
Total all capital assets	63,743,020	2,921,117	(343,989)	66,320,148
Less accumulated depreciation:				
Land improvements	(201,650)	(12,120)	-	(213,770)
Buildings and building improvements	(5,020,006)	(780,474)	-	(5,800,480)
Machinery, equipment, and vehicles	(6,471,724)	(654,522)	343,989	(6,782,257)
Infrastructure	(6,641,130)	(761,678)	-	(7,402,808)
Total accumulated depreciation	(18,334,510)	(2,208,794)	343,989	(20,199,315)
Net book value, capital assets being depreciated	34,208,910	(542,249)	-	33,666,661
Net book value, all capital assets	\$ 45,408,510	\$ 712,323	\$ -	\$ 46,120,833

Depreciation expense was charged to functions of the Town based on their usage of the related assets. The amounts allocated to each function are as follows:

General government	\$ 154,768
Public safety	453,872
Highways and streets	697,314
Sanitation	525,736
Water	71,192
Culture and recreation	305,912
Total depreciation expense	<u>\$ 2,208,794</u>

NOTE 9 – INTERFUND BALANCES AND TRANSFERS

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

Receivable Fund	Payable Fund	Amount
General	Capital Projects	\$ 783,681
Sewer	General	7,435
Nonmajor	General	21,857
		<u>\$ 812,973</u>

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

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

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

	Transfers In:			
	General Fund	Sewer Fund	Capital Project Fund	Total
Transfers out:				
General fund	\$ -	\$ -	\$ 707,990	\$ 707,990
Sewer fund	213,200	-	26,700	239,900
Capital project fund	25,741	2,679	-	28,420
Nonmajor funds	166,879	-	55,000	221,879
Total	<u>\$ 405,820</u>	<u>\$ 2,679</u>	<u>\$ 789,690</u>	<u>\$ 1,198,189</u>

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

NOTE 10 – INTERGOVERNMENTAL PAYABLES

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

	Governmental Activities	Governmental Funds			Fiduciary Funds
		General	Sewer	Total	Custodial Funds
Property taxes due to the custodial funds	\$ 9,651,895	\$ 9,651,895 ³	\$ -	\$ 9,651,895	\$ -
Due to University of New Hampshire	64,296	-	64,296	64,296	-
Pooled cash due to school impact fees	55,646	55,646	-	55,646	-
Amounts due to the State of New Hampshire	919	919	-	919	-
Property taxes due to Oyster River Cooperative School District	-	-	-	-	9,651,895 ⁴
Total intergovernmental payables due	<u>\$ 9,772,756</u>	<u>\$ 9,708,460</u>	<u>\$ 64,296</u>	<u>\$ 9,772,756</u>	<u>\$ 9,651,895</u>

³. Property taxes due to the custodial fund represent amounts collected by the Town on behalf of the Oyster River Cooperative School District and are reported as a component of general fund cash at year-end.

⁴. Property taxes due to the Oyster River Cooperative School District represent amounts collected by the Town that will be paid to the School District in incremental payments based upon an agreed schedule in the next calendar year.

NOTE 11 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Deferred outflows of resources of at December 31, 2022 consist of amounts related to pensions totaling \$2,714,272 and amounts related to OPEB totaling \$156,774. For further discussion on these amounts, see Note 13 and 14, respectively.

Deferred inflows of resources are as follows:

	Governmental Activities	Governmental Funds		
		General	Nonmajor	Total
Tax overpayments to be applied to future billings	\$ 1,789	\$ 1,789	\$ -	\$ 1,789
Deferred property taxes not collected within 60 days of fiscal year-end	-	54,747	-	54,747
ARPA (American Rescue Plan Act)	1,551,828	1,551,828	-	1,551,828
SB 401 (Senate Bill 401) - highway block grant and bridge aid	530,346	530,346	-	530,346
UNH - shared services	50,000	50,000	-	50,000
Other miscellaneous amounts received in advance of eligible expenditures	33,486	31,963	1,523	33,486
Amounts related to pensions (see Note 13)	524,921	-	-	-
Amounts related to other postemployment benefits (see Note 14)	287,956	-	-	-
Total deferred inflows of resources	<u>\$ 2,980,326</u>	<u>\$ 2,220,673</u>	<u>\$ 1,523</u>	<u>\$ 2,222,196</u>

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

NOTE 12 – LONG-TERM LIABILITIES

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

	Balance January 1, 2022 (as restated)	Additions	Reductions	Balance December 31, 2022	Due Within One Year	Due In More Than One Year
Bonds payable:						
Direct placements	\$ 7,247,450	\$ 2,714,200	\$ (905,000)	\$ 9,056,650	\$ 1,182,650	\$ 7,874,000
Public offerings	7,425,110	-	(1,166,210)	6,258,900	1,024,620	5,234,280
Premium	986,924	430,800	(70,791)	1,346,933	92,331	1,254,602
Notes payable - direct borrowings	4,256,482	-	(579,817)	3,676,665	466,841	3,209,824
Total bonds/notes payable	19,915,966	3,145,000	(2,721,818)	20,339,148	2,766,442	17,572,706
Compensated absences	908,203	136,889	(1,836)	1,043,256	-	1,043,256
Accrued landfill postclosure care costs	499,800	-	-	499,800	16,660	483,140
Net pension liability	12,836,713	3,531,541	-	16,368,254	-	16,368,254
Net other postemployment benefits	1,903,801	-	(120,958)	1,782,843	-	1,782,843
Total long-term liabilities	<u>\$ 36,064,483</u>	<u>\$ 6,813,430</u>	<u>\$ (2,844,612)</u>	<u>\$ 40,033,301</u>	<u>\$ 2,783,102</u>	<u>\$ 37,250,199</u>

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

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at December 31, 2022	Current Portion
Bonds payable:						
Direct placements:						
NHMBB 2022 Series A	\$ 2,714,200	2022	2042	1.64%	\$ 2,714,200	\$ 287,700
NHMBB 2020 Series B	\$ 1,461,175	2020	2040	1.43%	1,169,950	134,950
NHMBB 2019 Series A	\$ 1,270,900	2019	2029	2.13%	667,500	185,000
NHMBB 2018 Series A	\$ 3,876,465	2018	2038	2.86%	2,520,000	315,000
NHMBB 2014 Series A	\$ 3,735,000	2014	2034	3.04%	1,690,000	200,000
NHMBB 2010 Series B	\$ 1,384,000	2010	2030	3.55%	295,000	60,000
Total direct placements					<u>9,056,650</u>	<u>1,182,650</u>
Public offerings:						
PFM 2016 Direct Purchase	\$ 1,575,000	2016	2027	2.20%	593,900	134,620
PFM GO Bonds Series 2015	\$ 2,895,000	2015	2025	2.00%	920,000	300,000
DBC Finance GO Bonds 2014	\$ 3,528,000	2014	2033	3.44%	1,970,000	160,000
PFM Series 2012 Aggregate	\$ 4,560,000	2012	2032	3.17%	1,575,000	185,000
First Southwest Series 2008	\$ 3,115,000	2008	2028	4.09%	660,000	110,000
Citizens Bank Series 2006	\$ 3,800,154	2006	2026	3.95%	540,000	135,000
Total public offerings					<u>6,258,900</u>	<u>1,024,620</u>
Bond premium					<u>1,346,933</u>	<u>92,331</u>
Total					<u>\$ 16,662,483</u>	<u>\$ 2,299,601</u>
Notes payable:						
Direct borrowings:						
WWTP Grit System	\$ 960,789	2021	2040	2.00%	\$ 735,088	\$ 40,838
Dover Road Pump Station Forcmain	\$ 2,135,696	2021	2040	2.00%	1,633,807	90,767
Old Concord Road Pump Station	\$ 277,097	2015	2034	3.10%	124,694	10,391
Dover Road Aeration	\$ 2,592,505	2013	2032	2.72%	656,636	65,664
Landfill Closure	\$ 802,756	2004	2024	3.69%	80,276	40,138
WWTP Improvement	\$ 3,290,757	2004	2024	3.69%	446,164	219,043
Total notes payable					<u>\$ 3,676,665</u>	<u>\$ 466,841</u>

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

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

Fiscal Year Ending December 31,	Bonds Payable - Direct Placements		
	Principal	Interest	Total
2023	\$ 1,182,650	\$ 386,061	\$ 1,568,711
2024	1,118,000	327,110	1,445,110
2025	982,500	272,401	1,254,901
2026	897,200	226,094	1,123,294
2027	836,800	186,449	1,023,249
2028-2032	2,649,500	483,276	3,132,776
2033-2037	1,025,000	121,019	1,146,019
2038-2042	365,000	15,559	380,559
Totals	<u>\$ 9,056,650</u>	<u>\$ 2,017,969</u>	<u>\$ 11,074,619</u>

Fiscal Year Ending December 31,	Bonds Payable - Public Offerings		
	Principal	Interest	Total
2023	\$ 1,024,620	\$ 191,461	\$ 1,216,081
2024	1,019,620	164,147	1,183,767
2025	1,008,220	137,083	1,145,303
2026	703,220	108,558	811,778
2027	573,220	85,717	658,937
2028-2032	1,715,000	218,569	1,933,569
2033	215,000	8,869	223,869
Totals	<u>\$ 6,258,900</u>	<u>\$ 914,404</u>	<u>\$ 7,173,304</u>

Fiscal Year Ending December 31,	Notes Payable - Direct Borrowings		
	Principal	Interest	Total
2023	\$ 466,841	\$ 88,524	\$ 555,365
2024	474,919	74,225	549,144
2025	207,660	59,628	267,288
2026	207,660	54,887	262,547
2027	207,660	50,146	257,806
2028-2032	1,038,300	179,620	1,217,920
2033-2037	678,809	79,931	758,740
2038-2040	394,816	15,793	410,609
Totals	<u>\$ 3,676,665</u>	<u>\$ 602,754</u>	<u>\$ 4,279,419</u>

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

Accrued Landfill Postclosure Care Costs – The Town ceased operating its landfill in 1990. Federal and State laws and regulations require that the Town place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site after closure. A liability is being recognized based on the future postclosure care costs that will be incurred. The recognition of these landfill postclosure care costs is based on the amount of the landfill used through the end of the year. The estimated liability for landfill postclosure care costs has a balance of \$499,800 as of December 31, 2022. The estimated total current cost of the landfill postclosure care (\$499,800) is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfill were acquired as of December 31, 2022. However, the actual cost of postclosure care may be higher or lower due to inflation, changes in technology, or changes in landfill laws and regulations.

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

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

Project Year	Resolution	Date of Resolution	Purpose	Unissued Amount
2003	WA	3/11/2003	Land purchase	\$ 880,000
2013	2012-24	12/10/2012	New fire station	327,400
2014	2013-28	12/16/2013	Stormwater management system improvements	499,500
2016	2015-31	12/14/2015	Old Landing Park improvements	14,475
2019	2018-23	12/17/2018	Fire station upgrade	320,000
2019	2018-23	12/17/2018	Wagon Hill Farm shoreline protection	76,818
2021	2020-21	12/22/2020	Radio simulcast updates - fire	450,000
2021	2020-21	12/22/2020	Fire station climate control system	150,000
2021	2020-21	12/22/2020	GIS program	100,000
2021	2020-21	12/22/2020	Radio simulcast updates - police	450,000
2021	2020-21	12/22/2020	Wagon Hill Farm restoration design	43,000
2021	2020-21	12/22/2020	Culvert and outfalls program	80,000
2022	2021-15	12/20/2021	GIS program	100,000
2022	2021-15	12/20/2021	Oyster River Dam (Mill Pond)	1,600,000
2022	2021-15	12/20/2021	Mill Road Culvert over Oyster River	375,000
Total Unissued General Fund Projects				5,466,193
2015	2014-15	12/15/2014	Wiswall Dam spillway	90,000
Total Unissued Water Fund Projects				90,000
2014	2013-28	12/16/2013	WWTP Phase III	230,000
2017	2016-16	12/12/2016	Woodman Road sewer improvements	185,000
2020	2019-29	12/16/2019	Collection system upgrade - Town only	65,000
2021	2020-21	12/22/2020	Collection system upgrade - Town only	65,000
2022	2021-15	12/20/2021	Collection system upgrade - Town only	65,000
2022	2021-15	12/20/2021	WWTP major components rehabilitation	325,000
Total Unissued Sewer Fund Projects				935,000
2021	2020-21	12/22/2020	Purchase of 66 Main Street	110,000
Total Unissued Downtown TIF Projects				110,000
2020	2019-29	12/16/2019	Churchill Rink facility renovations	600,000
2021	2020-21	12/22/2020	Churchill Rink facility renovations	63,200
Total Unissued Churchill Rink Projects				663,200
Total Government-Wide Authorized Debt Outstanding				\$ 7,264,393

NOTE 13 – DEFINED BENEFIT PENSION PLAN

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

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

Benefits Provided – Benefit formulas and eligibility requirements for the Pension Plan are set by state law (RSA 100-A). The Pension Plan is divided into two membership groups. State and local employees and teachers belong to Group I. Police and firefighters belong to Group II.

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

Group II benefits are provided based on age, years of creditable service and benefit multiplier depending on vesting status as of 1/1/12. The maximum retirement allowance for Group II members vested by 1/1/12 (45 years of age with 20 years of service or age 60 regardless of years of creditable service) is the average final compensation multiplied by 2.5% multiplied by creditable service. For Group II members not vested by 1/1/12 the benefit is calculated the same way, but the multiplier used in the calculation will change depending on age and years of creditable service as follows:

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

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

Contributions – The System is financed by contributions from both the employees and the Town. Member contribution rates are established and may be amended by the State legislature while employer contribution rates are set by the System trustees based on an actuarial valuation. Group I members are required to contribute 7% of earnable compensation and group II members (police and fire) are required to contribute 11.55% and 11.80% respectively. For fiscal year 2022, the Town contributed 30.67% for police, 29.78% for fire and 13.75% for other employees. The contribution requirement for the fiscal year 2022 was \$1,645,365 which was paid in full.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions – At December 31, 2022 the Town reported a liability of \$16,368,254 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating towns and school districts, actuarially determined. At June 30, 2022, the Town's proportion was 0.29% which was the same as its proportion measured as of June 30, 2021.

For the year ended December 31, 2022, the Town recognized pension expense of \$1,411,011. At December 31, 2022 the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion	\$ 55,434	\$ 462,086
Changes in assumptions	870,660	-
Net difference between projected and actual investment earnings on pension plan investments	620,336	-
Differences between expected and actual experience	307,203	62,835
Contributions subsequent to the measurement date	860,639	-
Total	<u>\$ 2,714,272</u>	<u>\$ 524,921</u>

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

The \$860,639 reported as deferred outflows of resources related to pensions results from the Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending December 31,	
2023	\$ 491,761
2024	376,072
2025	(354,913)
2026	815,792
Thereafter	-
Totals	<u>\$ 1,328,712</u>

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

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

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

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

Long-term Rates of Return – The long-term expected rate of return on pension plan investment was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rate of return net of investment expenses by the target asset allocation percentage and by adding expected inflation. Following is a table presenting target allocations and long-term rates of return for 2022:

Asset Class	Target	
	Allocation	30 Year Geometric Return
Broad US Equity (1)	30.00%	7.60%
Global Ex-US Equity (2)	20.00%	7.90%
Total public equity	50.00%	
Real Estate Equity	10.00%	6.60%
Private Equity	10.00%	8.85%
Total private market equity	20.00%	
Private Debt	5.00%	7.25%
Core U.S. Fixed Income (3)	25.00%	3.60%
Inflation	0.00%	2.25%
Total	100.00%	7.30%

Discount Rate – The discount rate used to measure the collective total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. For purposes of the projection, member contributions and employer service cost contributions are projected based on the expected payroll of current members only. Employer contributions are determined based on the Pension Plan's actuarial funding policy as required by RSA 100-A:16. Based on those assumptions, the Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on Pension Plan investment was applied to all periods of projected benefit payments to determine the collective total pension liability.

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

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

Actuarial Valuation Date	1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
June 30, 2022	<u>\$ 21,962,070</u>	<u>\$ 16,368,254</u>	<u>\$ 11,717,514</u>

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

NOTE 14 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

14-A New Hampshire Retirement System (NHRS)

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

Benefits Provided – Benefit amounts and eligibility requirements for the OPEB Plan are set by state law (RSA 100-A:52, RSA 100-A:52-a and RSA 100-A:52-b), and members are designated in statute by type. The four membership types are Group II, Police Officers, and Firefighters; Group I, Teachers; Group I, Political Subdivision Employees; and Group I, State Employees. The OPEB Plan provides a medical insurance subsidy to qualified retired members. The medical insurance subsidy is a payment made by NHRS to the former employer or its insurance administrator toward the cost of health insurance for a qualified retiree, his/her qualified spouse, and his/her certified dependent children with a disability who are living in the household and being cared for by the retiree. If the health insurance premium amount is less than the medical subsidy amount, then only the health insurance premium amount will be paid. If the health insurance premium amount exceeds the medical subsidy amount, then the retiree or other qualified person is responsible for paying any portion that the employer does not pay.

Group I benefits are based on creditable service, age, and retirement date. Group II benefits are based on hire date, age, and creditable service. The OPEB plan is closed to new entrants.

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

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

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

Contributions – The OPEB Plan is funded by allocating to the 401(h) subtrust the lesser of: 25% of all employer contributions made in accordance with RSA 100-A:16 or the percentage of employer contributions determined by the actuary to be the minimum rate necessary to maintain the benefits provided under RSA 100-A:53-b, RSA 100-A:53-c, and RSA 100-A:53-d. For fiscal year 2022, the minimum rates determined by the actuary to maintain benefits were the lesser of the two options and were used to determine the employer contributions due to the 401(h) subtrust. The State Legislature has the authority to establish, amend and discontinue the contribution requirements of the OPEB Plan. Administrative costs are allocated to the OPEB Plan based on fund balances. For fiscal year 2022, the Town contributed 3.21% for police and fire, and 0.31% for other employees. The contribution requirement for the fiscal year 2022 was \$185,986, which was paid in full.

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

OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB – At December 31, 2022, the Town reported a liability of \$1,226,427 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2021. The Town's proportion of the net OPEB liability was based on a projection of the Town's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating towns and school districts, actuarially determined. At June 30, 2022, the Town's proportion was 0.32% which was an increase of 0.01% from its proportion measured as of June 30, 2021.

For the year ended December 31, 2022, the Town recognized OPEB expense of \$108,842. At December 31, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings on OPEB plan investments	\$ 3,352	\$ -
Contributions subsequent to the measurement date	71,221	-
Total	<u>\$ 74,573</u>	<u>\$ -</u>

The \$71,221 reported as deferred outflows of resources related to OPEB results from the Town contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending December 31,	
2023	\$ 557
2024	145
2025	(1,319)
2026	3,969
Thereafter	-
Totals	<u>\$ 3,352</u>

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

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

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

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

Long-term Rates of Return – The long-term expected rate of return on OPEB plan investment was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rate of return net of investment expenses by the target asset allocation percentage and by adding expected inflation.

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

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

Asset Class	Target Allocation	30 Year Geometric Return
Broad US Equity (1)	30.00%	7.60%
Global Ex-US Equity (2)	20.00%	7.90%
Total public equity	50.00%	
Real Estate Equity	10.00%	6.60%
Private Equity	10.00%	8.85%
Total private market equity	20.00%	
Private Debt	5.00%	7.25%
Core U.S. Fixed Income (3)	25.00%	
Inflation	0.00%	2.25%
Total	100.00%	7.30%

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

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

Actuarial Valuation Date	1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
June 30, 2022	\$ 1,331,495	\$ 1,226,427	\$ 1,134,921

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

14-B Town of Durham Retiree Health Benefit Program

Plan Description – GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, requires governments to account for other postemployment benefits (OPEB) on an accrual basis, rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially determined expense on the Statement of Activities when a future retiree earns their postemployment benefits, rather than when they use their postemployment benefit. The postemployment benefit liability is recognized on the Statement of Net Position over time.

Benefits Provided – The Town provides postemployment healthcare benefits for certain eligible retirees. The Town provides medical benefits to its eligible retirees.

Employees Covered by Benefit Terms – At December 31, 2022, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	13
Active employees	93
Total participants covered by OPEB plan	106

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

Total OPEB Liability – The Town’s total OPEB liability of \$556,416 was measured as of December 31, 2022, and was determined by an actuarial valuation of that date.

Actuarial Assumptions and Other Inputs – The total OPEB liability of \$556,416 in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate:	4.31%
Healthcare Cost Trend Rates:	
Current Year Trend	7.50%
Second Year Trend	7.00%
Decrement	0.50%
Ultimate Trend	4.50%
Year Ultimate Trend is Reached	2029
Salary Increases:	2.75%

The discount rate was based off a range of indices including the Bond Buyer, S&P Municipal Bond, and Fidelity 20-Year GO Municipal Bond indices.

Mortality rates were based on the following:

General Employees: SOA Pub-2010 General Headcount Weighted Mortality Table fully generational using Scale MP-2021

Police & Fire: SOA Pub-2010 Safety Headcount Weighted Mortality Table fully generational using Scale MP-2021

Surviving Spouses: SOA Pub-2010 Contingent Survivor Headcount Weighted Mortality Table fully generational using Scale MP-2021

The plan does not have sufficient data to have credible experience. Therefore, mortality assumptions are set to reflect general population trends based upon Pub-2010 Mortality tables and the most recent generational projection scale MP-2021 released by the Society of Actuaries (SOA) for future mortality improvements.

Changes in the Total OPEB Liability

	December 31,	
	2021	2022
OPEB liability beginning of year	\$ 673,418	\$ 668,892
Changes for the year:		
Service cost	63,343	60,216
Interest	15,309	15,984
Assumption changes and difference between actual and expected experience	(53,767)	(151,070)
Benefit payments	(29,411)	(37,606)
OPEB liability end of year	<u>\$ 668,892</u>	<u>\$ 556,416</u>

Sensitivity of the Town’s OPEB Liability to Changes in the Discount Rate – The December 31, 2022 actuarial valuation was prepared using a discount rate of 4.31%. If the discount rate were 1% higher than what was used the OPEB liability would decrease to \$519,241 or by 6.68%. If the discount rate were 1% lower than what was used the OPEB liability would increase to \$597,279 or by 7.34%.

	Discount Rate		
	1% Decrease	Baseline 4.31%	1% Increase
Total OPEB Liability	<u>\$ 597,279</u>	<u>\$ 556,416</u>	<u>\$ 519,241</u>

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

Sensitivity of the Town's OPEB Liability to Changes in the Healthcare Cost Trend Rates – The December 31, 2022, actuarial valuation was prepared using an initial trend rate of 7.50%. If the trend rate were 1% higher than what was used the OPEB liability would increase to \$619,935 or by 11.42%. If the trend rate were 1% lower than what was used the OPEB liability would decrease to \$503,543 or by 9.50%.

	Healthcare Cost Trend Rates		
	1% Decrease	Baseline 7.50%	1% Increase
Total OPEB Liability	\$ 503,543	\$ 556,416	\$ 619,935

OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB – For the year ended December 31, 2022, the Town recognized OPEB expense of \$53,518. At December 31, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 202,333
Changes in assumptions	82,201	85,623
Total	\$ 82,201	\$ 287,956

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

Fiscal Year Ending December 31,	
2023	\$ (22,682)
2024	(22,682)
2025	(22,682)
2026	(22,682)
2027	(22,677)
Thereafter	(92,350)
Totals	\$ (205,755)

NOTE 15 – STATE AID TO WATER POLLUTION PROJECTS

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

Bonds Issued	Amount
State Aid Grant - C-708	\$ 132,945
State Aid Grant - C-873	21,764
State Aid Grant - C-902	206,051
State Aid Grant - C-927	55,127
State Aid Grant - C-950	163,353
State Aid Grant - C-951	363,068
Total	\$ 942,308

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

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

Fiscal Year Ending December 31,	Amount
2023	\$ 106,312
2024	109,019
2025	41,343
2026	41,909
2027	42,985
2028-2032	219,738
2033-2037	209,830
2038-2042	169,474
2043-2045	1,698
Total	<u>\$ 942,308</u>

NOTE 16 – COMMITMENTS

The Town has active construction projects as of December 31, 2022. At year-end, the Town commitments with contractors for specific projects are as follows:

Capital Project Program	Spent to Date	Remaining Commitment
Wastewater Treatment Facility Odor Control Upgrade	\$ 563,847	\$ 457,803
Emerson Road Water Main Improvements	8,928	689,732
Total Construction Commitments	<u>\$ 572,775</u>	<u>\$ 1,147,535</u>

NOTE 17 - ENCUMBRANCES

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

General fund:	
General government	\$ 14,947
Public safety	13,051
Sanitation	9,100
Total encumbrances	<u>\$ 37,098</u>

NOTE 18 – GOVERNMENTAL ACTIVITIES AND FIDUCIARY FUNDS NET POSITION

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

	Governmental Activities	Fiduciary Funds
Net investment in capital assets:		
Net book value, all capital assets	\$ 46,120,833	\$ -
Less:		
General obligation bonds payable	(9,056,650)	-
Unamortized bond premiums	(1,346,933)	-
Notes payable	(3,676,665)	-
Total net investment in capital assets	<u>32,040,585</u>	<u>-</u>

(Continued)

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

Governmental activities and fiduciary funds net position continued:

	Governmental Activities	Fiduciary Funds
Restricted net position:		
Library	476,199	-
Police confidential	1,197	
Perpetual care - nonexpendable	380,394	-
Perpetual care - expendable	84,453	-
Sewer	2,528,195	-
Water	631,623	-
Grow grant	2,500	-
Church hill rink	312,794	-
Depot road parking lot	276,387	-
Conservation commission	114,159	-
Individuals, organizations, and other governments	-	1,514,541
Private purpose trust	-	127,300
Total restricted net position	<u>4,807,901</u>	<u>1,641,841</u>
Unrestricted	(15,392,796)	-
Total net position	<u>\$ 21,455,690</u>	<u>\$ 1,641,841</u>

NOTE 19 – GOVERNMENTAL FUND BALANCES

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

	General Fund	Sewer Fund	Capital Project Fund	Nonmajor Funds	Total Governmental Funds
Nonspendable:					
Prepaid items	\$ 134,877	\$ 13,225	\$ -	\$ 7,055	\$ 155,157
Permanent fund - principal balance	-	-	-	380,394	380,394
Total nonspendable fund balance	<u>134,877</u>	<u>13,225</u>	<u>-</u>	<u>387,449</u>	<u>535,551</u>
Restricted:					
Library	476,199	-	-	-	476,199
Sewer	-	2,514,970	-	-	2,514,970
Water	-	-	-	626,123	626,123
Depot Road parking lot	-	-	-	276,387	276,387
Permanent - income balance	-	-	-	84,453	84,453
Church Hill rink	-	-	-	311,239	311,239
Conservation Commission	-	-	-	114,159	114,159
Police confidential	1,197	-	-	-	1,197
Grow grant	2,500	-	-	-	2,500
Total restricted fund balance	<u>479,896</u>	<u>2,514,970</u>	<u>-</u>	<u>1,412,361</u>	<u>4,407,227</u>
Committed:					
Expendable trust	1,493,609	-	-	-	1,493,609
Downtown TIF	-	-	-	339,247	339,247
Total committed fund balance	<u>1,493,609</u>	<u>-</u>	<u>-</u>	<u>339,247</u>	<u>1,832,856</u>
Assigned:					
Encumbrances	37,098	-	-	-	37,098
Abatements	75,000	-	-	-	75,000
Morgan Way 2010 bond	35,850	-	-	-	35,850
Total assigned fund balance	<u>147,948</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>147,948</u>
Unassigned (deficit)	<u>6,253,954</u>	<u>-</u>	<u>(533,039)</u>	<u>-</u>	<u>5,720,915</u>
Total governmental fund balances (deficit)	<u>\$ 8,510,284</u>	<u>\$ 2,528,195</u>	<u>\$ (533,039)</u>	<u>\$ 2,139,057</u>	<u>\$ 12,644,497</u>

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

NOTE 20 – PRIOR PERIOD ADJUSTMENTS

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

	Government-wide Statements	Governmental Funds			Fiduciary Funds
		General	Capital Project	Nonmajor	
To restate for deferred inflows related to tax revenues	\$ -	\$ 498,548	\$ -	\$ -	\$ -
To restate for state revolving fund loan					
principal forgiveness	63,103	-	63,103	-	-
To reclassify school impact fees to fiduciary funds	(44,503)	-	-	(44,503)	44,503
To restate capital assets for difference in					
asset listing vs. prior report	233,293	-	-	-	-
To restate for landfill postclosure liability	(387,800)	-	-	-	-
To restate bond premium liability	52,183	-	-	-	-
To record long-term receivable for state aid grants	493,448	-	-	-	-
Net position fund balance (deficit),					
as previously reported	18,761,221	7,398,623	(1,231,906)	1,962,371	1,618,931
Net position/fund balance (deficit), as restated	<u>\$ 19,170,945</u>	<u>\$ 7,897,171</u>	<u>\$ (1,168,803)</u>	<u>\$ 1,917,868</u>	<u>\$ 1,663,434</u>

NOTE 21 – RISK MANAGEMENT

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

The New Hampshire Public Risk Management Exchange (Primex³) Workers' Compensation and Property/Liability Programs are pooled risk management programs under RSAs 5-B and 281-A. Coverage was provided from January 1, 2022 to December 31, 2022 by Primex³, which retained \$2,000,000 of each workers' compensation loss, \$500,000 of each liability loss, and for each property loss it is based upon the Town's property schedule on file with Primex³. The Board has decided to self-insure the aggregate exposure and has allocated funds based on actuarial analysis for that purpose. The workers' compensation section of the self-insurance membership agreement permits Primex³ to make additional assessments to members should there be a deficiency in contributions for any member year, not to exceed the member's annual contribution. GASB Statement No. 10 requires members of a pool with a sharing risk to disclose if such an assessment is probable, and a reasonable estimate of the amount, if any. In fiscal year 2022 the Town paid \$155,579 and \$187,035 respectively, to Primex for property, liability, and worker's compensation. At this time, Primex³ foresees no likelihood of any additional assessment for this or any prior year.

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

NOTE 22 – TAX ABATEMENTS

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

The Town had no such programs as of December 31, 2022.

NOTE 23 – COVID-19

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

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

The Town was allotted a total of \$1,705,708 in federal funding from the American Rescue Plan Act (ARPA) in 2021 and 2022. Eligible uses of these funds include pandemic response or its negative impacts, workforce/personnel, including payroll and hazard premium pay, provision of government services to the extent of reduced revenue and necessary water, sewer, and broadband investment. For the year ended December 31, 2022 the Town spent \$153,880 of the funds received. The remaining funds are included in deferred inflows of resources until eligible expenditures have been made.

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

NOTE 24 – CONTINGENT LIABILITIES

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

NOTE 25 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the balance sheet date, but before the financial statements are issued. Recognized subsequent events are events or transactions that provided additional evidence about conditions that existed at the balance sheet date, including the estimates inherent in the process of preparing the financial statements. Nonrecognized subsequent events are events that provide evidence about conditions that did not exist at the balance sheet date but arose after the date. Management has evaluated subsequent events through October 17, 2023, the date the December 31, 2022 financial statements were available to be issued, and noted no events occurred that require recognition or disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

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

Fiscal year-end	December 31, 2015	December 31, 2016	December 31, 2017	December 31, 2018	December 31, 2019	December 31, 2020	December 31, 2021	December 31, 2022
Measurement date	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022
Town's proportion of the net pension liability	0.31%	0.31%	0.31%	0.30%	0.30%	0.29%	0.29%	0.29%
Town's proportionate share of the net pension liability	\$ 12,239,784	\$ 16,690,770	\$ 15,380,286	\$ 14,282,942	\$ 14,620,397	\$ 18,642,700	\$ 12,836,713	\$ 16,368,254
Town's covered payroll	\$ 6,004,318	\$ 6,160,829	\$ 6,245,115	\$ 6,282,152	\$ 6,595,728	\$ 6,766,050	\$ 7,116,162	\$ 7,190,143
Town's proportionate share of the net pension liability as a percentage of its covered payroll	203.85%	270.92%	246.28%	227.36%	221.66%	275.53%	180.39%	227.65%
Plan fiduciary net position as a percentage of the total pension liability	65.47%	58.30%	62.66%	64.73%	65.59%	58.72%	72.22%	65.12%

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

Fiscal year-end	December 31, 2015	December 31, 2016	December 31, 2017	December 31, 2018	December 31, 2019	December 31, 2020	December 31, 2021	December 31, 2022
Measurement date	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022
Contractually required contribution	\$ 1,199,885	\$ 1,115,632	\$ 1,195,801	\$ 1,286,745	\$ 1,334,325	\$ 1,288,309	\$ 1,330,693	\$ 1,645,365
Contributions in relation to the contractually required contributions	(1,199,885)	(1,115,632)	(1,195,801)	(1,286,745)	(1,334,325)	(1,288,309)	(1,330,693)	(1,645,365)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered payroll	\$ 5,982,806	\$ 6,074,719	\$ 6,264,289	\$ 6,419,456	\$ 6,767,639	\$ 6,842,976	\$ 7,190,143	\$ 7,513,960
Contributions as a percentage of covered payroll	20.06%	18.37%	19.09%	20.04%	19.72%	18.83%	18.51%	21.90%

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

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

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

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

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

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

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

Fiscal year-end	December 31, 2017	December 31, 2018	December 31, 2019	December 31, 2020	December 31, 2021	December 31, 2022
Measurement date	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022
Town's proportion of the net OPEB liability	0.24%	0.35%	0.36%	0.32%	0.31%	0.32%
Town's proportionate share of the net OPEB liability (asset)	\$ 1,115,350	\$ 1,599,226	\$ 1,574,424	\$ 1,386,137	\$ 1,234,909	\$ 1,226,427
Town's covered payroll	\$ 6,245,115	\$ 6,282,152	\$ 6,595,728	\$ 6,766,050	\$ 7,116,162	\$ 7,190,143
Town's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	17.86%	25.46%	23.87%	20.49%	17.35%	17.06%
Plan fiduciary net position as a percentage of the total OPEB liability	7.91%	7.53%	7.75%	7.74%	11.06%	10.64%

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

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

Fiscal year-end	December 31, 2017	December 31, 2018	December 31, 2019	December 31, 2020	December 31, 2021	December 31, 2022
Measurement date	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022
Contractually required contribution	\$ 148,489	\$ 159,345	\$ 159,399	\$ 143,653	\$ 143,606	\$ 185,986
Contributions in relation to the contractually required contribution	(148,489)	(159,345)	(159,399)	(143,653)	(143,606)	(185,986)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered payroll	\$ 6,264,289	\$ 6,419,456	\$ 6,767,639	\$ 6,842,976	\$ 7,190,143	\$ 7,513,960
Contributions as a percentage of covered payroll	2.37%	2.48%	2.36%	2.10%	2.00%	2.48%

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

EXHIBIT J
TOWN OF DURHAM, NEW HAMPSHIRE
Schedule of Changes in the Town's Total Other Postemployment Benefits Liability and Related Ratios
Retiree Health Benefit Program
For the Fiscal Year Ended December 31, 2022
Unaudited

	December 31,				
	2018	2019	2020	2021	2022
OPEB liability, beginning of year	\$ 692,112	\$ 673,098	\$ 692,147	\$ 673,418	\$ 668,892
Changes for the year:					
Service cost	46,930	43,778	50,456	63,343	60,216
Interest	24,351	28,083	23,172	15,309	15,984
Assumption changes	(27,435)	36,104	86,481	(6,120)	(73,590)
Difference between actual and expected experience	-	(21,027)	(114,712)	(47,647)	(77,480)
Benefit payments	(62,860)	(67,889)	(64,126)	(29,411)	(37,606)
OPEB liability, end of year	<u>\$ 673,098</u>	<u>\$ 692,147</u>	<u>\$ 673,418</u>	<u>\$ 668,892</u>	<u>\$ 556,416</u>
Covered payroll	<u>\$ 6,419,456</u>	<u>\$ 6,767,639</u>	<u>\$ 6,842,976</u>	<u>\$ 7,190,143</u>	<u>\$ 6,764,569</u>
Total OPEB liability as a percentage of covered payroll	10.49%	10.23%	9.84%	9.30%	8.23%

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

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

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

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

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

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

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

Schedule of Changes in Town's Total Other Postemployment Benefits Liability and Related Ratios

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

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

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

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

	Estimated	Actual	Variance Positive (Negative)
Taxes:			
Property	\$ 8,806,824	\$ 9,349,850	\$ 543,026
Yield	6,113	7,144	1,031
Timber	876	896	20
Payment in lieu of taxes	1,015,070	1,018,226	3,156
Interest and penalties on taxes	47,085	137,822	90,737
Total from taxes	<u>9,875,968</u>	<u>10,513,938</u>	<u>637,970</u>
Licenses, permits, and fees:			
Motor vehicle permit fees	1,145,266	1,209,050	63,784
Building permits	120,694	150,097	29,403
Other	156,576	157,520	944
Total from licenses, permits, and fees	<u>1,422,536</u>	<u>1,516,667</u>	<u>94,131</u>
Intergovernmental:			
State:			
Shared revenues	-	88,875	88,875
Meals and rooms distribution	1,246,503	1,246,503	-
Highway block grant	294,096	292,962	(1,134)
Other	2,609,331	2,580,620	(28,711)
From other government	87,750	87,750	-
Federal:			
Other	-	22,143	22,143
Total from intergovernmental	<u>4,237,680</u>	<u>4,318,853</u>	<u>81,173</u>
Charges for services:			
Income from departments	<u>382,729</u>	<u>383,555</u>	<u>826</u>
Miscellaneous:			
Sale of municipal property	212	292	80
Interest on investments	27,316	48,237	20,921
Other	408,239	474,981	66,742
Total from miscellaneous	<u>435,767</u>	<u>523,510</u>	<u>87,743</u>
Other financing sources:			
Transfers in	<u>423,200</u>	<u>559,116</u>	<u>135,916</u>
Total revenues and other financing sources	16,777,880	<u>\$ 17,815,639</u>	<u>\$ 1,037,759</u>
Unassigned fund balance used to reduce tax rate	38,670		
Amounts voted from fund balance	880,815		
Total revenues, other financing sources, and use of fund balance	<u>\$ 17,697,365</u>		

See Independent Auditor's Report.

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

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
General government:					
Executive	\$ 135	\$ 591,565	\$ 551,403	\$ 8,224	\$ 32,073
Election and registration	-	316,000	300,740	-	15,260
Financial administration	-	379,000	377,532	-	1,468
Revaluation of property	5,700	218,600	219,307	-	4,993
Legal	-	355,815	361,174	-	(5,359)
Planning and zoning	2,875	244,900	228,982	-	18,793
General government buildings	-	312,785	329,010	-	(16,225)
Cemeteries	-	15,650	7,815	-	7,835
Advertising and regional associations	-	13,000	12,760	-	240
Other	-	902,300	782,905	6,723	112,672
Total general government	8,710	3,349,615	3,171,628	14,947	171,750
Public safety:					
Police	-	3,348,250	3,218,021	-	130,229
Ambulance	-	40,000	39,039	-	961
Fire	30,647	4,535,950	4,533,055	13,051	20,491
Building inspection	-	250,100	203,115	-	46,985
Emergency management	-	1,000	1,032	-	(32)
Other	-	20,700	22,893	-	(2,193)
Total public safety	30,647	8,196,000	8,017,155	13,051	196,441
Highways and streets:					
Administration	-	565,150	453,358	-	111,792
Highways and streets	-	1,234,350	1,162,789	-	71,561
Total highways and streets	-	1,799,500	1,616,147	-	183,353
Sanitation:					
Administration	-	235,000	220,471	-	14,529
Solid waste collection	-	372,700	404,701	-	(32,001)
Solid waste disposal	10,000	125,900	127,733	9,100	(933)
Solid waste clean-up	-	31,800	26,997	-	4,803
Total sanitation	10,000	765,400	779,902	9,100	(13,602)
Health:					
Administration	-	400	-	-	400
Health agencies	-	12,200	12,200	-	-
Total health	-	12,600	12,200	-	400
Welfare:					
Administration and direct assistance	-	30,000	68,836	-	(38,836)
Culture and recreation:					
Parks and recreation	-	512,500	535,003	-	(22,503)
Patriotic purposes	-	500	509	-	(9)
Total culture and recreation	-	513,000	535,512	-	(22,512)
Conservation	-	59,450	31,901	-	27,549

(Continued)

See Independent Auditor's Report.

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

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Debt service:					
Principal of long-term debt	-	1,327,800	1,327,724	-	76
Interest on long-term debt	-	343,600	343,513	-	87
Other	-	5,000	5,850	-	(850)
Total debt service	-	1,676,400	1,677,087	-	(687)
Other financing uses:					
Transfers out	-	1,295,400	1,311,795	-	(16,395)
Total appropriations, expenditures, other financing uses, and encumbrances	\$ 49,357	\$ 17,697,365	\$ 17,222,163	\$ 37,098	\$ 487,461

See Independent Auditor's Report.

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

Unassigned fund balance, beginning (Non-GAAP Budgetary Basis)		\$ 5,140,686
Changes:		
Unassigned fund balance used to reduce 2022 tax rate		(38,670)
Amounts voted from fund balance		(880,815)
2022 Budget summary:		
Revenue surplus (Schedule 1)	\$ 1,037,759	
Unexpended balance of appropriations (Schedule 2)	<u>487,461</u>	
2022 Budget surplus		1,525,220
Increase in nonspendable fund balance		(34,487)
Decrease in assigned fund balance (non-encumbrance)		<u>596,767</u>
Unassigned fund balance, ending (Non-GAAP Budgetary Basis)		6,308,701
Reconciliation on Non-GAAP Budgetary Basis to GAAP Basis		
To record deferred property taxes not collected within 60 days of the fiscal year-end, not recognized on a budgetary basis		<u>(54,747)</u>
Unassigned fund balance, ending, GAAP basis (Exhibit C-1)		<u><u>\$ 6,253,954</u></u>

See Independent Auditor's Report.

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

	Special Revenue Funds						
	Water	Depot Road Parking Lot	Church Hill Rink	Conservation Commission	Downtown TIF District	Permanent Fund	Total
ASSETS							
Cash and cash equivalents	\$ 323,481	\$ 276,462	\$ 304,515	\$ 2,791	\$ 339,247	\$ 18,513	\$ 1,265,009
Investments	243,027	-	-	115,302	-	446,334	804,663
Accounts receivable	55,963	-	65,170	-	-	-	121,133
Due from other governments	27,400	-	-	-	-	-	27,400
Interfund receivable	21,857	-	-	-	-	-	21,857
Prepaid items	5,500	-	1,555	-	-	-	7,055
Total assets	<u>\$ 677,228</u>	<u>\$ 276,462</u>	<u>\$ 371,240</u>	<u>\$ 118,093</u>	<u>\$ 339,247</u>	<u>\$ 464,847</u>	<u>\$ 2,247,117</u>
LIABILITIES							
Accounts payable	\$ 37,861	\$ 75	\$ 50,998	\$ 2,853	\$ -	\$ -	\$ 91,787
Accrued salaries and benefits	7,744	-	5,925	-	-	-	13,669
Other	-	-	-	1,081	-	-	1,081
Total liabilities	<u>45,605</u>	<u>75</u>	<u>56,923</u>	<u>3,934</u>	<u>-</u>	<u>-</u>	<u>106,537</u>
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue - grants	-	-	1,523	-	-	-	1,523
FUND BALANCES							
Nonspendable	5,500	-	1,555	-	-	380,394	387,449
Restricted	626,123	276,387	311,239	114,159	-	84,453	1,412,361
Committed	-	-	-	-	339,247	-	339,247
Total fund balances	<u>631,623</u>	<u>276,387</u>	<u>312,794</u>	<u>114,159</u>	<u>339,247</u>	<u>464,847</u>	<u>2,139,057</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 677,228</u>	<u>\$ 276,462</u>	<u>\$ 371,240</u>	<u>\$ 118,093</u>	<u>\$ 339,247</u>	<u>\$ 464,847</u>	<u>\$ 2,247,117</u>

See Independent Auditor's Report.

SCHEDULE 5
TOWN OF DURHAM, NEW HAMPSHIRE
Nonmajor Governmental Funds

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended December 31, 2022

	Special Revenue Funds						Total
	Water	Depot Road Parking Lot	Church Hill Rink	Conservation Commission	Downtown TIF District	Permanent Fund	
REVENUES							
Taxes	\$ -	\$ -	\$ -	\$ 3,838	\$ 180,647	\$ -	\$ 184,485
Licenses and permits	-	88,125	-	-	-	-	88,125
Intergovernmental	17,024	-	-	-	-	-	17,024
Charges for services	1,195,857	43,461	321,095	-	-	-	1,560,413
Miscellaneous	50,898	-	5,042	2,371	-	13,301	71,612
Total revenues	1,263,779	131,586	326,137	6,209	180,647	13,301	1,921,659
EXPENDITURES							
Current:							
General government	-	-	-	-	-	62,841	62,841
Highways and streets	-	23,610	-	-	-	-	23,610
Water distribution and treatment	711,966	-	-	-	-	-	711,966
Culture and recreation	-	-	320,725	-	-	-	320,725
Conservation	-	-	-	4,399	-	-	4,399
Debt service:							
Principal	258,788	-	-	-	-	-	258,788
Interest	82,459	-	-	-	12,803	-	95,262
Other	1,000	-	-	-	-	-	1,000
Total expenditures	1,054,213	23,610	320,725	4,399	12,803	62,841	1,478,591
Excess (deficiency) of revenues over (under) expenditures	209,566	107,976	5,412	1,810	167,844	(49,540)	443,068
OTHER FINANCING USES							
Transfers out	(124,700)	(97,179)	-	-	-	-	(221,879)
Net change in fund balances	84,866	10,797	5,412	1,810	167,844	(49,540)	221,189
Fund balances, as restated (see Note 20)	546,757	265,590	307,382	112,349	171,403	514,387	1,917,868
Fund balances, ending	\$ 631,623	\$ 276,387	\$ 312,794	\$ 114,159	\$ 339,247	\$ 464,847	\$ 2,139,057

See Independent Auditor's Report.

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

	Custodial Funds				Total
	Taxes	School Trust Funds	School Impact Fees	State of NH Motor Vehicle	
ASSETS					
Cash and cash equivalents	\$ -	\$ 173,039	\$ -	\$ -	\$ 173,039
Investments	-	1,285,856	-	-	1,285,856
Intergovernmental receivables	9,651,895	-	55,646	-	9,707,541
Total assets	9,651,895	1,458,895	55,646	-	11,166,436
LIABILITIES					
Intergovernmental payables:					
School	9,651,895	-	-	-	9,651,895
NET POSITION					
Restricted	\$ -	\$ 1,458,895	\$ 55,646	\$ -	\$ 1,514,541

See Independent Auditor's Report.

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

	Custodial Funds				Total
	Taxes	School Trust Funds	School Impact Fees	State of NH Motor Vehicle	
ADDITIONS					
Contributions	\$ -	\$ 125,000	\$ 11,097	\$ -	\$ 136,097
Investment earnings	-	24,206	46	-	24,252
Tax collections for other governments	25,912,892	-	-	-	25,912,892
State motor vehicle fees	-	-	-	379,214	379,214
Unrealized loss on investments	-	(161,530)	-	-	(161,530)
Total additions	25,912,892	(12,324)	11,143	379,214	26,290,925
DEDUCTIONS					
Payments of taxes to other governments	25,912,892	-	-	-	25,912,892
Payments of motor vehicle fees to State	-	-	-	379,214	379,214
Total deductions	25,912,892	-	-	379,214	26,292,106
Change in net position	-	(12,324)	11,143	-	(1,181)
Net position, beginning, as restated (see Note 20)	-	1,471,219	44,503	-	1,515,722
Net position, ending	\$ -	\$ 1,458,895	\$ 55,646	\$ -	\$ 1,514,541

***SINGLE AUDIT ACT SCHEDULES AND
INDEPENDENT AUDITOR'S REPORTS***



PLODZIK & SANDERSON

Professional Association/Accountants & Auditors

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

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

Independent Auditor's Report

To the Members of the Town Council
Town of Durham
Durham, New Hampshire

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Durham, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Town of Durham's basic financial statements, and have issued our report thereon dated October 17, 2023.

Report on Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Durham's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Town of Durham

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

Purpose of This Report

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



PLODZIK & SANDERSON
Professional Association

October 17, 2023
Concord, New Hampshire



PLODZIK & SANDERSON

Professional Association/Accountants & Auditors

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

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Independent Auditor's Report

To the Members of the Town Council
Town of Durham
Durham, New Hampshire

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Town of Durham's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Town of Durham's major federal programs for the year ended December 31, 2022. The Town of Durham's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Town of Durham complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Town of Durham and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Town of Durham's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Town of Durham's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Town of Durham's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions,

Town of Durham

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance

Required by the Uniform Guidance

misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Town of Durham's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Town of Durham's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Town of Durham's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Town of Durham's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



PLODZIK & SANDERSON
Professional Association

October 17, 2023
Concord, New Hampshire

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Unmodified opinions on governmental activities, each major fund, and aggregate remaining fund information

Noncompliance material to financial statements noted? yes X no

yes X no

SCHEDULE II
TOWN OF DURHAM
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended December 31, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Assistance Listing Number	Pass-Through Grantor's Number	Provided to Subrecipients	Federal Expenditures
U.S. DEPARTMENT OF TREASURY				
Passed Through the New Hampshire Governor's Office for Emergency Relief and Recovery (GOFERR)				
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	00FRF602PH0206A	\$ -	\$ 36,051
Passed Through the New Hampshire State Library				
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	-	18,500
U.S. DEPARTMENT OF HOMELAND SECURITY				
Passed Through the New Hampshire Department of Safety				
Homeland Security Grant Program	97.067	23HS19SHTR	-	12,290
Homeland Security Grant Program	97.067	23HS20SHTR	-	6,974
			-	19,264
DIRECT FUNDING				
U.S. DEPARTMENT OF JUSTICE				
Public Safety Partnership and Community Policing Grants	16.710	15JCOPS-22-GG-01521-TECP	-	832,200
U.S. DEPARTMENT OF TREASURY				
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	-	140,907
Total Expenditures of Federal Awards			\$ -	\$ 1,046,922

The accompanying notes are an integral part of this schedule.

TOWN OF DURHAM, NEW HAMPSHIRE
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2022

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the Town of Durham under programs of the federal government for the year ended December 31, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Town of Durham, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Town of Durham.

Note 2. Summary of Significant Accounting Policies

reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note 3. Indirect Cost Rate

The Town of Durham has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.