

TOWN OF MADISON, NEW HAMPSHIRE

FINANCIAL REPORT

AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2023

**TOWN OF MADISON, NEW HAMPSHIRE
FINANCIAL REPORT
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2023**

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Roberts & Greene, PLLC

INDEPENDENT AUDITOR'S REPORT

To the Members of the Board of Selectmen
Town of Madison
Madison, New Hampshire 03849

Adverse and Modified Opinions

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Town of Madison, as of and for the year ended December 31, 2023, which collectively comprise the Town's basic financial statements as listed in the table of contents, and the related notes to the financial statements.

Adverse Opinion on Governmental Activities

In our opinion, because of the effects of the matter discussed in the Basis for Adverse and Unmodified Opinions section of our report, the financial statements referred to above do not present fairly the financial position of the governmental activities of the Town of Madison, as of December 31, 2023, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions on the Major Fund and Aggregate Remaining Fund Information

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the major fund and the aggregate remaining fund information of the Town of Madison as of December 31, 2023, and the respective changes in financial position thereof and the budget to actual comparison for the General Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Adverse and Unmodified Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Madison and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse and unmodified audit opinions.

Matter Giving Rise to Adverse Opinion on Governmental Activities

As discussed in Note I.B.3. to the financial statements, management has not determined its liability or annual cost for postemployment benefits other than pensions (OPEB) in governmental activities. Accounting principles generally accepted in the United States of America require that management recognize OPEB expense for the required contributions and a liability for unpaid required contributions, which would increase the liabilities, decrease net position, and increase expenses of the governmental activities. The amount by which this departure would affect the liabilities, net position, and expenses of the governmental activities is not reasonably determinable.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town'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.

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'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'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, any significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the pension related information on pages 29-30 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board. 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.

The Town of Madison has not presented a management's discussion and analysis. Accounting principles generally accepted in the United States of America have determined that the management's discussion and analysis is necessary to supplement, but is not required to be part of, the basic financial statements.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Madison's basic financial statements. The combining and individual fund schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund schedules are fairly stated in all material respects, in relation to the basic financial statements as a whole.

July 22, 2024

Roberts & Aene, PLLC

BASIC FINANCIAL STATEMENTS

EXHIBIT 1
TOWN OF MADISON, NEW HAMPSHIRE
Statement of Net Position
December 31, 2023

| | <u>Governmental Activities</u> |
|--|------------------------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 4,887,901 |
| Investments | 48,073 |
| Receivables, net of allowance for uncollectibles | 508,976 |
| Prepaid items | 1,265 |
| Tax deeded property held for resale | 43,571 |
| Capital assets, not being depreciated: | |
| Land | 2,035,699 |
| Construction in progress | 205,000 |
| Capital assets, net of accumulated depreciation: | |
| Buildings and building improvements | 971,694 |
| Machinery, vehicles and equipment | 1,518,683 |
| Infrastructure | 2,422,040 |
| Total assets | <u>12,642,902</u> |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Deferred amounts related to pensions | <u>286,052</u> |
| LIABILITIES | |
| Accounts payable | 51,969 |
| Accrued payroll and benefits | 25,154 |
| Accrued interest payable | 11,755 |
| Intergovernmental payable | 3,176,609 |
| Noncurrent obligations: | |
| Due within one year: | |
| Capital leases payable | 102,211 |
| Accrued landfill postclosure care costs | 4,500 |
| Due in more than one year: | |
| Capital leases payable | 392,475 |
| Compensated absences payable | 31,976 |
| Accrued landfill postclosure care costs | 40,500 |
| Net pension liability | 1,588,206 |
| Total liabilities | <u>5,425,355</u> |
| DEFERRED INFLOWS OF RESOURCES | |
| Unearned revenue | 192,940 |
| Deferred amounts related to pensions | 103,022 |
| Total deferred inflows of resources | <u>295,962</u> |
| NET POSITION | |
| Net investment in capital assets | 6,658,430 |
| Restricted for: | |
| Endowments: | |
| Nonexpendable | 33,701 |
| Expendable | 4,976 |
| Other purposes | 56,547 |
| Unrestricted | 453,983 |
| Total net position | <u>\$ 7,207,637</u> |

The notes to the financial statements are an integral part of this statement.

EXHIBIT 2
TOWN OF MADISON, NEW HAMPSHIRE
Statement of Activities
For the Year Ended December 31, 2023

| | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position |
|--|---------------------|----------------------------|--|--|---|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | |
| Governmental activities: | | | | | |
| General government | \$ 1,296,964 | \$ 800,439 | \$ - | \$ - | \$ (496,525) |
| Public safety | 770,778 | 10,090 | 1,273 | 18,264 | (741,151) |
| Highways and streets | 850,437 | - | - | 102,047 | (748,390) |
| Sanitation | 140,040 | 75,921 | - | - | (64,119) |
| Health | 28,774 | - | - | - | (28,774) |
| Welfare | 7,190 | 85 | - | - | (7,105) |
| Culture and recreation | 189,173 | 64,729 | - | - | (124,444) |
| Conservation | 9,035 | 10,217 | - | - | 1,182 |
| Interest on long-term debt | 19,651 | - | - | - | (19,651) |
| Capital outlay | 205,805 | - | - | - | (205,805) |
| Total primary government | <u>\$ 3,517,847</u> | <u>\$ 961,481</u> | <u>\$ 1,273</u> | <u>\$ 120,311</u> | <u>(2,434,782)</u> |
| General revenues: | | | | | |
| Property taxes | | | | | 2,762,599 |
| Other taxes | | | | | 88,455 |
| Grants and contributions not restricted to specific programs | | | | | 246,759 |
| Miscellaneous | | | | | 30,372 |
| Total general revenues | | | | | <u>3,128,185</u> |
| Change in net position | | | | | <u>693,403</u> |
| Net position, beginning, as restated, see Note III.D. | | | | | <u>6,514,234</u> |
| Net position, ending | | | | | <u>\$ 7,207,637</u> |

The notes to the financial statements are an integral part of this statement.

EXHIBIT 3
TOWN OF MADISON, NEW HAMPSHIRE
Balance Sheet
Governmental Funds
December 31, 2023

| | General | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|--------------------------------|--------------------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 3,993,400 | \$ 894,501 | \$ 4,887,901 |
| Investments | - | 48,073 | 48,073 |
| Taxes receivable, net of allowance for uncollectibles | 508,976 | - | 508,976 |
| Interfund receivable | 832 | 5,837 | 6,669 |
| Prepaid items | 1,265 | - | 1,265 |
| Tax deeded property held for resale | 43,571 | - | 43,571 |
| Total assets | <u>\$ 4,548,044</u> | <u>\$ 948,411</u> | <u>\$ 5,496,455</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | | | |
| Liabilities: | | | |
| Accounts payable | \$ 51,969 | \$ - | \$ 51,969 |
| Accrued salaries and benefits | 25,154 | - | 25,154 |
| Intergovernmental payable | 3,176,609 | - | 3,176,609 |
| Interfund payable | 5,710 | 959 | 6,669 |
| Total liabilities | <u>3,259,442</u> | <u>959</u> | <u>3,260,401</u> |
| Deferred inflows of resources: | | | |
| Deferred revenue | 428,244 | - | 428,244 |
| Fund balances: | | | |
| Nonspendable | 44,836 | 33,701 | 78,537 |
| Restricted | - | 61,524 | 61,524 |
| Committed | 43,645 | 852,227 | 895,872 |
| Assigned | 28,436 | - | 28,436 |
| Unassigned | 743,441 | - | 743,441 |
| Total fund balances | <u>860,358</u> | <u>947,452</u> | <u>1,807,810</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 4,548,044</u> | <u>\$ 948,411</u> | <u>\$ 5,496,455</u> |

The notes to the financial statements are an integral part of this statement.

EXHIBIT 4
TOWN OF MADISON, NEW HAMPSHIRE
Reconciliation of Total Fund Balances of Governmental Funds to the Statement of Net Position
December 31, 2023

| | | |
|--|--------------------|----------------------------|
| Total fund balances of governmental funds (Exhibit 3) | | \$ 1,807,810 |
| Amounts reported for governmental activities in the statement of net position are different because: | | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | | |
| Cost | \$ 9,544,982 | |
| Less accumulated depreciation | <u>(2,391,866)</u> | 7,153,116 |
| Interfund receivables and payables between governmental funds are eliminated on the statement of net position. | | |
| Receivables | \$ (6,669) | |
| Payables | <u>6,669</u> | - |
| Revenues that are not available to pay for current period expenditures are deferred in the funds. | | |
| Unavailable tax revenue | | 235,304 |
| Interest on long-term debt is not accrued in governmental funds. | | |
| Accrued interest payable | | (11,755) |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. | | |
| Capital leases outstanding | \$ 494,686 | |
| Compensated absences payable | 31,976 | |
| Accrued landfill postclosure care costs | 45,000 | |
| Net pension liability | <u>1,588,206</u> | (2,159,868) |
| Deferred outflows and inflows of resources are applicable to future periods and, therefore, are not reported in the funds. | | |
| Deferred outflows of resources related to pensions | \$ 286,052 | |
| Deferred inflows of resources related to pensions | <u>(103,022)</u> | 183,030 |
| Total net position of governmental activities (Exhibit 1) | | <u><u>\$ 7,207,637</u></u> |

The notes to the financial statements are an integral part of this statement.

EXHIBIT 5
TOWN OF MADISON, NEW HAMPSHIRE
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2023

| | General | Other Governmental Funds | Total Governmental Funds |
|---|-------------------|--------------------------------|--------------------------------|
| Revenues: | | | |
| Taxes | \$ 2,816,370 | \$ 5,635 | \$ 2,822,005 |
| Licenses, permits and fees | 684,380 | 140 | 684,520 |
| Intergovernmental | 368,343 | - | 368,343 |
| Charges for services | 228,645 | 886 | 229,531 |
| Miscellaneous | 2,873 | 74,929 | 77,802 |
| Total revenues | <u>4,100,611</u> | <u>81,590</u> | <u>4,182,201</u> |
| Expenditures: | | | |
| Current: | | | |
| General government | 1,265,184 | 10,748 | 1,275,932 |
| Public safety | 656,614 | 1,798 | 658,412 |
| Highways and streets | 1,234,465 | - | 1,234,465 |
| Sanitation | 170,695 | - | 170,695 |
| Health | 20,174 | - | 20,174 |
| Welfare | 15,790 | - | 15,790 |
| Culture and recreation | 185,558 | 37,390 | 222,948 |
| Conservation | 3,305 | 5,730 | 9,035 |
| Debt service | 134,926 | - | 134,926 |
| Capital outlay | 381,001 | 29,804 | 410,805 |
| Total expenditures | <u>4,067,712</u> | <u>85,470</u> | <u>4,153,182</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>32,899</u> | <u>(3,880)</u> | <u>29,019</u> |
| Other financing sources (uses): | | | |
| Transfers in | 23,110 | 263,022 | 286,132 |
| Transfers out | (262,974) | (23,158) | (286,132) |
| Inception of capital lease | 205,000 | - | 205,000 |
| Total other financing sources and uses | <u>(34,864)</u> | <u>239,864</u> | <u>205,000</u> |
| Net change in fund balances | (1,965) | 235,984 | 234,019 |
| Fund balances, beginning, as restated, see Note III.D. | 862,323 | 711,468 | 1,573,791 |
| Fund balances, ending | <u>\$ 860,358</u> | <u>\$ 947,452</u> | <u>\$ 1,807,810</u> |

The notes to the financial statements are an integral part of this statement.

EXHIBIT 6
TOWN OF MADISON, NEW HAMPSHIRE
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund
Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2023

| | | |
|---|------------------|-------------------|
| Net change in fund balances of governmental funds (Exhibit 5) | | \$ 234,019 |
| Amounts reported for governmental activities in the statement of activities are different because: | | |
| Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capitalized capital outlay exceeded depreciation expense in the current period. | | |
| Capitalized capital outlay | \$ 855,342 | |
| Depreciation expense | <u>(290,310)</u> | 565,032 |
| Transfers in and out between governmental funds are eliminated on the operating statement. | | |
| Transfers in | \$ (286,132) | |
| Transfers out | <u>286,132</u> | - |
| Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in governmental funds. | | |
| Change in unavailable tax revenue | | 29,049 |
| The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. | | |
| Inception of capital lease | \$ (205,000) | |
| Repayment of capital lease principal | <u>121,475</u> | (83,525) |
| 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. | | |
| Increase in accrued interest expense | \$ (6,200) | |
| Decrease in compensated absences payable | <u>4,116</u> | (2,084) |
| Governmental funds report pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned, net of employee contributions, is reported as pension expense. | | |
| Town pension contributions | \$ 174,132 | |
| Cost of benefits earned, net of employee contributions | <u>(223,220)</u> | (49,088) |
| Change in net position of governmental activities (Exhibit 2) | | <u>\$ 693,403</u> |

The notes to the financial statements are an integral part of this statement.

EXHIBIT 7
TOWN OF MADISON, NEW HAMPSHIRE
General Fund
Statement of Revenues, Expenditures and Changes in Unassigned Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Year Ended December 31, 2023

| | Original Budget | Final Budget | Actual | Variance Positive (Negative) |
|---|--------------------|---------------------|-------------------|------------------------------------|
| REVENUES | | | | |
| Taxes | \$ 2,798,288 | \$ 2,798,288 | \$ 2,845,419 | \$ 47,131 |
| Licenses, permits and fees | 524,000 | 524,000 | 684,380 | 160,380 |
| Intergovernmental | 348,818 | 348,818 | 368,343 | 19,525 |
| Charges for services | 60,000 | 60,000 | 228,645 | 168,645 |
| Miscellaneous | 41,200 | 41,200 | 2,873 | (38,327) |
| Total revenues | <u>3,772,306</u> | <u>3,772,306</u> | <u>4,129,660</u> | <u>357,354</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 1,287,983 | 1,287,983 | 1,265,184 | 22,799 |
| Public safety | 700,529 | 700,529 | 624,680 | 75,849 |
| Highways and streets | 804,797 | 1,245,797 | 1,194,446 | 51,351 |
| Sanitation | 149,501 | 149,501 | 166,635 | (17,134) |
| Health | 21,278 | 21,278 | 20,174 | 1,104 |
| Welfare | 16,750 | 16,750 | 15,790 | 960 |
| Culture and recreation | 224,040 | 224,040 | 195,354 | 28,686 |
| Conservation | 4,400 | 4,400 | 3,305 | 1,095 |
| Debt service: | | | | |
| Principal and interest on capital leases | 135,027 | 135,027 | 134,926 | 101 |
| Interest on tax anticipation note | 1 | 1 | - | 1 |
| Capital outlay | 208,000 | 208,000 | 176,001 | 31,999 |
| Total expenditures | <u>3,552,306</u> | <u>3,993,306</u> | <u>3,796,495</u> | <u>196,811</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>220,000</u> | <u>(221,000)</u> | <u>333,165</u> | <u>554,165</u> |
| Other financing uses: | | | | |
| Transfers in | 10,000 | 10,000 | 23,110 | 13,110 |
| Transfers out | (262,974) | (262,974) | (262,974) | - |
| Total other financing sources and uses | <u>(252,974)</u> | <u>(252,974)</u> | <u>(239,864)</u> | <u>13,110</u> |
| Net change in fund balance | <u>\$ (32,974)</u> | <u>\$ (473,974)</u> | 93,301 | <u>\$ 567,275</u> |
| Increase in nonspendable fund balance | | | (1,277) | |
| Unassigned fund balance, beginning | | | 886,721 | |
| Unassigned fund balance, ending | | | <u>\$ 978,745</u> | |

The notes to the financial statements are an integral part of this statement.

EXHIBIT 8
TOWN OF MADISON, NEW HAMPSHIRE
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2023

| | Private Purpose Trust | Custodial |
|---------------------------------------|-----------------------------|-------------------|
| Assets: | | |
| Cash and cash equivalents | \$ 11,545 | \$ 823,773 |
| Liabilities | - | - |
| Net position: | | |
| Held in trust for specific purposes | 11,545 | - |
| Held for school and village districts | - | 823,773 |
| Total net position | <u>\$ 11,545</u> | <u>\$ 823,773</u> |

The notes to the financial statements are an integral part of this statement.

EXHIBIT 9
TOWN OF MADISON, NEW HAMPSHIRE
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended December 31, 2023

| | Private Purpose Trust | Custodial |
|------------------------------|-----------------------------|--------------------------|
| Additions: | | |
| New funds | \$ - | \$ 163,850 |
| Investment earnings: | | |
| Interest | 339 | 23,273 |
| Total additions | <u>339</u> | <u>187,123</u> |
| Deductions: | | |
| Payments to Village District | <u>-</u> | <u>97,781</u> |
| Change in net position | 339 | 89,342 |
| Net position, beginning | <u>11,206</u> | <u>734,431</u> |
| Net position, ending | <u><u>\$ 11,545</u></u> | <u><u>\$ 823,773</u></u> |

The notes to the financial statements are an integral part of this statement.

NOTES TO THE BASIC FINANCIAL STATEMENTS

**TOWN OF MADISON, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2023**

I. Summary of Significant Accounting Principles

I.A. Introduction

The accounting and reporting framework and the more significant accounting principles and practices of the Town of Madison (the Town) are discussed in subsequent sections of this note. The remainder of the notes is organized to provide explanations, including required disclosures, of the Town's financial activities for the year ended December 31, 2023.

I.B. Financial Reporting Entity – Basis of Presentation

I.B.1. *Entity Defined*

The Town of Madison is a municipal corporation governed by a board of selectmen consisting of three members elected by the voters. These financial statements present the financial position and activity of the primary government. Component units are organizations for which the primary government is financially accountable, or other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete. Based on the stated criteria, the Town's financial statements do not include any component units.

I.B.2. *Government-Wide and Fund Financial Statements*

Government-Wide Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the Town as a whole, excluding fiduciary activities. Individual funds are not displayed.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges for the Town's services; (2) operating grants and contributions, which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which finance the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. Taxes and revenue from other sources not properly included with program revenues are reported as general revenues.

**TOWN OF MADISON, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2023**

Fund Financial Statements

Fund financial statements are provided for governmental and fiduciary funds. The major individual, governmental fund is reported in separate columns with composite columns for the nonmajor funds.

I.B.3. *Measurement Focus, Basis of Accounting and Financial Statement Presentation*

The financial statements of the Town are prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Town's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements, with the exception that the liability and expenses for postemployment benefits other than pensions have not been calculated or reported in the governmental activities.

The governmental activities statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). Reimbursements are reported as reductions to expenses. Fiduciary fund financial statements also report using this same basis of accounting, although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property tax revenues are recognized in the year for which they are levied, while grants are recognized when grantor eligibility requirements are met.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Town considers revenues to be available if they are collected within sixty days of the end of the fiscal year. However, property taxes are not deferred on the budgetary basis, or when reporting to the State of New Hampshire in accordance with directions of the New Hampshire Department of Revenue Administration.

Expenditures are recorded when the related fund liability is incurred, except for general obligation debt principal and interest which are reported as expenditures in the year due.

Major revenues susceptible to accrual are property taxes, intergovernmental amounts and investment income. In general, other revenues are recognized when cash is received.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as needed. Restricted assets and liabilities payable from restricted assets current in nature are reported with current assets and current liabilities in the financial statements.

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I.B.4. Fund Types and Major Funds

Governmental Funds

The Town reports the following major governmental fund:

General Fund – Reports as the primary fund of the Town. This fund is used to account for all financial resources not reported in other funds.

The Town also reports nine nonmajor governmental funds.

Fiduciary Funds

The Town reports the following fiduciary funds:

Private Purpose Trust Funds – Account for financial resources of the Town used only for the benefit of other entities or individuals.

Custodial Funds – Account for amounts held by the Town for the benefit of other governments. These assets are therefore not available to support the Town’s own programs. The Town’s custodial funds are used to account for the various capital reserve accounts held by the trustees of trust funds on behalf of the local school and village districts.

I.C. Assets, Liabilities, and Net Position or Fund Equity

I.C.1. Cash and Investments

The laws of the State of New Hampshire require that the Town’s treasurer have custody of all monies belonging to the Town, other than those held by the trustees of trust funds and library trustees, and pay out the same only upon orders of the Board of Selectmen. The treasurer shall deposit all monies in participation units in the public deposit investment pool established pursuant to N.H. RSA 383:22 or in solvent banks in the state. Funds may be deposited in banks outside the state if such banks pledge or 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 of the State of New Hampshire in value at least equal to the amount of the deposit in each case.

Investments are stated at fair value based on quoted market prices. New Hampshire law authorizes the Town to invest in obligations of the United States government; the public deposit investment pool established pursuant to RSA 383:22; savings bank deposits; prime bankers’ acceptances; or 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.

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Any person who directly or indirectly receives any such funds or monies 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.

I.C.2. Capital Assets and Depreciation

Generally, the Town’s property, plant and equipment with useful lives of more than one year are stated at historical cost and reported in the government-wide financial statements. Donated assets are stated at acquisition value on the date donated. The Town normally capitalizes assets with a cost of \$10,000 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized.

Capital assets are depreciated using the straight-line method. When capital assets are disposed of, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. Estimated useful lives, in years, for depreciable assets are as follow:

| | Years |
|-------------------------------------|-------|
| Buildings and building improvements | 20-75 |
| Machinery, vehicles and equipment | 6-30 |
| Infrastructure | 25-75 |

I.C.3. Long-Term Liabilities

In the government-wide financial statements, outstanding debt is reported as liabilities. The balance of long-term debt is not reported in the governmental funds. Included in long-term liabilities are capital leases; compensated absences representing amounts for vacation time that have been earned by employees and are carried over to be used in the future; an accrual for landfill postclosure care costs expected to be incurred in the future; and the net pension liability.

I.C.4. Equity

The government-wide statement of net position reports net position in the following components:

- Net investment in capital assets, which is computed as the total capital assets less accumulated depreciation, reduced by outstanding debt used to acquire those assets.
- Restricted for endowments, which represents the principal and income balances of permanent funds that are required to be invested, with the income to be used for cemetery care and other town purposes.

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- Restricted for other purposes, which represents the library fund whose use is restricted by State law.
- Unrestricted, which consists of the remaining balance of net position.

The governmental fund financial statements report the following components of fund balance:

- Nonspendable, which represents the balance of tax deeded property and prepaid expenditures in the General Fund; and the principal portion of the Permanent Fund.
- Restricted, which represents the expendable income in the Permanent Fund; and the Library Fund, whose use is limited by law.
- Committed, which consists of the balances for which the intended use has been established by Town Meeting vote, or by the Board of Selectman, and would require an equally formal action to remove those commitments. Committed balances represent continuing appropriations, the Special Revenue Funds, and expendable trust funds which report as a Capital Projects Fund.
- Assigned, which consists of appropriations encumbered by the Board of Selectmen for future obligations.
- Unassigned, which represents the remaining fund balance of the General Fund.

I.C.5. *Use of Estimates*

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain amounts reported in the financial statements and notes. Accordingly, actual results could differ from those estimates.

II. Stewardship, Compliance and Accountability

II.A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund. Unless encumbered, all appropriations lapse at year-end. The Town is allowed to use beginning fund balance to balance the budget. In 2023, none of the General Fund unassigned fund balance from 2022 was so used, while \$32,974 was appropriated from fund balance. During 2023, the Town obtained permission from the NH Department of Revenue Administration to expend an additional \$441,000 from unassigned fund balance for emergency storm repairs.

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Encumbrance accounting is employed by the governmental funds. Encumbrances (e.g. purchase orders, contracts) outstanding at year-end are reported as assignments of fund balance and do not constitute expenditures or liabilities because they will be added to the appropriations voted in the subsequent year.

Revenues are budgeted by source. Expenditures are budgeted by functions as follow: general government, public safety, highways and streets, sanitation, health, welfare, culture and recreation, conservation, debt service and capital outlay. Management can transfer appropriations among budget line items as necessary, but the total expenditures cannot legally exceed the total appropriations unless permission is received from the Commissioner of Revenue Administration.

II.B. Reconciliation of General Fund Budgetary Basis to GAAP

| | |
|--|---------------------|
| Revenues and other financing sources: | |
| Per Exhibit 7 (budgetary basis) | \$ 4,152,770 |
| Adjustments: | |
| Basis difference: | |
| Capital lease inception | 205,000 |
| Tax revenue deferred in the prior year | 206,255 |
| Tax revenue deferred in the current year | (235,304) |
| Per Exhibit 5 (GAAP basis) | <u>\$ 4,328,721</u> |
| Expenditures and other financing uses: | |
| Per Exhibit 7 (budgetary basis) | \$ 4,059,469 |
| Adjustments: | |
| Basis difference: | |
| Encumbrances, beginning | 138,298 |
| Encumbrances, ending | (72,081) |
| Capital lease inception | 205,000 |
| Per Exhibit 5 (GAAP basis) | <u>\$ 4,330,686</u> |
| Unassigned fund balance: | |
| Per Exhibit 7 (budgetary basis) | \$ 978,745 |
| Adjustment: | |
| Basis difference: | |
| Deferred tax revenue, GAAP basis | (235,304) |
| Per Exhibit 3 (GAAP basis) | <u>\$ 743,441</u> |

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III. Detailed Notes on Funds and Government-Wide Statements

III.A. Assets

III.A.1. Investments

As of December 31, 2023, the Town had \$48,073 invested in mutual funds which are in the Library Fund, a nonmajor fund. In fair value measurement, these investments are categorized as Level 1, which refers to investments traded in an active market. The level relates to valuation only and does not necessarily indicate a measure of risk.

III.A.2. Receivables, Uncollectible Accounts and Deferred Revenue

Property Taxes Receivable and Property Tax Calendar

Property taxes are levied and collected by the Town on a semi-annual basis. Tax bills are due on or around July 1 and December 1, with interest of 8% per annum on all taxes not received by the due date. The first billing is an estimate only based on half of the previous year's billing. The final billing is levied based on an inventory taken in April of each year (the tax year runs from April 1 to March 31), and is assessed after the tax rate has been calculated and set by the New Hampshire Department of Revenue Administration. A lien is executed on any unpaid property taxes in the following year and this lien takes priority over any others. Interest of 14% per annum is charged upon redemption of liened taxes. Properties not redeemed within two years of the date of the tax lien are deeded to the Town. During the current year, the tax collector executed a lien for uncollected 2022 property taxes on April 3.

The property taxes levied and collected by the Town include amounts for the State of New Hampshire, the Madison School District, Carroll County, and the Village District of Eidelweiss. The Town is responsible for the collection of all these taxes. During the annual tax rate setting process, the Town sets an amount for potential abatements and tax deeding, known as overlay. Overlay is raised through taxation and is reported as a reduction in tax revenue.

The net assessed valuation as of April 1, 2023, upon which the 2023 property tax levy was based was:

| | |
|-------------------------------------|----------------|
| For the New Hampshire education tax | \$ 595,143,879 |
| For all other taxes | \$ 605,501,579 |

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The tax rates and amounts assessed for the year ended December 31, 2023 were as follow:

| | Per \$1,000 of Assessed Valuation | |
|--------------------------------|--------------------------------------|---------------|
| Municipal portion | \$4.72 | \$ 2,857,197 |
| School portion: | | |
| State of New Hampshire | \$1.93 | 1,147,853 |
| Local | \$8.96 | 5,427,723 |
| County portion | \$1.37 | 828,653 |
| Precinct portion: | | |
| Village District of Eidelweiss | \$5.86 | 791,531 |
| Total property taxes assessed | | \$ 11,052,957 |

The following details the taxes receivable at year-end:

| | |
|---|------------|
| Property: | |
| Levy of 2023 | \$ 458,126 |
| Unredeemed (under tax lien): | |
| Levy of 2022 | 45,778 |
| Levy of 2021 | 19,821 |
| Land use change | 9,800 |
| Timber | 451 |
| Less: allowance for estimated uncollectible taxes | (25,000) |
| Net taxes receivable | \$ 508,976 |

Deferred Revenue

Deferred revenue of \$428,244 at December 31, 2023 consists of \$235,304 of taxes that were not collected within sixty days of year-end; \$21,378 of prepaid taxes to be applied to the next year's levy; \$42,005 of unspent American Rescue Plan Act funds; \$79,059 of unexpended state highway aid; and \$50,498 of unexpended state bridge aid. In the Governmental Activities, the prepaid taxes, ARPA funds, and state aid are reported as unearned revenue.

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III.A.3. Capital Assets

Changes in Capital Assets

The following provides a summary of changes in capital assets:

| | <u>Balance, beginning</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance, ending</u> |
|--|-------------------------------|-------------------|------------------|----------------------------|
| Governmental activities: | | | | |
| At cost: | | | | |
| Not being depreciated: | | | | |
| Land | \$ 2,035,699 | \$ - | \$ - | \$ 2,035,699 |
| Construction in progress | - | 205,000 | - | 205,000 |
| Total capital assets not being depreciated | <u>2,035,699</u> | <u>205,000</u> | <u>-</u> | <u>2,240,699</u> |
| Being depreciated: | | | | |
| Buildings and building improvements | 1,474,855 | 14,961 | - | 1,489,816 |
| Machinery, vehicles and equipment | 2,736,778 | 105,604 | (52,693) | 2,789,689 |
| Infrastructure | 2,495,001 | 529,777 | - | 3,024,778 |
| Total capital assets being depreciated | <u>6,706,634</u> | <u>650,342</u> | <u>(52,693)</u> | <u>7,304,283</u> |
| Total all capital assets | <u>8,742,333</u> | <u>855,342</u> | <u>(52,693)</u> | <u>9,544,982</u> |
| Less accumulated depreciation: | | | | |
| Buildings and building improvements | (492,483) | (25,639) | - | (518,122) |
| Machinery, vehicles and equipment | (1,162,438) | (161,261) | 52,693 | (1,271,006) |
| Infrastructure | (499,328) | (103,410) | - | (602,738) |
| Total accumulated depreciation | <u>(2,154,249)</u> | <u>(290,310)</u> | <u>52,693</u> | <u>(2,391,866)</u> |
| Net book value, capital assets being depreciated | 4,552,385 | 360,032 | - | 4,912,417 |
| Net book value, all capital assets | <u>\$ 6,588,084</u> | <u>\$ 565,032</u> | <u>\$ -</u> | <u>\$ 7,153,116</u> |

Depreciation Expense

Depreciation expense was charged to functions of the Town as follows:

| | |
|----------------------------|-------------------|
| General government | \$ 17,182 |
| Public safety | 50,352 |
| Highways and streets | 206,253 |
| Sanitation | 13,295 |
| Culture and recreation | 3,228 |
| Total depreciation expense | <u>\$ 290,310</u> |

III.A.4. Restricted Net Position

The government-wide statement of net position includes restricted net position of \$38,677 for public trust funds reported as restricted for perpetual care and \$56,547 for other purposes.

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III.B. Liabilities

III.B.1. Intergovernmental Payables

The amount due to other governments at December 31, 2023 consists of the balance of the 2023 – 2024 district assessment due to the Madison School District in the amount of \$3,175,576; and fees due to the State of New Hampshire in the amount of \$1,033.

III.B.2. Long-Term Liabilities

Long-term liabilities currently outstanding are as follow:

| | Original Amount | Issue Date | Maturity Date | Interest Rate % | Outstanding at 12/31/2023 | Current Portion |
|---|--------------------|---------------|------------------|--------------------|---------------------------------|--------------------|
| Capital leases payable: | | | | | | |
| Fire truck chasis | \$129,000 | 2021 | 2027 | 2.92 | \$ 74,698 | \$ 17,875 |
| Highway truck | \$121,000 | 2021 | 2027 | 2.99 | 70,522 | 16,859 |
| Police Silverado | \$41,696 | 2021 | 2025 | 3.05 | 21,612 | 10,643 |
| Loader | \$131,500 | 2021 | 2027 | 2.99 | 90,785 | 21,703 |
| Chevy truck | \$53,370 | 2022 | 2026 | 4.99 | 32,069 | 10,174 |
| Dump truck | \$205,000 | 2023 | 2030 | 5.29 | 205,000 | 24,957 |
| | | | | | <u>494,686</u> | <u>102,211</u> |
| Compensated absences payable: | | | | | | |
| Accrued vacation leave | | | | | 31,976 | - |
| Accrued landfill postclosure care costs | | | | | 45,000 | 4,500 |
| Net pension liability | | | | | 1,588,206 | - |
| | | | | | <u>\$ 2,159,868</u> | <u>\$ 106,711</u> |

The following is a summary of changes in long-term liabilities for the year ended December 31, 2023:

| | Capital Leases Payable | Compensated Absences Payable | Accrued Landfill Postclosure Care Costs | Net Pension Liability | Total |
|--------------------|------------------------------|------------------------------------|--|-----------------------------|---------------------|
| Balance, beginning | \$ 411,161 | \$ 36,092 | \$ 45,000 | \$ 1,772,141 | \$ 2,264,394 |
| Additions | 205,000 | - | - | - | 205,000 |
| Reductions | (121,475) | (4,116) | - | (183,935) | (309,526) |
| Balance, ending | <u>\$ 494,686</u> | <u>\$ 31,976</u> | <u>\$ 45,000</u> | <u>\$ 1,588,206</u> | <u>\$ 2,159,868</u> |

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Debt Service Requirements to Maturity

The annual debt service requirements to maturity as of year-end for the capital leases are as follow:

| Year Ending December 31, | Principal | Interest | Total |
|-----------------------------|------------|-----------|------------|
| 2024 | \$ 102,211 | \$ 20,109 | \$ 122,320 |
| 2025 | 106,040 | 16,282 | 122,322 |
| 2026 | 98,719 | 12,298 | 111,017 |
| 2027 | 90,747 | 8,500 | 99,247 |
| 2028 | 30,672 | 5,130 | 35,802 |
| 2029-2030 | 66,297 | 5,305 | 71,602 |
| Totals | \$ 494,686 | \$ 67,624 | \$ 562,310 |

Accrued Landfill Postclosure Care Costs

State and federal laws and regulations require that the Town continue to perform certain maintenance and monitoring functions at the landfill site. The estimated total cost of postclosure care is \$45,000. The actual cost may be different due to inflation, changes in technology, or changes in laws or regulations. The Town plans to pay for postclosure care costs by annual appropriation.

III.C. Balances and Transfers Within the Reporting Entity

III.C.1. Receivables and Payables

Generally, outstanding balances between funds reported as “interfund receivables/payables” include outstanding charges by one fund to another for goods and services, subsidy commitments outstanding at year-end, or other miscellaneous amounts. Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is also reported as “interfund receivables/payables.”

The following reports receivables and payables within the reporting entity at year-end:

| Receivable Fund | Payable Fund | Amount |
|-----------------|--------------|----------|
| General | Nonmajor | \$ 832 |
| Nonmajor | General | 5,710 |
| Nonmajor | Nonmajor | 127 |
| | | \$ 6,669 |

The amount due to the General Fund represents reimbursements of expenditures. The amount due to the Nonmajor Funds from the General Fund represents land use change taxes due to the Conservation Commission, and the amount due to the Nonmajor Funds from other Nonmajor Funds represents investment earnings due from the Permanent Fund to the Library Fund.

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III.C.2. Transfers – Payments Within the Reporting Entity

Transfers within the reporting entity were substantially for the purposes of distributing taxes to the fund for which the appropriation was made, adding to or withdrawing from capital reserve funds, and distributing trust income to the applicable funds. The government-wide statement of activities eliminates transfers reported within the governmental activities columns.

The following reports transfers within the reporting entity:

| | Transfers In: | | |
|----------------|-----------------|-------------------|------------|
| | General Fund | Nonmajor Funds | Total |
| Transfers out: | | | |
| General fund | \$ - | \$ 262,974 | \$ 262,974 |
| Nonmajor funds | 23,110 | 48 | 23,158 |
| | \$ 23,110 | \$ 263,022 | \$ 286,132 |

The transfers from the General Fund represent appropriations and a payment of land use change tax assessed in a prior year. The amount transferred from the Nonmajor Funds to the General Fund represents a voted transfer and the amount received from a closed bank account in the Recreation Fund. The amount transferred between Nonmajor Funds represents interest earned in the Permanent Fund transferred to the Library Fund.

III.D. Restatement of Beginning Equity

The equity balances at January 1, 2023 were restated as follow:

| | Governmental Activities | General Fund |
|---|----------------------------|-----------------|
| To correct balance of liabilities | \$ 3,218 | \$ 3,218 |
| Net position/fund balance, as previously reported | 6,511,016 | 859,105 |
| Net position/fund balance, as restated | \$ 6,514,234 | \$ 862,323 |

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III.E. Components of Fund Balance

The following reports components of fund balance, as described in Note I.C.4.:

| | General Fund | Nonmajor Funds |
|------------------------|-----------------|-------------------|
| Nonspendable: | | |
| Endowments | \$ - | \$ 33,701 |
| Prepaid items | 1,265 | - |
| Tax deeded property | 43,571 | - |
| Total nonspendable | 44,836 | 33,701 |
| Restricted: | | |
| General government | - | 3,090 |
| Welfare | - | 1,887 |
| Culture and recreation | - | 56,547 |
| Total restricted | - | 61,524 |
| Committed: | | |
| General government | - | 3,890 |
| Public safety | - | 753 |
| Culture and recreation | - | 46,218 |
| Conservation | - | 294,542 |
| Capital outlay | 43,645 | 506,824 |
| Total committed | 43,645 | 852,227 |
| Assigned: | | |
| Sanitation | 18,640 | - |
| Culture and recreation | 9,796 | - |
| Total assigned | 28,436 | - |
| Unassigned | 743,441 | - |
| Total fund balance | \$ 860,358 | \$ 947,452 |

IV. Other Information

IV.A. Risk Management

The Town's risk management activities are reported with governmental activities and recorded in the General Fund. During the year, the Town was a member of the New Hampshire Public Risk Management Exchange (Primex) Property/Liability and Workers' Compensation programs. These programs are considered public entity risk pools, currently operating as common risk management and insurance programs for member governmental entities.

The Primex's Workers' Compensation and Property/Liability Programs are pooled risk management programs under RSA 5-B and RSA 281-A. Primex provided statutory workers' compensation coverage, \$2,000,000 of coverage for each liability loss, and various amounts of coverage for property losses, as

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well as statutory coverage for unemployment compensation. Contributions paid for 2023 being recorded as an insurance expenditure/expense totaled \$82,096 for property/liability, and \$39,255 for workers' compensation. The member agreement permits Primex to make additional assessments to members should there be a deficiency in assets to meet its liabilities. At this time, Primex foresees no likelihood of any additional assessments for past years.

IV.B. Retirement Pensions

The New Hampshire Retirement System (NHRS) is a multiple-employer, cost-sharing, contributory public employee defined benefit plan qualified under section 401(a) of the Internal Revenue Code, and funded through a trust which is exempt from tax under Internal Revenue Code section 501(a). The Town's police officers and other employees are members of the NHRS. The NHRS provides service, disability, death and vested retirement benefits for the members and their beneficiaries. The New Hampshire Legislature establishes the provisions for benefits and contributions. The NHRS issues a separate financial report that is available at www.nhrs.org or by contacting the NHRS at 54 Regional Drive, Concord, NH 03301.

Both the members and the Town make contributions to the NHRS. Member rates of contribution are set by the Legislature. Employer rates are determined by the NHRS trustees based on an actuarial valuation. The rates of contribution for police officers and other employees were 11.55% and 7.0% of gross earnings, respectively. The rates of contribution from the Town for the period January 1 to June 30, 2023 were 33.88% for police and 14.06% for other employees; decreasing on July 1 to 31.28% for police, and 13.53% for other employees. The rates are actuarially determined to generate an amount, that when combined with employee contributions, is expected to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employer contributions from the Town during the years 2021, 2022, and 2023 were \$156,470, \$174,345, and \$175,409 respectively. The amounts were paid on a monthly basis, as due.

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

At December 31, 2023, the Town reported a liability of \$1,588,206 in governmental activities for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2022 rolled forward. 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 municipalities and school districts, actuarially determined. As of June 30, 2023, the Town's proportion was 0.0284%, which is a decrease of 0.0025% from its proportion measured as of June 30, 2022.

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For the year 2023, the Town recognized pension expense of \$223,220. At year-end, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Changes in proportion and differences between employer contributions and proportionate share of contributions | \$ 98,194 | \$ 102,384 |
| Net differences between projected and actual earnings on pension plan investments | 22,968 | - |
| Changes in assumptions | 41,801 | - |
| Differences between expected and actual experience | 40,582 | 638 |
| Town contributions subsequent to the measurement date | 82,507 | - |
| | <u>\$ 286,052</u> | <u>\$ 103,022</u> |

The Town reported \$82,507 as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date, which will be recognized as a reduction of the net pension liability in the year 2024.

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follow:

| <u>Year Ending December 31,</u> | |
|---|-------------------|
| 2024 | \$ 67,956 |
| 2025 | (18,658) |
| 2026 | 74,028 |
| 2027 | (22,803) |
| | <u>\$ 100,523</u> |

Actuarial Assumptions

The total pension liability in the June 2023 actuarial valuation was determined using the actuarial valuation as of June 30, 2022 rolled forward to June 30, 2023, using the following actuarial assumptions:

| | |
|-------------------------------|-------------------------------------|
| Actuarial Cost Method | Entry-Age Normal |
| Amortization Method | Level Percentage-of-Payroll, Closed |
| Remaining Amortization Period | Multiple periods of 17-20 years |

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| | |
|---------------------------|--|
| Asset Valuation Method | 5-year smoothed market for funding purposes; 20% corridor |
| Price Inflation | 2.0% per year |
| Wage Inflation | 2.75% per year in the 2019 valuation |
| Salary Increases | 5.4% average, including inflation |
| Municipal Bond Rate | 3.86% per year |
| Investment Rate of Return | 6.75%, net of pension plan investment expense, including inflation |
| Retirement Age | Experience-based table of rates that are specific to the type of eligibility condition. Based on the 2015-2019 experience study. |
| Mortality Rates | Based on the Pub-2010 Healthy Retiree Mortality Tables with credibility adjustments for each member classification (Police and Fire combined) and projected fully generational mortality improvements using Scale MP-2019. |

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

The following presents the Town’s proportionate share of the net pension liability calculated using the discount rate of 6.75%, as well as what the Town’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate.

| | 1% Decrease (5.75%) | Current Discount Rate (6.75%) | 1% Increase (7.75%) |
|---|---------------------------|--|---------------------------|
| Town's proportionate share of net pension liability | \$2,155,003 | \$1,588,206 | \$1,103,912 |

Other actuarial assumptions, as well as detailed information about the pension plan’s fiduciary net position, is available in the separately issued NHRS report.

IV.C. Contingent Liabilities

The Town has a few claims pending against it which arose in the normal course of affairs. At this time, management has no indication that any of these will result in any significant financial liability.

Because the Town has received grants from the State and Federal governments, there is always a chance that these entities will audit grant expenditures/expenses and determine that some are not allowable. Based on past experience, the Town does not believe that this will occur, and that if it does, it is not believed that the amounts involved would be material.

REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT 10
TOWN OF MADISON, NEW HAMPSHIRE
Schedule of the Town's Proportionate Share of the Net Pension Liability
New Hampshire Retirement System

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-----------|
| Town's proportion of net pension liability | 0.0284% | 0.0309% | 0.0289% | 0.0270% | 0.0270% | 0.0273% | 0.0268% | 0.0299% | 0.0278% | 0.0259% |
| Town's proportionate share of the net pension liability | \$1,588,206 | \$1,772,141 | \$1,282,453 | \$1,726,553 | \$1,300,341 | \$1,313,188 | \$1,315,673 | \$1,588,273 | \$1,100,351 | \$970,409 |
| Town's covered-employee payroll | \$835,998 | \$900,609 | \$886,497 | \$801,697 | \$783,462 | \$738,215 | \$695,679 | \$695,737 | \$680,864 | \$646,599 |
| Town's proportionate share of the net pension liability as a percentage of covered-employee payroll | 189.98% | 196.77% | 144.67% | 215.36% | 165.97% | 177.89% | 189.12% | 228.29% | 161.61% | 150.08% |
| Plan fiduciary position as a percentage of the total pension liability | 67.18% | 65.12% | 72.22% | 58.72% | 65.59% | 64.73% | 62.66% | 58.30% | 65.47% | 66.32% |

EXHIBIT 11
TOWN OF MADISON, NEW HAMPSHIRE
Schedule of the Town's Pension Contributions
New Hampshire Retirement System

| | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Contractually required contribution | \$ 163,566 | \$ 174,345 | \$ 156,470 | \$ 133,175 | \$ 134,327 | \$ 127,195 | \$ 115,741 | \$ 113,274 | \$ 109,126 | \$ 102,923 |
| Contribution in relation to the contractually required contribution | <u>(163,566)</u> | <u>(174,345)</u> | <u>(156,470)</u> | <u>(133,175)</u> | <u>(134,327)</u> | <u>(127,195)</u> | <u>(115,741)</u> | <u>(113,274)</u> | <u>(109,126)</u> | <u>(102,923)</u> |
| Contribution deficiency | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Town's covered-employee payroll | \$835,998 | \$900,609 | \$886,497 | \$801,697 | \$783,462 | \$738,215 | \$695,679 | \$695,737 | \$680,864 | \$646,599 |
| Contributions as a percentage of covered-employee payroll | 19.57% | 19.36% | 17.65% | 16.61% | 17.15% | 17.23% | 16.64% | 16.28% | 16.03% | 15.92% |

COMBINING AND INDIVIDUAL FUND SCHEDULES

EXHIBIT 12
TOWN OF MADISON, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2023

| | Special Revenue Funds | | | | | | Capital | Permanent | Total | |
|--------------------------------------|-----------------------|------------------|-----------------|------------------|-------------------|---------------|------------------|-------------------|------------------|-------------------|
| | Madison | Old | Madison | Forest | Conservation | Police | Projects | | | |
| | Library | Home | PEG | Maintenance | Commission | Equipment | Trust | Fund | | |
| | | Week | TV | | | | | | | |
| ASSETS | | | | | | | | | | |
| Cash and cash equivalents | \$ 8,347 | \$ 28,260 | \$ 3,890 | \$ 69,916 | \$ 218,916 | \$ 753 | \$ 17,958 | \$ 507,656 | \$ 38,805 | \$ 894,501 |
| Investments | 48,073 | - | - | - | - | - | - | - | - | 48,073 |
| Interfund receivable | 127 | - | - | - | 5,710 | - | - | - | - | 5,837 |
| Total assets | <u>\$ 56,547</u> | <u>\$ 28,260</u> | <u>\$ 3,890</u> | <u>\$ 69,916</u> | <u>\$ 224,626</u> | <u>\$ 753</u> | <u>\$ 17,958</u> | <u>\$ 507,656</u> | <u>\$ 38,805</u> | <u>\$ 948,411</u> |
| LIABILITIES AND FUND BALANCES | | | | | | | | | | |
| Liabilities: | | | | | | | | | | |
| Interfund payable | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 832 | \$ 127 | \$ 959 |
| Fund balances: | | | | | | | | | | |
| Nonspendable | - | - | - | - | - | - | - | - | 33,701 | 33,701 |
| Restricted | 56,547 | - | - | - | - | - | - | - | 4,977 | 61,524 |
| Committed | - | 28,260 | 3,890 | 69,916 | 224,626 | 753 | 17,958 | 506,824 | - | 852,227 |
| Total fund balances | <u>56,547</u> | <u>28,260</u> | <u>3,890</u> | <u>69,916</u> | <u>224,626</u> | <u>753</u> | <u>17,958</u> | <u>506,824</u> | <u>38,678</u> | <u>947,452</u> |
| Total liabilities and fund balances | <u>\$ 56,547</u> | <u>\$ 28,260</u> | <u>\$ 3,890</u> | <u>\$ 69,916</u> | <u>\$ 224,626</u> | <u>\$ 753</u> | <u>\$ 17,958</u> | <u>\$ 507,656</u> | <u>\$ 38,805</u> | <u>\$ 948,411</u> |

EXHIBIT 13
TOWN OF MADISON, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended December 31, 2023

| | Special Revenue Funds | | | | | | | Capital Projects Fund | Permanent Fund | Total |
|--|-----------------------|---------------------|----------------------|-----------------------|----------------------------|---------------------|------------------|-----------------------------|-------------------|-------------------|
| | Madison Library | Old Home Week | Madison PEG TV | Forest Maintenance | Conservation Commission | Police Equipment | Recreation | Expendable Trust | | |
| REVENUES | | | | | | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - | \$ 5,635 | \$ - | \$ - | \$ - | \$ - | \$ 5,635 |
| Licenses, permits and fees | - | - | - | - | - | 140 | - | - | - | 140 |
| Charges for services | 471 | - | - | - | - | 415 | - | - | - | 886 |
| Miscellaneous | 19,538 | 26,831 | 100 | 10,224 | 22 | 499 | 4,160 | 12,412 | 1,143 | 74,929 |
| Total revenues | <u>20,009</u> | <u>26,831</u> | <u>100</u> | <u>10,224</u> | <u>5,657</u> | <u>1,054</u> | <u>4,160</u> | <u>12,412</u> | <u>1,143</u> | <u>81,590</u> |
| EXPENDITURES | | | | | | | | | | |
| Current: | | | | | | | | | | |
| General government | - | - | - | - | - | - | - | 10,748 | - | 10,748 |
| Public safety | - | - | - | - | - | 1,798 | - | - | - | 1,798 |
| Culture and recreation | 5,750 | 26,955 | - | - | - | - | 4,685 | - | - | 37,390 |
| Conservation | - | - | - | 3,730 | 2,000 | - | - | - | - | 5,730 |
| Capital outlay | 1,727 | - | - | - | - | - | - | 28,077 | - | 29,804 |
| Total expenditures | <u>7,477</u> | <u>26,955</u> | <u>-</u> | <u>3,730</u> | <u>2,000</u> | <u>1,798</u> | <u>4,685</u> | <u>38,825</u> | <u>-</u> | <u>85,470</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>12,532</u> | <u>(124)</u> | <u>100</u> | <u>6,494</u> | <u>3,657</u> | <u>(744)</u> | <u>(525)</u> | <u>(26,413)</u> | <u>1,143</u> | <u>(3,880)</u> |
| Other financing sources (uses): | | | | | | | | | | |
| Transfers in | 48 | - | - | 10,000 | - | - | 4,581 | 248,393 | - | 263,022 |
| Transfers out | - | - | - | (10,000) | (1,197) | - | (11,913) | - | (48) | (23,158) |
| Total other financing sources and uses | <u>48</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(1,197)</u> | <u>-</u> | <u>(7,332)</u> | <u>248,393</u> | <u>(48)</u> | <u>239,864</u> |
| Net change in fund balances | 12,580 | (124) | 100 | 6,494 | 2,460 | (744) | (7,857) | 221,980 | 1,095 | 235,984 |
| Fund balances, beginning | 43,967 | 28,384 | 3,790 | 63,422 | 222,166 | 1,497 | 25,815 | 284,844 | 37,583 | 711,468 |
| Fund balances, ending | <u>\$ 56,547</u> | <u>\$ 28,260</u> | <u>\$ 3,890</u> | <u>\$ 69,916</u> | <u>\$ 224,626</u> | <u>\$ 753</u> | <u>\$ 17,958</u> | <u>\$ 506,824</u> | <u>\$ 38,678</u> | <u>\$ 947,452</u> |

EXHIBIT 14
TOWN OF MADISON, NEW HAMPSHIRE
General Fund
Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)
For the Year Ended December 31, 2023

| | Estimated | Actual | Variance Positive (Negative) |
|--|---------------------|---------------------|------------------------------------|
| Taxes: | | | |
| Property | \$ 2,716,679 | \$ 2,762,599 | \$ 45,920 |
| Land use change | 12,950 | 15,434 | 2,484 |
| Timber | 11,000 | 11,944 | 944 |
| Excavation | 3,450 | 2,969 | (481) |
| Payments in lieu of taxes | 16,209 | 16,209 | - |
| Interest and penalties on delinquent taxes | 38,000 | 36,264 | (1,736) |
| Total taxes | <u>2,798,288</u> | <u>2,845,419</u> | <u>47,131</u> |
| Licenses, permits and fees: | | | |
| Motor vehicle permits | 479,000 | 631,256 | 152,256 |
| Building permits | 41,000 | 47,887 | 6,887 |
| Other | 4,000 | 5,237 | 1,237 |
| Total licenses, permits and fees | <u>524,000</u> | <u>684,380</u> | <u>160,380</u> |
| Intergovernmental: | | | |
| State sources: | | | |
| Meals and rooms distributions | 246,759 | 246,759 | - |
| Highway block grant | 102,059 | 102,047 | (12) |
| Federal sources: | | | |
| Public safety grants | - | 1,273 | 1,273 |
| ARPA local fiscal recovery funds | - | 18,264 | 18,264 |
| Total intergovernmental | <u>348,818</u> | <u>368,343</u> | <u>19,525</u> |
| Charges for services: | | | |
| Income from departments | <u>60,000</u> | <u>228,645</u> | <u>168,645</u> |
| Miscellaneous: | | | |
| Interest on investments | 1,200 | 1,577 | 377 |
| Contributions and donations | - | 129 | 129 |
| Other | 40,000 | 1,167 | (38,833) |
| Total miscellaneous | <u>41,200</u> | <u>2,873</u> | <u>(38,327)</u> |
| Other financing sources: | | | |
| Transfers in: | | | |
| Nonmajor funds | <u>10,000</u> | <u>23,110</u> | <u>13,110</u> |
| Total revenues and other financing sources | 3,782,306 | <u>\$ 4,152,770</u> | <u>\$ 370,464</u> |
| Use of fund balance | 473,974 | | |
| Total revenues, other financing sources, and use of fund balance | <u>\$ 4,256,280</u> | | |

EXHIBIT 15
TOWN OF MADISON, NEW HAMPSHIRE
General Fund
Schedule of Appropriations, Expenditures and Encumbrances (Non-GAAP Budgetary Basis)
For the Year Ended December 31, 2023

| | Encumbered from Prior Year | Appropriations | Expenditures | Encumbered to Subsequent Year | Variance Positive (Negative) |
|------------------------------------|-------------------------------------|----------------|--------------|--|------------------------------------|
| Current: | | | | | |
| General government: | | | | | |
| Executive | \$ - | \$ 155,610 | \$ 164,067 | \$ - | \$ (8,457) |
| Election and registration | - | 8,750 | 5,556 | - | 3,194 |
| Financial administration | - | 167,024 | 166,154 | - | 870 |
| Revaluation of property | - | 33,345 | 32,068 | - | 1,277 |
| Legal | - | 17,300 | 28,129 | - | (10,829) |
| Personnel administration | - | 590,195 | 551,199 | - | 38,996 |
| Planning and zoning | - | 18,940 | 12,736 | - | 6,204 |
| General government buildings | - | 170,200 | 171,280 | - | (1,080) |
| Insurance, not otherwise allocated | - | 114,219 | 121,351 | - | (7,132) |
| Other | - | 12,400 | 12,644 | - | (244) |
| Total general government | - | 1,287,983 | 1,265,184 | - | 22,799 |
| Public safety: | | | | | |
| Police | 749 | 367,502 | 372,291 | - | (4,040) |
| Ambulance | - | 107,366 | 107,357 | - | 9 |
| Fire | 12,921 | 166,900 | 116,462 | - | 63,359 |
| Building inspection | - | 51,250 | 49,648 | - | 1,602 |
| Emergency management | 18,264 | 7,511 | 10,856 | - | 14,919 |
| Total public safety | 31,934 | 700,529 | 656,614 | - | 75,849 |
| Highways and streets: | | | | | |
| Administration | 83,664 | 535,600 | 435,027 | - | 184,237 |
| Highways and streets | - | 706,297 | 795,316 | 43,645 | (132,664) |
| Street lighting | - | 3,900 | 4,122 | - | (222) |
| Total highways and streets | 83,664 | 1,245,797 | 1,234,465 | 43,645 | 51,351 |
| Sanitation: | | | | | |
| Solid waste disposal | 22,700 | 149,501 | 170,695 | 18,640 | (17,134) |
| Health: | | | | | |
| Animal control | - | 2,300 | 1,196 | - | 1,104 |
| Health agencies | - | 18,978 | 18,978 | - | - |
| Total health | - | 21,278 | 20,174 | - | 1,104 |
| Welfare: | | | | | |
| Administration | - | 2,650 | 3,110 | - | (460) |
| Direct assistance | - | 5,500 | 4,080 | - | 1,420 |
| Vendor payments | - | 8,600 | 8,600 | - | - |
| Total welfare | - | 16,750 | 15,790 | - | 960 |
| Culture and recreation: | | | | | |
| Parks and recreation | - | 47,351 | 34,397 | - | 12,954 |
| Public library | - | 102,092 | 95,252 | - | 6,840 |
| Patriotic purposes | - | 5,525 | 5,201 | 9,796 | (9,472) |
| Other | - | 69,072 | 50,708 | - | 18,364 |
| Total culture and recreation | - | 224,040 | 185,558 | 9,796 | 28,686 |
| Conservation: | | | | | |
| Conservation | - | 4,400 | 3,305 | - | 1,095 |

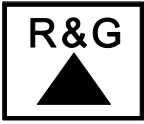
(continued)

EXHIBIT 15 (continued)
TOWN OF MADISON, NEW HAMPSHIRE
General Fund
Schedule of Appropriations, Expenditures and Encumbrances (Non-GAAP Budgetary Basis)
For the Year Ended December 31, 2023

| | Encumbered from Prior Year | Appropriations | Expenditures | Encumbered to Subsequent Year | Variance Positive (Negative) |
|--|-------------------------------------|----------------|--------------|--|------------------------------------|
| Debt service: | | | | | |
| Principal and interest on capital leases | - | 135,027 | 134,926 | - | 101 |
| Interest on tax anticipation note | - | 1 | - | - | 1 |
| Total debt service | - | 135,028 | 134,926 | - | 102 |
| Capital outlay: | | | | | |
| Improvements other than buildings | - | 208,000 | 176,001 | - | 31,999 |
| Other financing uses: | | | | | |
| Transfers out: | | | | | |
| Nonmajor funds | - | 262,974 | 262,974 | - | - |
| Total encumbrances, appropriations, expenditures and other financing uses | \$ 138,298 | \$ 4,256,280 | \$ 4,125,686 | \$ 72,081 | \$ 196,811 |

EXHIBIT 16
TOWN OF MADISON, NEW HAMPSHIRE
General Fund
Schedule of Changes in Unassigned Fund Balance (Non-GAAP Budgetary Basis)
For the Year Ended December 31, 2023

| | | |
|---|----------------|--------------------------|
| Unassigned fund balance, beginning | | \$ 886,721 |
| Changes: | | |
| Unassigned fund balance appropriated | | (32,974) |
| Emergency expenditure from fund balance | | (441,000) |
| Budget summary: | | |
| Revenue surplus (Exhibit 14) | \$ 370,464 | |
| Unexpended balance of appropriations (Exhibit 15) | <u>196,811</u> | |
| Budget surplus | | 567,275 |
| Increase in nonspendable fund balance | | <u>(1,277)</u> |
| Unassigned fund balance, ending | | <u><u>\$ 978,745</u></u> |



Roberts & Greene, PLLC

To the Members of the Board of Selectmen
Town of Madison
Madison, New Hampshire 03489

In planning and performing our audit of the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Town of Madison as of and for the year ended December 31, 2023, in accordance with auditing standards generally accepted in the United States of America, we considered the Town's internal control over financial reporting (internal control) as a basis for designing our audit procedures 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's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town'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 may exist that have not been identified.

This communication is intended solely for the information and use of the Board of Selectmen and others within the Town, and is not intended to be, and should not be, used by anyone other than these specified parties.

July 22, 2024

Roberts & Greene, PLLC