

TOWN OF EFFINGHAM, NEW HAMPSHIRE

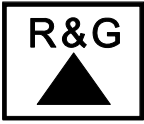
FINANCIAL REPORT

AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2021

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

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Roberts & Greene, PLLC

INDEPENDENT AUDITOR'S REPORT

To the Members of the Board of Selectmen
Town of Effingham
Effingham, New Hampshire

Opinions

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Town as of December 31, 2021, and the respective changes in financial position 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. 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 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

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

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 statement 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 and OPEB information on pages 29-32 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting. 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 Effingham 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's basic financial statements. The combining nonmajor and individual general fund schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. They 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 nonmajor and individual general fund schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

November 9, 2022

Roberts & Aune, PLLC

BASIC FINANCIAL STATEMENTS

EXHIBIT 1
TOWN OF EFFINGHAM, NEW HAMPSHIRE
Statement of Net Position
December 31, 2021

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 3,207,695
Receivables, net of allowance for uncollectibles	779,675
Tax deeded property held for resale	22,505
Capital assets, not being depreciated:	
Land	826,891
Construction in progress	120,500
Capital assets, net of accumulated depreciation:	
Buildings and building improvements	703,877
Machinery, vehicles and equipment	534,785
Infrastructure	2,019,158
Total assets	<u>8,215,086</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred amounts related to pensions	40,792
Deferred amounts related to OPEB	1,627
Total deferred outflows of resources	<u>42,419</u>
LIABILITIES	
Accounts payable	128,854
Accrued payroll and benefits	16,679
Intergovernmental payable	1,270,543
Noncurrent obligations:	
Due in more than one year:	
Net pension liability	155,533
Other postemployment benefits liability	19,850
Total liabilities	<u>1,591,459</u>
DEFERRED INFLOWS OF RESOURCES	
Unearned revenue	94,510
Deferred amounts related to pensions	228,390
Deferred amounts related to OPEB	410
Total deferred inflows of resources	<u>323,310</u>
NET POSITION	
Net investment in capital assets	4,205,211
Restricted for:	
Endowments:	
Nonexpendable	19,284
Expendable	17,836
Other purposes	7,708
Unrestricted	2,092,697
Total net position	<u>\$ 6,342,736</u>

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

EXHIBIT 2
TOWN OF EFFINGHAM, NEW HAMPSHIRE
Statement of Activities
For the Year Ended December 31, 2021

	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	\$ 499,884	\$ 394,256	\$ 135,801	\$ -	\$ 30,173
Public safety	489,274	165	4,506	-	(484,603)
Highways and streets	799,497	-	-	80,217	(719,280)
Sanitation	175,164	23,655	-	-	(151,509)
Health	23,292	-	-	-	(23,292)
Welfare	6,578	-	-	-	(6,578)
Culture and recreation	71,479	-	-	-	(71,479)
Conservation	6,180	-	1,904	-	(4,276)
Capital outlay	298,629	-	2,020	321,683	25,074
Total primary government	<u>\$ 2,369,977</u>	<u>\$ 418,076</u>	<u>\$ 144,231</u>	<u>\$ 401,900</u>	<u>(1,405,770)</u>
General revenues:					
Property taxes					1,674,551
Other taxes					133,083
Grants and contributions not restricted to specific programs					110,708
Miscellaneous					43,797
Total general revenues					<u>1,962,139</u>
Change in net position					556,369
Net position, beginning					<u>5,786,367</u>
Net position, ending					<u>\$ 6,342,736</u>

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

EXHIBIT 3
TOWN OF EFFINGHAM, NEW HAMPSHIRE
Balance Sheet
Governmental Funds
December 31, 2021

	General	Expendable Trust	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 2,619,150	\$ 474,369	\$ 114,176	\$ 3,207,695
Receivables, net of allowance for uncollectibles:				
Taxes	779,671	-	-	779,671
Accounts	4	-	-	4
Interfund receivable	1,515	-	1,439	2,954
Tax deeded property held for resale	22,505	-	-	22,505
Total assets	<u>\$ 3,422,845</u>	<u>\$ 474,369</u>	<u>\$ 115,615</u>	<u>\$ 4,012,829</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 62,266	\$ -	\$ 3,255	\$ 65,521
Accrued salaries and benefits	16,679	-	-	16,679
Intergovernmental payable	1,270,543	-	-	1,270,543
Interfund payable	1,437	-	1,517	2,954
Total liabilities	<u>1,350,925</u>	<u>-</u>	<u>4,772</u>	<u>1,355,697</u>
Deferred inflows of resources:				
Deferred revenue	<u>647,013</u>	<u>-</u>	<u>4,850</u>	<u>651,863</u>
Fund balances:				
Nonspendable	22,505	-	19,284	41,789
Restricted	-	-	25,543	25,543
Committed	158,941	474,369	61,166	694,476
Assigned	45,329	-	-	45,329
Unassigned	1,198,132	-	-	1,198,132
Total fund balances	<u>1,424,907</u>	<u>474,369</u>	<u>105,993</u>	<u>2,005,269</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,422,845</u>	<u>\$ 474,369</u>	<u>\$ 115,615</u>	<u>\$ 4,012,829</u>

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

EXHIBIT 4
TOWN OF EFFINGHAM, NEW HAMPSHIRE
Reconciliation of Total Fund Balances of Governmental Funds to the Statement of Net Position
December 31, 2021

Total fund balances of governmental funds (Exhibit 3)		\$ 2,005,269
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	\$ 6,539,030	
Less accumulated depreciation	<u>(2,333,819)</u>	4,205,211
Payments not due until the subsequent period are not recorded in the governmental funds.		
Abatement settlement		(63,333)
Interfund receivables and payables between governmental funds are eliminated on the statement of net position.		
Receivables	\$ (2,954)	
Payables	<u>2,954</u>	-
Revenues that are not available to pay for current period expenditures are deferred in the funds.		
Unavailable tax revenue		557,353
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Net pension liability	\$ 155,533	
Other postemployment benefits liability	<u>19,850</u>	(175,383)
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	\$ 40,792	
Deferred outflows of resources related to OPEB	1,627	
Deferred inflows of resources related to pensions	(228,390)	
Deferred inflows of resources related to OPEB	<u>(410)</u>	(186,381)
Total net position of governmental activities (Exhibit 1)		<u><u>\$ 6,342,736</u></u>

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

EXHIBIT 5
TOWN OF EFFINGHAM, NEW HAMPSHIRE
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2021

	General	Expendable Trust	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 1,903,332	\$ -	\$ -	\$ 1,903,332
Licenses, permits and fees	388,123	-	-	388,123
Intergovernmental	521,038	-	-	521,038
Charges for services	6,298	-	23,655	29,953
Miscellaneous	174,722	447	5,123	180,292
Total revenues	<u>2,993,513</u>	<u>447</u>	<u>28,778</u>	<u>3,022,738</u>
Expenditures:				
Current:				
General government	556,740	-	165	556,905
Public safety	445,690	-	-	445,690
Highways and streets	618,321	-	-	618,321
Sanitation	171,535	-	-	171,535
Health	23,292	-	-	23,292
Welfare	6,578	-	-	6,578
Culture and recreation	70,629	850	-	71,479
Conservation	957	1,210	4,013	6,180
Capital outlay	679,310	-	-	679,310
Total expenditures	<u>2,573,052</u>	<u>2,060</u>	<u>4,178</u>	<u>2,579,290</u>
Excess (deficiency) of revenues over (under) expenditures	<u>420,461</u>	<u>(1,613)</u>	<u>24,600</u>	<u>443,448</u>
Other financing sources (uses):				
Transfers in	-	83,802	5,452	89,254
Transfers out	(89,252)	-	(2)	(89,254)
Total other financing sources and uses	<u>(89,252)</u>	<u>83,802</u>	<u>5,450</u>	<u>-</u>
Net change in fund balances	331,209	82,189	30,050	443,448
Fund balances, beginning	1,093,698	392,180	75,943	1,561,821
Fund balances, ending	<u>\$ 1,424,907</u>	<u>\$ 474,369</u>	<u>\$ 105,993</u>	<u>\$ 2,005,269</u>

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

EXHIBIT 6
TOWN OF EFFINGHAM, 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, 2021

Net change in fund balances of governmental funds (Exhibit 5)		\$ 443,448
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	\$ 380,681	
Depreciation expense	<u>(252,822)</u>	127,859
The net effect of the disposal of capital assets decreases net position.		(694)
Transfers in and out between governmental funds are eliminated on the operating statement.		
Transfers in	\$ (89,254)	
Transfers out	<u>89,254</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		(159,031)
The repayment of long-term liabilities consumes the current financial resources of governmental funds, but has no effect on net position.		
Abatement settlement		63,333
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 OPEB related balances		22,133
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	\$ 23,651	
Cost of benefits earned, net of employee contributions	<u>35,670</u>	59,321
Change in net position of governmental activities (Exhibit 2)		<u><u>\$ 556,369</u></u>

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

EXHIBIT 7
TOWN OF EFFINGHAM, 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, 2021

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Taxes	\$ 1,717,889	\$ 1,717,889	\$ 1,744,301	\$ 26,412
Licenses, permits and fees	255,900	255,900	388,123	132,223
Intergovernmental	192,425	516,128	521,038	4,910
Charges for services	2,500	2,500	6,298	3,798
Miscellaneous	6,250	140,960	174,722	33,762
Total revenues	<u>2,174,964</u>	<u>2,633,377</u>	<u>2,834,482</u>	<u>201,105</u>
EXPENDITURES				
Current:				
General government	559,340	559,340	566,018	(6,678)
Public safety	526,053	528,073	448,438	79,635
Highways and streets	844,250	844,250	787,321	56,929
Sanitation	173,165	173,165	171,535	1,630
Health	24,464	24,464	23,292	1,172
Welfare	16,500	16,500	6,578	9,922
Culture and recreation	72,735	72,735	80,421	(7,686)
Conservation	1,000	1,000	957	43
Debt service:				
Principal	1	1	-	1
Interest on long-term debt	-	-	(900)	900
Interest on tax anticipation note	1	1	-	1
Capital outlay	-	456,393	392,934	63,459
Total expenditures	<u>2,217,509</u>	<u>2,675,922</u>	<u>2,476,594</u>	<u>199,328</u>
Excess (deficiency) of revenues over (under) expenditures	(42,545)	(42,545)	357,888	400,433
Other financing uses:				
Transfers out	<u>(89,257)</u>	<u>(89,257)</u>	<u>(89,252)</u>	<u>5</u>
Net change in fund balance	<u>\$ (131,802)</u>	<u>\$ (131,802)</u>	268,636	<u>\$ 400,438</u>
Increase in nonspendable fund balance			(12,186)	
Unassigned fund balance, beginning			<u>1,499,035</u>	
Unassigned fund balance, ending			<u>\$ 1,755,485</u>	

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

EXHIBIT 8
TOWN OF EFFINGHAM, NEW HAMPSHIRE
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2021

	Private Purpose Trust
Assets:	
Cash and cash equivalents	\$ 1,563
Liabilities	-
Net position:	
Held in trust for specific purposes	<u>\$ 1,563</u>

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

EXHIBIT 9
TOWN OF EFFINGHAM, NEW HAMPSHIRE
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended December 31, 2021

	Private Purpose Trust
Addition:	
Interest	\$ 2
Net position, beginning	<u>1,561</u>
Net position, ending	<u>\$ 1,563</u>

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

NOTES TO THE FINANCIAL STATEMENTS

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

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 Effingham (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, 2021.

I.B. Financial Reporting Entity – Basis of Presentation

I.B.1. *Entity Defined*

The Town of Effingham 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 fund 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 EFFINGHAM, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2021**

Fund Financial Statements

Fund financial statements are provided for governmental and fiduciary funds. Major individual, governmental funds are reported in separate columns with composite columns for 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.

The government-wide 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 60 days of the end of the fiscal year. However, for the purposes of setting the tax rate, property taxes are not so deferred in accordance with the direction of the New Hampshire Department of Revenue Administration. Expenditures are recorded when the related fund liability is incurred.

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

I.B.4. *Fund Types and Major Funds*

Governmental Funds

The Town reports the following major governmental funds:

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

Expendable Trust Fund – Reports as a Capital Project Fund, and was established by Town Meeting to hold investments that are used for the purchase of capital assets and improvements.

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

The Town also reports four nonmajor governmental funds.

Fiduciary Fund

The Town reports the following fiduciary fund:

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

I.C. Assets 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 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.

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

Capital assets, which include property, plant and equipment are reported in the governmental activities. Capital assets are defined by the Town as assets with useful lives of more than ten years, and are stated at historical cost and reported in the government-wide financial statements. Donated assets are recorded at their estimated acquisition costs on the date of donation. The Town normally capitalizes

**TOWN OF EFFINGHAM, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
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assets with 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	40
Machinery, vehicles and equipment	10-20
Infrastructure	20

I.C.3. 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, net of outstanding debt used to acquire those assets.
- Restricted for endowments, which consists of the balance of the Permanent Fund created through endowments and lot sales to be used only for cemetery care.
- Restricted for other purposes, which consists of the balance of funds for the library, whose use is restricted by State law.
- Unrestricted, which consists of the remaining balance of net position.

The governmental funds report the following components of fund balance:

- Nonspendable, which consists of tax deeded property held for resale in the General Fund, and endowments in the Permanent Fund.
- Restricted, which represents the expendable income of the Permanent Fund and the Library Fund, whose use is limited by law.
- Committed, which consists of balances for which the intended use has been established by Town Meeting vote, or by the Board of Selectmen through the creation of a special revenue fund, and would require an equally formal action to remove those commitments.

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- Assigned, which consists of balances for which the intended use is established by the Board of Selectmen in the form of an encumbrance.
- Unassigned, which represents the remaining fund balance in the General Fund.

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 2021, none of the unassigned fund balance from 2020 was so used, but \$131,802 was appropriated from fund balance.

Encumbrance accounting is employed by the governmental funds. Encumbrances (e.g., purchase orders and contracts) outstanding at year-end are reported as commitments or assignments of fund balances 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, 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 Budgetary Basis to GAAP

The following reconciles the budgetary basis to the GAAP basis for the General Fund.

Revenues and other financing sources:	
Per Exhibit 7 (budgetary basis)	\$ 2,834,482
Adjustments:	
Basis difference:	
Tax revenue deferred in the prior year	716,384
Tax revenue deferred in the current year	(557,353)
Per Exhibit 5 (GAAP basis)	<u>\$ 2,993,513</u>

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Expenditures and other financing uses:	
Per Exhibit 7 (budgetary basis)	\$ 2,565,846
Adjustments:	
Basis difference:	
Encumbrances, beginning	300,728
Encumbrances, ending	(204,270)
Per Exhibit 5 (GAAP basis)	<u>\$ 2,662,304</u>
Unassigned fund balance:	
Per Exhibit 7 (budgetary basis)	\$ 1,755,485
Adjustment:	
Basis difference:	
Deferred tax revenue, GAAP basis	(557,353)
Per Exhibit 3 (GAAP basis)	<u>\$ 1,198,132</u>

The Expendable Trust Fund was not budgeted.

III. Detailed Notes on Funds and Government-Wide Statements

III.A.1. *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 on those not received by the due date of 8% per annum. 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 2020 property taxes on July 23.

The property taxes levied and collected by the Town include amounts for the State of New Hampshire, the Governor Wentworth Regional School District, and Carroll County. 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 deedings, known as overlay. Overlay is raised through taxation and is reported as a reduction in tax revenue.

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The net assessed valuation as of April 1, 2021, upon which the 2021 property tax levy was based was:

For the New Hampshire education tax	\$ 206,972,920
For all other taxes	\$ 212,932,420

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

	Per \$1,000 of Assessed Valuation	
Municipal portion	\$8.53	\$ 1,816,556
School portion:		
State of New Hampshire	\$1.70	351,838
Local	\$11.23	2,391,008
County portion	\$1.03	219,317
Total property taxes assessed		\$ 4,778,719

The following details the taxes receivable at year-end:

Property:		
Levy of 2021		\$ 568,152
Unredeemed (under tax lien):		
Levy of 2020		149,909
Levy of 2019		86,135
Timber		475
Less: allowance for estimated uncollectible taxes		(25,000)
Net taxes receivable		\$ 779,671

Deferred Revenue

Deferred revenue of \$651,863 at December 31, 2021 represents \$557,353 in 2021 property taxes not received within 60 days of year-end, \$75,346 of unspent American Rescue Plan Act grant funds, \$4,850 of unspent grants for the Library Fund, and \$14,314 in prepayments of 2022 property taxes. In the governmental activities, the grants and prepayments are considered unearned revenue.

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III.A.2. Capital Assets

Changes in Capital Assets

Capital asset activity for the year ended December 31, 2021 consisted of the following:

	Balance, beginning	Additions	Deletions	Balance, ending
Governmental activities:				
At cost:				
Not being depreciated:				
Land	\$ 826,891	\$ -	\$ -	\$ 826,891
Construction in progress	216,048	120,500	(216,048)	120,500
Total capital assets not being depreciated	<u>1,042,939</u>	<u>120,500</u>	<u>(216,048)</u>	<u>947,391</u>
Being depreciated:				
Buildings and building improvements	1,070,422	-	-	1,070,422
Machinery, vehicles and equipment	911,595	-	-	911,595
Infrastructure	3,147,271	476,229	(13,878)	3,609,622
Total capital assets being depreciated	<u>5,129,288</u>	<u>476,229</u>	<u>(13,878)</u>	<u>5,591,639</u>
Total all capital assets	<u>6,172,227</u>	<u>596,729</u>	<u>(229,926)</u>	<u>6,539,030</u>
Less accumulated depreciation:				
Buildings and building improvements	(339,784)	(26,761)	-	(366,545)
Machinery, vehicles and equipment	(331,925)	(44,885)	-	(376,810)
Infrastructure	(1,422,472)	(181,176)	13,184	(1,590,464)
Total accumulated depreciation	<u>(2,094,181)</u>	<u>(252,822)</u>	<u>13,184</u>	<u>(2,333,819)</u>
Net book value, capital assets being depreciated	<u>3,035,107</u>	<u>223,407</u>	<u>(694)</u>	<u>3,257,820</u>
Net book value, all capital assets	<u>\$ 4,078,046</u>	<u>\$ 343,907</u>	<u>\$ (216,742)</u>	<u>\$ 4,205,211</u>

Depreciation Expense

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

Governmental activities:	
General government	\$ 24,433
Public safety	43,584
Highways and streets	181,176
Sanitation	3,629
Total depreciation expense	<u>\$ 252,822</u>

III.B Liabilities

III.B.1. Intergovernmental Payable

The amount due to other governments at December 31, 2021 consists of the balance of the 2021-2022 district assessment due to the Governor Wentworth Regional School District in the amount of \$1,270,543.

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III.B.2. Changes in Long-Term Liabilities

The following is a summary of changes in the net pension liability and OPEB liability for the year ended December 31, 2021:

	Net Pension Liability	OPEB Liability	Total
Balance, beginning	\$ 419,252	\$ 40,577	\$ 459,829
Reductions	(263,719)	(20,727)	(284,446)
Balance, ending	\$ 155,533	\$ 19,850	\$ 175,383

III.C. Balances and Transfers – Payments 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 or 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 schedule reports interfund receivables and payables within the reporting entity at year-end:

Receivable Fund	Payable Fund	Amount
General	Nonmajor	\$ 1,515
Nonmajor	General	1,437
Nonmajor	Nonmajor	2
		\$ 2,954

The amount due to the General Fund from the Nonmajor Funds represents excess appropriation to the Library Fund. The amount due to the Nonmajor Funds from the General Fund represents land use change tax collected due to the Conservation Commission. The amount due to the Nonmajor Funds from Nonmajor Funds represents income earned on endowments due from the Permanent Fund to the Library Fund.

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

Transfers within the reporting entity were mostly approved by Town Meeting. The government-wide statement of activities eliminates transfers reported within the governmental activities columns.

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The following schedule reports transfers within the reporting entity:

	Transfers In:		
	Expendable Trust Fund	Nonmajor Funds	Total
Transfers out:			
General fund	\$ 83,802	\$ 5,450	\$ 89,252
Nonmajor funds	-	2	2
	\$ 83,802	\$ 5,452	\$ 89,254

The amounts transferred to the Expendable Trust Fund and Nonmajor Funds from the General Fund represent voted appropriations. The amount transferred between Nonmajor Funds represents interest earned in the Permanent Fund transferred to the Library Fund.

III.D. Fund Equity

III.D.1. Restricted Net Position

The government-wide statement of net position includes restricted net position of \$37,120 for public trust funds reported as restricted for perpetual care and \$7,708 for library funds restricted in accordance with State law.

III.D.2. Components of Fund Balance

The components of fund balance, as described in Note I.C.3., are classified for the following purposes:

	General Fund	Expendable Trust Fund	Nonmajor Funds
Nonspendable:			
Endowments	\$ -	\$ -	\$ 19,284
Tax deeded property	22,505	-	-
Total nonspendable	22,505	-	19,284
Restricted:			
General government	-	-	17,835
Culture and recreation	-	-	7,708
Total restricted	-	-	25,543
Committed:			
Sanitation	-	-	46,154
Conservation	-	-	15,012
Capital outlay	158,941	474,369	-
Total committed	158,941	474,369	61,166
Assigned to general government	45,329	-	-
Unassigned	1,198,132	-	-
Total fund balance	\$ 1,424,907	\$ 474,369	\$ 105,993

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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 fiscal year, the Town was a member of the New Hampshire Public Risk Management Exchange (Primex), which is organized to provide certain property and liability protection to member towns, cities, and other qualified political subdivisions of New Hampshire. As a member of Primex, the Town shares in contributing to the cost of, and receiving benefits from, a self-insured pooled risk management program.

The Primex Workers' Compensation and Property/Liability Programs are pooled risk management programs under RSA 5-B and RSA 281-A. Workers' compensation and property/liability coverage were provided from January 1 to December 31, with property and employer's liability coverage in varying amounts, and statutory coverage for workers' compensation. Contributions paid in 2021 to be recorded as an insurance expenditure/expense totaled \$27,738 for property/liability insurance and workers' compensation. There were no unpaid contributions for the year ended December 31, 2021.

IV.B. Retirement Pensions

General Information about the Pension Plan

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 NHRS provides service, disability, death and vested retirement benefits for employees and their beneficiaries. The New Hampshire Legislature establishes the provisions for benefits and contributions. The NHRS issues a separate financial report that is available by contacting the NHRS at www.nhrs.org or 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. Both member and employer rates are applied to gross earnings. For the year 2021, the member rate of contribution was 11.55% for police officers. The rate of contribution from January 1 to June 30 from the Town was 28.43%, increasing on July 1 to 33.88%. 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 for pension and the medical subsidy from the Town during the years 2019, 2020, and 2021 were \$35,064, \$24,442, and \$23,651 respectively. The amounts were paid on a monthly basis as due.

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

At December 31, 2021, the Town reported a liability of \$155,533 for its proportionate share of the net pension liability. The net pension liability is based upon the June 30, 2020 actuarial valuation, rolled forward to determine the net pension liability as of June 30, 2021. The roll-forward of the total pension liability from June 30, 2020 to June 30, 2021 reflects expected service and interest costs reduced by actual benefit payments, refunds, and administrative expenses for the plan year. 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, 2021, the Town's proportion was 0.0035%, which was a decrease of 0.0031% from its proportion measured as of June 30, 2020.

For 2021, the Town recognized pension expense of \$35,670. At year-end, 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 and differences between employer contributions and proportionate share of contributions	\$ 4,644	\$ 183,263
Net differences between projected and actual earnings on pension plan investments	-	43,499
Changes in assumptions	16,245	-
Differences between expected and actual experience	4,355	1,628
Town contributions subsequent to the measurement date	15,548	-
	<u>\$ 40,792</u>	<u>\$ 228,390</u>

The Town reported \$15,548 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 following year.

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

Year Ending December 31,	
2022	\$ (52,107)
2023	(55,421)
2024	(53,007)
2025	(42,611)
	<u>\$ (203,146)</u>

Actuarial Assumptions

The pension liability in the June 30, 2021 actuarial valuation was determined using the actuarial valuation as of June 30, 2020 rolled forward to June 30, 2021, using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Entry-Age Normal
Amortization Method	Level Percentage-of-Payroll, Closed
Remaining Amortization Period	18 years beginning July 1, 2021
Asset Valuation Method	5-year smoothed market for funding purposes; 20% corridor
Price Inflation	2.5% per year
Wage Inflation	3.25% per year
Salary Increases	5.6% average, including inflation
Municipal Bond Rate	2.45% per year
Investment Rate of Return	7.25%, net of pension plan investment expense, including inflation

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 of July 1, 2010 – June 30, 2015.

Mortality rates were based on the RP-2014 Healthy Annuitant and Employee Generational Mortality Tables for males and females, adjusted for mortality improvements using Scale MP-2015, based on the last experience study.

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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	\$ 222,430	\$ 155,533	\$ 99,730

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

IV.C. Contingent Liabilities

The Town has received federal and state grants for specific purposes that are subject to review and possible audit by the grantor agencies. Any such audit may result in a requirement to reimburse the grantor agency for costs disallowed. The Town does not feel the chance of disallowance is likely, and that if it should occur, the amount would not be material.

The notes continue on the following page.

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IV.D. Other Postemployment Benefits (OPEB)

Plan Description

In addition to providing pension benefits, the Town provides implicit postretirement medical benefits to its retired employees and their spouses, as required by NH RSA 100-A:50, *New Hampshire Retirement System: Medical Benefits*. The pre-65 benefits are the only benefits included in this valuation. Retirees under the age of 65 have a medical insurance plan with HealthTrust. Both Group I and Group II retirees, as categorized by the New Hampshire Retirement System, qualify for this benefit. Group I employees, hired prior to 7/1/11, may retire at age 60, or once their age plus years of service equals 70. Group I employees hired after 7/1/11 may retire at age 65. Group II employees vested prior to 1/1/12 may retire at age 60, or at age 45 with 20 years of service. Group II employees not vested prior to 1/1/12, but hired prior to 7/1/11, may retire at age 60, or upon attainment of minimum age and service requirements as follow:

Years of Creditable Service as of January 1, 2012	Minimum Age	Minimum Service
At least 8 but less than 10 years	46	21
At least 6 but less than 8 years	47	22
At least 4 but less than 6 years	48	23
Less than 4 years	49	24

Group II employees hired on or after 7/1/11 may retire at age 60, or at age 52.5 with 25 years of service. Retirees contribute 100% of premiums for individual, two-person or family medical coverage. Surviving beneficiaries continue to receive access to the Town’s medical coverage after the death of the retired employee as long as they pay the required premium. As of June 30, 2021, the actuarial valuation date, there is only one participant of the postretirement plan that meets eligibility requirements. The plan does not issue a separate financial report.

Medical Insurance Subsidy

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 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 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. This OPEB plan is closed to new entrants.

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Total OPEB Liability

The Town's total OPEB liability of \$19,850 for the medical insurance subsidy was determined by an actuarial valuation as of June 30, 2020 with roll-forward procedures used to determine the liability as of June 30, 2021. The roll-forward of the total OPEB liability from June 30, 2020 to June 30, 2021 reflects expected service cost and interest reduced by actual benefit payments and refunds for the plan year.

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

For the year ended December 31, 2021, the Town recognized a credit to OPEB expense of \$19,628. At year-end, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB 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	\$ -	\$ 158
Net differences between projected and actual earnings on pension plan investments	-	248
Differences between expected and actual experience	-	4
Town contributions subsequent to the measurement date	1,627	-
	<u>\$ 1,627</u>	<u>\$ 410</u>

The Town reported \$1,627 as deferred outflows of resources related to OPEB resulting from Town contributions subsequent to the measurement date, which will be recognized as a reduction of the total OPEB liability in the following year.

Amounts reported as deferred inflows of resources will be recognized in OPEB expense as follow:

Year Ending <u>December 31,</u>	
2022	\$ (219)
2023	(52)
2024	(58)
2025	(81)
	<u>\$ (410)</u>

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Methods and Assumptions

The collective total OPEB liability was based on the following actuarial assumptions:

Medical Insurance Subsidy	
Payroll Growth	3.25%
Discount Rate	6.75%
Long-term municipal bond rate	2.45%
Inflation	2.50%
Investment Rate of Return	7.25% per year, net of OPEB plan investment expense, including inflation
Mortality	RP-2014 Healthy Annuitant and Employee Generational Mortality Table for males and females with credibility adjustments, adjusted for fully generational mortality improvements using Scale MP-2015 based on the last experience study
Healthcare Cost Trend Rates	N/A, given that benefits are fixed stipends

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

Assumptions and methods used to determine the total OPEB liability are sensitive to changes in the discount rate. The following presents the Town's total OPEB liability calculated using the stated discount rate, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the stated rate.

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Town's total OPEB liability	\$ 21,578	\$ 19,850	\$ 18,346

REQUIRED SUPPLEMENTARY INFORMATION

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

	2021	2020	2019	2018	2017	2016	2015	2014
Town's proportion of net pension liability	0.0035%	0.0066%	0.0084%	0.0086%	0.0080%	0.0083%	0.0079%	0.0077%
Town's proportionate share of the net pension liability	\$ 155,533	\$ 419,252	\$ 402,518	\$ 416,004	\$ 393,635	\$ 441,411	\$ 311,049	\$ 289,715
Town's covered-employee payroll	\$ 83,407	\$ 88,950	\$ 121,347	\$ 166,001	\$ 129,023	\$ 127,803	\$ 132,821	\$ 120,028
Town's proportionate share of the net pension liability as a percentage of covered-employee payroll	186.47%	471.33%	331.71%	250.60%	305.09%	345.38%	234.19%	241.37%
Plan fiduciary position as a percentage of the total pension liability	72.22%	58.72%	65.59%	64.77%	6266.00%	58.30%	65.47%	66.32%

The note to the required supplementary information is an integral part of this schedule.

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

	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 23,651	\$ 24,442	\$ 30,374	\$ 48,030	\$ 36,029	\$ 33,714	\$ 34,365	\$ 30,367
Contribution in relation to the contractually required contribution	<u>(23,651)</u>	<u>(24,442)</u>	<u>(30,374)</u>	<u>(48,030)</u>	<u>(36,029)</u>	<u>(33,714)</u>	<u>(34,365)</u>	<u>(30,367)</u>
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll	\$ 83,407	\$ 88,950	\$ 121,347	\$ 166,001	\$ 129,023	\$ 127,803	\$ 132,821	\$ 120,028
Contributions as a percentage of covered-employee payroll	28.36%	27.48%	25.03%	28.93%	27.92%	26.38%	25.87%	25.30%

The note to the required supplementary information is an integral part of this schedule.

EXHIBIT 12
TOWN OF EFFINGHAM
Schedule of Changes in the Town's Total OPEB Liability and Related Ratios

	2021	2020	2019	2018
Total OPEB liability:				
Service cost	\$ 36	\$ 69	\$ 71	\$ 132
Interest	1,512	304	2,861	4,589
Projected earnings on plan investments	(531)	(37)	(166)	(357)
OPEB plan administrative expenses	9	16	24	5,644
Net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions	(19,498)	(12,047)	2,973	17,410
Benefit payments	(2,255)	(4,340)	(10,324)	(4,778)
Net change in total OPEB liability	(20,727)	(16,035)	(4,561)	22,640
Total OPEB liability, beginning	40,577	56,612	61,173	38,533
Total OPEB liability, ending	<u>\$ 19,850</u>	<u>\$ 40,577</u>	<u>\$ 56,612</u>	<u>\$ 61,173</u>
Covered-employee payroll	\$ 83,407	\$ 88,950	\$ 121,347	\$ 166,001
Total OPEB liability as a percentage of covered-employee payroll	23.80%	45.62%	46.65%	36.85%
Town's proportion of total OPEB liability	0.0093%	0.0093%	0.0129%	0.0134%

The note to the required supplementary information is an integral part of this schedule.

EXHIBIT 13
TOWN OF EFFINGHAM
Schedule of the Town's OPEB Contributions

	2021	2020	2019	2018
Actuarially determined contribution	\$ 2,382	\$ 3,256	\$ 5,893	\$ 5,910
Contributions in relation to the actuarially determined contribution	(2,382)	(3,256)	(5,893)	(5,910)
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 83,407	\$ 88,950	\$ 121,347	\$ 166,001
Contributions as a percentage of covered-employee payroll	2.86%	3.66%	4.86%	3.56%

The note to the required supplementary information is an integral part of this schedule.

TOWN OF EFFINGHAM
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2021

The Pension and OPEB Schedules are meant to present related information for ten years. Because this is the seventh year that the Town has presented the pension schedules, and the third year for the OPEB information under the current measurement standard, only eight and four years, respectively, are presented. An additional year's information will be added each year until there are ten years shown.

COMBINING NONMAJOR AND INDIVIDUAL GENERAL FUND SCHEDULES

EXHIBIT 14
TOWN OF EFFINGHAM, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2021

	Special Revenue Funds				Total
	Library	Conservation Commission	Solid Waste Facility	Permanent Fund	
ASSETS					
Cash and cash equivalents	\$ 17,326	\$ 13,575	\$ 46,154	\$ 37,121	\$ 114,176
Interfund receivable	2	1,437	-	-	1,439
Total assets	<u>\$ 17,328</u>	<u>\$ 15,012</u>	<u>\$ 46,154</u>	<u>\$ 37,121</u>	<u>\$ 115,615</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 3,255	\$ -	\$ -	\$ -	\$ 3,255
Interfund payable	1,515	-	-	2	1,517
Total liabilities	<u>4,770</u>	<u>-</u>	<u>-</u>	<u>2</u>	<u>4,772</u>
Deferred inflows of resources:					
Deferred revenue	<u>4,850</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,850</u>
Fund balances:					
Nonspendable	-	-	-	19,284	19,284
Restricted	7,708	-	-	17,835	25,543
Committed	-	15,012	46,154	-	61,166
Total fund balances	<u>7,708</u>	<u>15,012</u>	<u>46,154</u>	<u>37,119</u>	<u>105,993</u>
Total liabilities and fund balances	<u>\$ 17,328</u>	<u>\$ 15,012</u>	<u>\$ 46,154</u>	<u>\$ 37,121</u>	<u>\$ 115,615</u>

EXHIBIT 15
TOWN OF EFFINGHAM, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended December 31, 2021

	Special Revenue Funds				Total
	Library	Conservation Commission	Solid Waste Facility	Permanent Fund	
REVENUES					
Charges for services	\$ -	\$ -	\$ 23,655	\$ -	\$ 23,655
Miscellaneous	5,080	1	-	42	5,123
Total revenues	<u>5,080</u>	<u>1</u>	<u>23,655</u>	<u>42</u>	<u>28,778</u>
EXPENDITURES					
Current:					
General government	-	-	-	165	165
Conservation	-	4,013	-	-	4,013
Total expenditures	<u>-</u>	<u>4,013</u>	<u>-</u>	<u>165</u>	<u>4,178</u>
Excess (deficiency) of revenues over (under) expenditures	<u>5,080</u>	<u>(4,012)</u>	<u>23,655</u>	<u>(123)</u>	<u>24,600</u>
Other financing sources (uses):					
Transfers in	2	5,450	-	-	5,452
Transfers out	-	-	-	(2)	(2)
Total other financing sources and uses	<u>2</u>	<u>5,450</u>	<u>-</u>	<u>(2)</u>	<u>5,450</u>
Net change in fund balances	5,082	1,438	23,655	(125)	30,050
Fund balances, beginning	2,626	13,574	22,499	37,244	75,943
Fund balances, ending	<u>\$ 7,708</u>	<u>\$ 15,012</u>	<u>\$ 46,154</u>	<u>\$ 37,119</u>	<u>\$ 105,993</u>

EXHIBIT 16
TOWN OF EFFINGHAM, NEW HAMPSHIRE
General Fund
Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)
For the Year Ended December 31, 2021

	Estimated	Actual	Variance Positive (Negative)
Taxes:			
Property	\$ 1,677,839	\$ 1,611,218	\$ (66,621)
Land use change	-	22,500	22,500
Timber	10,000	34,541	24,541
Excavation	50	-	(50)
Interest and penalties on delinquent taxes	30,000	76,042	46,042
Total taxes	<u>1,717,889</u>	<u>1,744,301</u>	<u>26,412</u>
Licenses, permits and fees:			
Business licenses and permits	500	-	(500)
Motor vehicle permits	250,000	378,624	128,624
Building permits	1,900	3,145	1,245
Other	3,500	6,354	2,854
Total licenses, permits and fees	<u>255,900</u>	<u>388,123</u>	<u>132,223</u>
Intergovernmental:			
State sources:			
Voter checklist	-	425	425
Meals and rooms distributions	110,283	110,283	-
Highway block grant	80,238	80,217	(21)
State and federal forest land	1,904	1,904	-
Used oil grant	-	2,500	2,500
Federal sources:			
DES	71,683	71,683	-
ARPA	2,020	2,020	-
USDA	250,000	250,000	-
Other government sources:			
Parsonfield mutual aid	-	2,006	2,006
Total intergovernmental	<u>516,128</u>	<u>521,038</u>	<u>4,910</u>
Charges for services:			
Income from departments	<u>2,500</u>	<u>6,298</u>	<u>3,798</u>
Miscellaneous:			
Sale of property	-	250	250
Interest on investments	4,500	5,637	1,137
Insurance dividends and reimbursements	-	23,161	23,161
Contributions and donations	134,710	135,760	1,050
Other	1,750	9,914	8,164
Total miscellaneous	<u>140,960</u>	<u>174,722</u>	<u>33,762</u>
Total revenues and other financing sources	2,633,377	<u>\$ 2,834,482</u>	<u>\$ 201,105</u>
Fund balance appropriated	131,802		
Total revenues, other financing sources and use of fund balance	<u>\$ 2,765,179</u>		

EXHIBIT 17
TOWN OF EFFINGHAM, NEW HAMPSHIRE
General Fund
Schedule of Appropriations, Expenditures and Encumbrances (Non-GAAP Budgetary Basis)
For the Year Ended December 31, 2021

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
General government:					
Executive	\$ -	\$ 162,500	\$ 160,627	\$ -	\$ 1,873
Election and registration	-	45,223	44,546	-	677
Financial administration	-	55,015	52,525	-	2,490
Revaluation of property	13,452	37,750	17,646	22,730	10,826
Legal	-	30,000	53,583	-	(23,583)
Personnel administration	-	50,000	61,246	-	(11,246)
Planning and zoning	-	23,852	26,547	-	(2,695)
General government buildings	-	74,000	64,558	-	9,442
Cemeteries	-	2,000	1,116	-	884
Insurance, not otherwise allocated	-	76,000	73,115	-	2,885
Advertising and regional associations	-	3,000	1,231	-	1,769
Total general government	<u>13,452</u>	<u>559,340</u>	<u>556,740</u>	<u>22,730</u>	<u>(6,678)</u>
Public safety:					
Police	-	232,913	198,520	1,150	33,243
Ambulance	-	125,000	86,097	-	38,903
Fire	-	163,650	156,349	1,598	5,703
Emergency management	-	6,510	4,724	-	1,786
Total public safety	<u>-</u>	<u>528,073</u>	<u>445,690</u>	<u>2,748</u>	<u>79,635</u>
Highways and streets:					
Highways and streets	-	834,750	611,303	169,000	54,447
Bridges	-	1,000	450	-	550
Street lighting	-	8,500	6,568	-	1,932
Total highways and streets	<u>-</u>	<u>844,250</u>	<u>618,321</u>	<u>169,000</u>	<u>56,929</u>
Sanitation:					
Solid waste collection	-	92,965	83,861	-	9,104
Solid waste disposal	-	73,200	81,262	-	(8,062)
Solid waste clean-up	-	7,000	6,412	-	588
Total sanitation	<u>-</u>	<u>173,165</u>	<u>171,535</u>	<u>-</u>	<u>1,630</u>
Health:					
Pest control	-	3,400	2,228	-	1,172
Health agencies and hospitals	-	21,064	21,064	-	-
Total health	<u>-</u>	<u>24,464</u>	<u>23,292</u>	<u>-</u>	<u>1,172</u>
Welfare:					
Direct assistance	-	12,000	2,690	-	9,310
Vendor payments	-	4,500	3,888	-	612
Total welfare	<u>-</u>	<u>16,500</u>	<u>6,578</u>	<u>-</u>	<u>9,922</u>

(continued)

EXHIBIT 17 (continued)
TOWN OF EFFINGHAM, NEW HAMPSHIRE
General Fund
Schedule of Appropriations, Expenditures and Encumbrances (Non-GAAP Budgetary Basis)
For the Year Ended December 31, 2021

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Culture and recreation:					
Parks and recreation	-	10,000	10,000	-	-
Public library	-	62,035	59,977	9,792	(7,734)
Patriotic purposes	-	700	652	-	48
Total culture and recreation	<u>-</u>	<u>72,735</u>	<u>70,629</u>	<u>9,792</u>	<u>(7,686)</u>
Conservation	<u>-</u>	<u>1,000</u>	<u>957</u>	<u>-</u>	<u>43</u>
Debt service:					
Principal	-	1	-	-	1
Interest on long-term debt	900	-	-	-	900
Interest on tax anticipation note	-	1	-	-	1
Total debt service	<u>900</u>	<u>2</u>	<u>-</u>	<u>-</u>	<u>902</u>
Capital outlay:					
Buildings	-	134,710	136,937	-	(2,227)
Improvements other than buildings	<u>286,376</u>	<u>321,683</u>	<u>542,373</u>	<u>-</u>	<u>65,686</u>
Total capital outlay	<u>286,376</u>	<u>456,393</u>	<u>679,310</u>	<u>-</u>	<u>63,459</u>
Other financing uses:					
Transfers out:					
Expendable trust fund	-	83,802	83,802	-	-
Nonmajor funds	<u>-</u>	<u>5,455</u>	<u>5,450</u>	<u>-</u>	<u>5</u>
Total other financing uses	<u>-</u>	<u>89,257</u>	<u>89,252</u>	<u>-</u>	<u>5</u>
Total encumbrances, appropriations, expenditures and other financing uses	<u>\$ 300,728</u>	<u>\$ 2,765,179</u>	<u>\$ 2,662,304</u>	<u>\$ 204,270</u>	<u>\$ 199,333</u>

EXHIBIT 18
TOWN OF EFFINGHAM, NEW HAMPSHIRE
General Fund
Schedule of Changes in Unassigned Fund Balance (Non-GAAP Budgetary Basis)
For the Year Ended December 31, 2021

Unassigned fund balance, beginning, as restated		\$ 1,499,035
Changes:		
Unassigned fund balance appropriated		(131,802)
Budget summary:		
Revenue surplus (Exhibit 16)	\$ 201,105	
Unexpended balance of appropriations (Exhibit 17)	199,333	
Budget surplus		400,438
Increase in nonspendable fund balance		(12,186)
Unassigned fund balance, ending		\$ 1,755,485



Roberts & Greene, PLLC

INDEPENDENT AUDITOR'S COMMUNICATION TO MANAGEMENT

To the Members of the Board of Selectmen
Town of Effingham
Effingham, New Hampshire

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Effingham as of and for the year ended December 31, 2021, 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 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'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.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. 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.

However, we identified the following other matters that we wish to communicate:

Cash Reconciliation

Throughout the year, the Town exhibited difficulties in reconciling cash to the general ledger in Quickbooks. We determined that there were various immaterial errors in the process, such as outstanding items that had cleared, timing differences for credit card payments on taxes or clerk fees resulting in deposits in transit, or duplicated deposits resulting from bounced check transactions. It is important that all variances be identified and corrected during the reconciliation process. It may be useful to record credit card transactions individually, so that in transit items can be more accurately tracked. We are also aware that the Town has obtained outside assistance in improving the reconciliation process for 2022.

Health Insurance Deductions

Town employees who receive health insurance through the Town contribute a portion of the cost through payroll deductions. Those deductions are properly posted to a payroll liability. However, we noted the health insurance invoices during the year did not get posted against the liability for the employee contribution share, resulting in an accumulating liability balance. An audit adjustment was proposed to correct the balance. We recommend monthly health insurance invoices be split between the Town's expenditure and the payroll liability for the amounts withheld from employees.

State Fees Collected

The Town Clerk's office collects miscellaneous fees on behalf of the State, and remits them to the State annually. Those fees should be posted to a liability account "Due to State of New Hampshire" when collected, and the

Town of Effingham
Independent Auditor's Communication to Management

annual payments posted against that liability when remitted. During 2021, the fees were recorded as revenue of the Town, while the payment to the State was posted against the liability. This resulted in a debit balance in the liability account before the proposed audit adjustment. We recommend that the State fees be separated when deposits are posted and recorded on the liability line.

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

November 9, 2022

Roberts & Heene, PLLC