

TOWN OF EFFINGHAM, NEW HAMPSHIRE

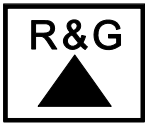
FINANCIAL REPORT

AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2022

**TOWN OF EFFINGHAM, NEW HAMPSHIRE
FINANCIAL REPORT
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2022**

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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, 2022, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Effingham as of December 31, 2022, and the respective changes in financial position thereof, and the budgetary comparison statement of the General Fund, 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.

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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.

January 23, 2024

Roberts & Greene, PLLC

BASIC FINANCIAL STATEMENTS

EXHIBIT 1
TOWN OF EFFINGHAM, NEW HAMPSHIRE
Statement of Net Position
December 31, 2022

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 2,178,806
Receivables, net of allowance for uncollectibles	1,567,518
Tax deeded property held for resale	32,926
Capital assets, not being depreciated:	
Land	826,891
Construction in progress	744,321
Capital assets, net of accumulated depreciation:	
Buildings and building improvements	677,116
Machinery, vehicles and equipment	546,529
Infrastructure	2,284,376
Total assets	<u>8,858,483</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred amounts related to pensions	194,936
Deferred amounts related to OPEB	2,363
Total deferred outflows of resources	<u>197,299</u>
LIABILITIES	
Accounts payable	77,925
Accrued payroll and benefits	12,820
Intergovernmental payable	1,400,142
Performance and escrow deposits	1,661
Noncurrent obligations:	
Net pension liability	381,904
Other postemployment benefits liability	33,267
Total liabilities	<u>1,907,719</u>
DEFERRED INFLOWS OF RESOURCES	
Unearned revenue	149,738
Deferred amounts related to pensions	131,698
Total deferred inflows of resources	<u>281,436</u>
NET POSITION	
Net investment in capital assets	5,079,233
Restricted for:	
Endowments:	
Nonexpendable	19,284
Expendable	18,104
Other purposes	12,396
Unrestricted	1,737,610
Total net position	<u>\$ 6,866,627</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, 2022

		Program Revenues			Net (Expense)
		Charges	Operating	Capital	Revenue and
		for	Grants and	Grants and	Changes in Net
	Expenses	Services	Contributions	Contributions	Position
Governmental activities:					
General government	\$ 791,046	\$ 383,323	\$ 283	\$ 169,657	\$ (237,783)
Public safety	592,466	21,980	-	94,554	(475,932)
Highways and streets	886,887	-	5,000	81,333	(800,554)
Sanitation	170,282	22,544	-	-	(147,738)
Health	32,628	-	-	-	(32,628)
Welfare	10,936	-	-	-	(10,936)
Culture and recreation	119,967	-	-	-	(119,967)
Conservation	8,690	-	-	2,121	(6,569)
Capital outlay	3,973	-	-	-	(3,973)
Total primary government	<u>\$ 2,616,875</u>	<u>\$ 427,847</u>	<u>\$ 5,283</u>	<u>\$ 347,665</u>	<u>(1,836,080)</u>
General revenues:					
Property taxes					1,862,785
Other taxes					124,990
Grants and contributions not restricted to specific programs					149,431
Miscellaneous					159,432
Total general revenues					<u>2,296,638</u>
Change in net position					460,558
Net position, beginning, as restated, see Note III.D.3.					6,406,069
Net position, ending					<u>\$ 6,866,627</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, 2022

	General	Expendable Trust	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 1,615,284	\$ 421,661	\$ 141,861	\$ 2,178,806
Receivables, net of allowance for uncollectibles:				
Taxes	1,545,163	-	-	1,545,163
Accounts	280	-	-	280
Intergovernmental	22,075	-	-	22,075
Interfund receivable	3,088	-	1,865	4,953
Tax deeded property held for resale	32,926	-	-	32,926
Total assets	<u>\$ 3,218,816</u>	<u>\$ 421,661</u>	<u>\$ 143,726</u>	<u>\$ 3,784,203</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 72,746	\$ -	\$ 5,179	\$ 77,925
Accrued salaries and benefits	12,820	-	-	12,820
Intergovernmental payable	1,400,142	-	-	1,400,142
Interfund payable	1,848	-	3,105	4,953
Escrow and performance deposits	1,661	-	-	1,661
Total liabilities	<u>1,489,217</u>	<u>-</u>	<u>8,284</u>	<u>1,497,501</u>
Deferred inflows of resources:				
Deferred revenue	<u>843,343</u>	<u>-</u>	<u>-</u>	<u>843,343</u>
Fund balances:				
Nonspendable	32,926	-	19,284	52,210
Restricted	-	-	30,499	30,499
Committed	2,851	421,661	85,659	510,171
Assigned	11,420	-	-	11,420
Unassigned	839,059	-	-	839,059
Total fund balances	<u>886,256</u>	<u>421,661</u>	<u>135,442</u>	<u>1,443,359</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,218,816</u>	<u>\$ 421,661</u>	<u>\$ 143,726</u>	<u>\$ 3,784,203</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, 2022

Total fund balances of governmental funds (Exhibit 3)		\$ 1,443,359
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	\$ 7,703,754	
Less accumulated depreciation	<u>(2,624,521)</u>	
		5,079,233
Interfund receivables and payables between governmental funds are eliminated on the statement of net position.		
Receivables	\$ (4,953)	
Payables	<u>4,953</u>	
		-
Revenues that are not available to pay for current period expenditures are deferred in the funds.		
Unavailable tax revenue		693,605
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Net pension liability	\$ 381,904	
Other postemployment benefits liability	<u>33,267</u>	
		(415,171)
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	\$ 194,936	
Deferred outflows of resources related to OPEB	2,363	
Deferred inflows of resources related to pensions	<u>(131,698)</u>	
		65,601
Total net position of governmental activities (Exhibit 1)		<u><u>\$ 6,866,627</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, 2022

	General	Expendable Trust	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 1,851,523	\$ -	\$ -	\$ 1,851,523
Licenses, permits and fees	379,858	-	-	379,858
Intergovernmental	502,097	-	-	502,097
Charges for services	24,956	-	22,544	47,500
Miscellaneous	117,420	4,261	38,522	160,203
Total revenues	<u>2,875,854</u>	<u>4,261</u>	<u>61,066</u>	<u>2,941,181</u>
Expenditures:				
Current:				
General government	662,807	116,000	-	778,807
Public safety	552,637	52,874	-	605,511
Highways and streets	1,643,739	-	-	1,643,739
Sanitation	166,903	-	-	166,903
Health	32,628	-	-	32,628
Welfare	10,936	-	-	10,936
Culture and recreation	86,402	-	33,565	119,967
Conservation	3,792	3,041	1,857	8,690
Capital outlay	135,910	-	-	135,910
Total expenditures	<u>3,295,754</u>	<u>171,915</u>	<u>35,422</u>	<u>3,503,091</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(419,900)</u>	<u>(167,654)</u>	<u>25,644</u>	<u>(561,910)</u>
Other financing sources (uses):				
Transfers in	10,554	125,500	3,820	139,874
Transfers out	(129,305)	(10,554)	(15)	(139,874)
Total other financing sources and uses	<u>(118,751)</u>	<u>114,946</u>	<u>3,805</u>	<u>-</u>
Net change in fund balances	(538,651)	(52,708)	29,449	(561,910)
Fund balances, beginning	1,424,907	474,369	105,993	2,005,269
Fund balances, ending	<u>\$ 886,256</u>	<u>\$ 421,661</u>	<u>\$ 135,442</u>	<u>\$ 1,443,359</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, 2022

Net change in fund balances of governmental funds (Exhibit 5)		\$ (561,910)
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	\$ 1,164,724	
Depreciation expense	<u>(290,702)</u>	
		874,022
Transfers in and out between governmental funds are eliminated on the operating statement.		
Transfers in	\$ (139,874)	
Transfers out	<u>139,874</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		136,252
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 OPEB related balances		(12,271)
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	\$ 45,234	
Cost of benefits earned, net of employee contributions	<u>(20,769)</u>	
		24,465
Change in net position of governmental activities (Exhibit 2)		<u><u>\$ 460,558</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, 2022

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Taxes	\$ 1,845,046	\$ 1,845,046	\$ 1,987,775	\$ 142,729
Licenses, permits and fees	212,218	212,218	379,858	167,640
Intergovernmental	383,201	547,793	502,097	(45,696)
Charges for services	16,000	16,000	24,956	8,956
Miscellaneous	2,951	2,951	117,420	114,469
Total revenues	<u>2,459,416</u>	<u>2,624,008</u>	<u>3,012,106</u>	<u>388,098</u>
EXPENDITURES				
Current:				
General government	637,330	637,330	654,320	(16,990)
Public safety	512,704	555,341	549,917	5,424
Highways and streets	1,519,250	1,519,250	1,474,739	44,511
Sanitation	182,610	182,610	166,903	15,707
Health	33,730	33,730	32,628	1,102
Welfare	16,000	16,000	10,936	5,064
Culture and recreation	94,985	94,985	76,610	18,375
Conservation	4,000	4,000	3,792	208
Debt service:				
Interest on tax anticipation note	1	2	-	1
Capital leases	1	-	-	1
Capital outlay	-	121,955	135,910	(13,955)
Total expenditures	<u>3,000,611</u>	<u>3,165,203</u>	<u>3,105,755</u>	<u>59,448</u>
Deficiency of revenues under expenditures	(541,195)	(541,195)	(93,649)	447,546
Other financing sources and uses:				
Transfers in	-	-	10,554	10,554
Transfers out	(129,305)	(129,305)	(129,305)	-
Total other financing sources and uses	<u>(129,305)</u>	<u>(129,305)</u>	<u>(118,751)</u>	<u>10,554</u>
Net change in fund balance	<u>\$ (670,500)</u>	<u>\$ (670,500)</u>	(212,400)	<u>\$ 458,100</u>
Increase in nonspendable fund balance			(10,421)	
Unassigned fund balance, beginning			1,755,485	
Unassigned fund balance, ending			<u>\$ 1,532,664</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, 2022

	Private Purpose Trust
Assets:	
Cash and cash equivalents	\$ 1,575
Liabilities	-
Net position:	
Held in trust for specific purposes	\$ 1,575

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, 2022

	Private Purpose Trust
Addition:	
Interest	\$ 12
Net position, beginning	1,563
Net position, ending	<u>\$ 1,575</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, 2022

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, 2022.

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, 2022**

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 purpose 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, 2022**

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 Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

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.

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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 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	5-20
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.

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- 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.
- 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 2022, none of the unassigned fund balance from 2021 was so used, but \$670,500 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, 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 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)	\$ 3,022,660
Adjustments:	
Basis difference:	
Tax revenue deferred in the prior year	557,353
Tax revenue deferred in the current year	(693,605)
Per Exhibit 5 (GAAP basis)	<u><u>\$ 2,886,408</u></u>

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Expenditures and other financing uses:	
Per Exhibit 7 (budgetary basis)	\$ 3,235,060
Adjustments:	
Basis difference:	
Encumbrances, beginning	204,270
Encumbrances, ending	(14,271)
Per Exhibit 5 (GAAP basis)	<u>\$ 3,425,059</u>
Unassigned fund balance:	
Per Exhibit 7 (budgetary basis)	\$ 1,532,664
Adjustment:	
Basis difference:	
Deferred tax revenue, GAAP basis	(693,605)
Per Exhibit 3 (GAAP basis)	<u>\$ 839,059</u>

The Expendable Trust Fund was not budgeted.

III. Detailed Notes on Funds and Government-Wide Statements

III.A. Assets

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 of 8% per annum on those 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 lien 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 2021 property taxes on July 14.

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, 2022, upon which the 2022 property tax levy was based was:

For the New Hampshire education tax	\$ 210,438,567
For all other taxes	\$ 214,655,067

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

	Per \$1,000 of Assessed Valuation	
Municipal portion	\$8.78	\$ 1,883,802
School portion:		
State of New Hampshire	\$1.20	253,377
Local	\$12.53	2,689,580
County portion	\$1.06	227,600
Total property taxes assessed		<u>\$ 5,054,359</u>

The following details the taxes receivable at year-end:

Property:	
Levy of 2022	\$ 1,323,637
Levy of 2021	4,236
Unredeemed (under tax lien):	
Levy of 2021	149,183
Levy of 2020	89,783
Levy of 2019	323
Timber	3,001
Less: allowance for estimated uncollectible taxes	(25,000)
Net taxes receivable	<u>\$ 1,545,163</u>

Deferred Revenue

Deferred revenue of \$843,343 at December 31, 2022 represents \$693,605 in 2022 property taxes not received within 60 days of year-end, \$139,812 of unspent grant funds, \$9,926 in prepayments of 2023 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, 2022 consisted of the following:

	Balance, beginning	Additions	Balance, ending
Governmental activities:			
At cost:			
Not being depreciated:			
Land	\$ 826,891	\$ -	\$ 826,891
Construction in progress	120,500	623,821	744,321
Total capital assets not being depreciated	<u>947,391</u>	<u>623,821</u>	<u>1,571,212</u>
Being depreciated:			
Buildings and building improvements	1,070,422	-	1,070,422
Machinery, vehicles and equipment	911,595	64,176	975,771
Infrastructure	3,609,622	476,727	4,086,349
Total capital assets being depreciated	<u>5,591,639</u>	<u>540,903</u>	<u>6,132,542</u>
Total all capital assets	<u>6,539,030</u>	<u>1,164,724</u>	<u>7,703,754</u>
Less accumulated depreciation:			
Buildings and building improvements	(366,545)	(26,761)	(393,306)
Machinery, vehicles and equipment	(376,810)	(52,432)	(429,242)
Infrastructure	(1,590,464)	(211,509)	(1,801,973)
Total accumulated depreciation	<u>(2,333,819)</u>	<u>(290,702)</u>	<u>(2,624,521)</u>
Net book value, capital assets being depreciated	<u>3,257,820</u>	<u>250,201</u>	<u>3,508,021</u>
Net book value, all capital assets	<u>\$ 4,205,211</u>	<u>\$ 874,022</u>	<u>\$ 5,079,233</u>

Depreciation Expense

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

Governmental activities:	
General government	\$ 24,433
Public safety	51,131
Highways and streets	211,759
Sanitation	3,379
Total depreciation expense	<u>\$ 290,702</u>

III.B. Liabilities

III.B.1. Intergovernmental Payable

The amount due to other governments at December 31, 2022 consists of the balance of the 2022-2023 district assessment due to the Governor Wentworth Regional School District in the amount of \$1,400,142.

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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, 2022:

	Net Pension Liability	OPEB Liability	Total
Balance, beginning	\$ 155,533	\$ 19,850	\$ 175,383
Additions	226,371	13,417	239,788
Balance, ending	<u>\$ 381,904</u>	<u>\$ 33,267</u>	<u>\$ 415,171</u>

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:

<u>Receivable Fund</u>	<u>Payable Fund</u>	Amount
General	Nonmajor	\$ 3,088
Nonmajor	General	1,848
Nonmajor	Nonmajor	17
		<u>\$ 4,953</u>

The amount due to the General Fund 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 are substantially for the purposes of moving voted amounts, and distributing trust income to the applicable fund. 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:			
	General Fund	Expendable Trust Fund	Nonmajor Funds	Total
Transfers out:				
General fund	\$ -	\$ 125,500	\$ -	\$ 125,500
Expendable trust fund	10,554	-	-	10,554
Nonmajor funds	3,805	-	15	3,820
	<u>\$ 14,359</u>	<u>\$ 125,500</u>	<u>\$ 15</u>	<u>\$ 139,874</u>

The amounts transferred to the Expendable Trust Fund and Nonmajor Funds from the General Fund, and to the General Fund from the Expendable Trust 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 \$37,388 for public trust funds reported as restricted for perpetual care and \$12,396 for library funds restricted in accordance with State law.

The notes continue on the following page.

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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	32,926	-	-
Total nonspendable	32,926	-	19,284
Restricted:			
General government	-	-	18,103
Culture and recreation	-	-	12,396
Total restricted	-	-	30,499
Committed:			
General government	2,851	-	-
Sanitation	-	-	68,698
Conservation	-	-	16,961
Capital outlay	-	421,661	-
Total committed	2,851	421,661	85,659
Assigned:			
General government	11,392	-	-
Public safety	28	-	-
Total assigned	11,420	-	-
Unassigned	839,059	-	-
Total fund balance	\$ 886,256	\$ 421,661	\$ 135,442

III.D.3. Restatement of Net Position

The net position at January 1, 2022, was restated as follows:

	Governmental Activities
To remove liability	\$ 63,333
Net position, as previously reported	6,342,736
Net position, as restated	\$ 6,406,069

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

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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 2022 to be recorded as an insurance expenditure/expense totaled \$20,456 for property/liability insurance and \$9,438 for workers' compensation. There were no unpaid contributions for the year ended December 31, 2022.

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 2022, the member rate of contribution was 11.55% for police officers. The employer rate of contribution was 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 2020, 2021, and 2022 were \$24,442, \$23,651, and \$49,670 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, 2022, the Town reported a liability of \$381,904 for its proportionate share of the net pension liability. The net pension liability is based upon the June 30, 2021 actuarial valuation, rolled forward to determine the net pension liability as of June 30, 2022. The roll-forward of the total pension liability from June 30, 2021 to June 30, 2022 reflects expected service and interest costs reduced by actual benefit payments, refunds, and administrative expenses for the plan year. The

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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, 2022, the Town's proportion was 0.0067%, which was an increase of 0.0032% from its proportion measured as of June 30, 2021.

For 2022, the Town recognized pension expense of \$20,769. 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	\$ 128,219	\$ 130,232
Net differences between projected and actual earnings on pension plan investments	14,474	-
Changes in assumptions	20,314	-
Differences between expected and actual experience	7,168	1,466
Town contributions subsequent to the measurement date	24,761	-
	<u>\$ 194,936</u>	<u>\$ 131,698</u>

The Town reported \$24,761 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.

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,	
2023	\$ (4,699)
2024	(3,037)
2025	(1,966)
2026	48,179
	<u>\$ 38,477</u>

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Actuarial Assumptions

The pension liability in the June 30, 2022 actuarial valuation was determined using the actuarial valuation as of June 30, 2021 rolled forward to June 30, 2022, 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	Multiple periods of 18-20 years
Asset Valuation Method	5-year smoothed market for funding purposes; 20% corridor
Price Inflation	2.0% per year
Wage Inflation	2.75% per year
Salary Increases	5.4% average, including inflation
Municipal Bond Rate	3.69% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of the most recent actuarial experience study, which was for the period of July 1, 2015 – June 30, 2019.

Mortality rates were 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	\$ 512,418	\$ 381,904	\$ 273,393

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

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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.

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:

<u>Years of Creditable Service as of January 1, 2012</u>	<u>Minimum Age</u>	<u>Minimum Service</u>
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, 2022, 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

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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.

Total OPEB Liability

The Town's total OPEB liability of \$33,267 for the medical insurance subsidy was determined by an actuarial valuation as of June 30, 2021 with roll-forward procedures used to determine the liability as of June 30, 2022. The roll-forward of the total OPEB liability from June 30, 2021 to June 30, 2022 reflects expected service cost and interest reduced by actual benefit payments and refunds for the plan year.

OPEB Expense and Deferred Outflows of Resources Related to OPEB

For the year ended December 31, 2022, the Town recognized a credit to OPEB expense of \$16,623. At year-end, the Town reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources
Net differences between projected and actual earnings on pension plan investments	\$ 91
Town contributions subsequent to the measurement date	2,272
	<u>\$ 2,363</u>

The Town reported \$2,272 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.

The other amounts reported as deferred outflows of resources will be recognized in OPEB expense as follows:

Year Ending December 31,	
2023	\$ 15
2024	4
2025	(36)
2026	108
	<u>\$ 91</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	2.75%
Discount Rate	6.75%
Long-term municipal bond rate	3.69%
Inflation	2.00%
Investment Rate of Return	6.75% per year, net of OPEB plan investment expense, including inflation
Mortality	Pub-2010 Healthy Retiree Mortality Tables with credibility adjustments for each group (Police and Fire combined) and projected fully generational adjusted for fully generational mortality improvements using mortality improvements using Scale MP-2019
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	\$ 36,117	\$ 33,267	\$ 30,785

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

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Town's proportion of net pension liability	0.0067%	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	\$ 381,904	\$ 155,533	\$ 419,252	\$ 402,518	\$ 416,004	\$ 393,635	\$ 441,411	\$ 311,049	\$ 289,715
Town's covered-employee payroll	\$ 164,310	\$ 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	232.43%	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	65.12%	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

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 49,670	\$ 23,651	\$ 24,442	\$ 30,374	\$ 48,030	\$ 36,029	\$ 33,714	\$ 34,365	\$ 30,367
Contribution in relation to the contractually required contribution	(49,670)	(23,651)	(24,442)	(30,374)	(48,030)	(36,029)	(33,714)	(34,365)	(30,367)
Contribution deficiency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered-employee payroll	\$ 164,310	\$ 83,407	\$ 88,950	\$ 121,347	\$ 166,001	\$ 129,023	\$ 127,803	\$ 132,821	\$ 120,028
Contributions as a percentage of covered-employee payroll	30.23%	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

	2022	2021	2020	2019	2018
Total OPEB liability:					
Service cost	\$ 52	\$ 36	\$ 69	\$ 71	\$ 132
Interest	2,547	1,512	304	2,861	4,589
Projected earnings on plan investments	(248)	(531)	(37)	(166)	(357)
OPEB plan administrative expenses	21	9	16	24	5,644
Net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions	14,902	(19,498)	(12,047)	2,973	17,410
Benefit payments	(3,857)	(2,255)	(4,340)	(10,324)	(4,778)
Net change in total OPEB liability	13,417	(20,727)	(16,035)	(4,561)	22,640
Total OPEB liability, beginning	19,850	40,577	56,612	61,173	38,533
Total OPEB liability, ending	<u>\$ 33,267</u>	<u>\$ 19,850</u>	<u>\$ 40,577</u>	<u>\$ 56,612</u>	<u>\$ 61,173</u>
Covered-employee payroll	\$ 164,310	\$ 83,407	\$ 88,950	\$ 121,347	\$ 166,001
Total OPEB liability as a percentage of covered-employee payroll	20.25%	23.80%	45.62%	46.65%	36.85%
Town's proportion of total OPEB liability	0.0088%	0.0050%	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

	2022	2021	2020	2019	2018
Actuarially determined contribution	\$ 4,390	\$ 2,382	\$ 3,256	\$ 5,893	\$ 5,910
Contributions in relation to the actuarially determined contribution	4,390	(2,382)	(3,256)	(5,893)	(5,910)
Contribution deficiency	<u>\$ 8,780</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 164,310	\$ 83,407	\$ 88,950	\$ 121,347	\$ 166,001
Contributions as a percentage of covered-employee payroll	2.67%	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, 2022

The Pension and OPEB Schedules are meant to present related information for ten years. Because this is the eighth year that the Town has presented the pension schedules, and the fourth year for the OPEB information under the current measurement standard, only nine and five 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, 2022

	Special Revenue Funds				
	Library	Conservation Commission	Solid Waste Facility	Permanent Fund	Total
ASSETS					
Cash and cash equivalents	\$ 20,646	\$ 15,113	\$ 68,698	\$ 37,404	\$ 141,861
Interfund receivable	17	1,848	-	-	1,865
Total assets	<u>\$ 20,663</u>	<u>\$ 16,961</u>	<u>\$ 68,698</u>	<u>\$ 37,404</u>	<u>\$ 143,726</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 5,179	\$ -	\$ -	\$ -	\$ 5,179
Interfund payable	3,088	-	-	17	3,105
Total liabilities	<u>8,267</u>	<u>-</u>	<u>-</u>	<u>17</u>	<u>8,284</u>
Fund balances:					
Nonspendable	-	-	-	19,284	19,284
Restricted	12,396	-	-	18,103	30,499
Committed	-	16,961	68,698	-	85,659
Total fund balances	<u>12,396</u>	<u>16,961</u>	<u>68,698</u>	<u>37,387</u>	<u>135,442</u>
Total liabilities and fund balances	<u>\$ 20,663</u>	<u>\$ 16,961</u>	<u>\$ 68,698</u>	<u>\$ 37,404</u>	<u>\$ 143,726</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, 2022

	Special Revenue Funds				
	Library	Conservation Commission	Solid Waste Facility	Permanent Fund	Total
REVENUES					
Charges for services	\$ -	\$ -	\$ 22,544	\$ -	\$ 22,544
Miscellaneous	38,238	1	-	283	38,522
Total revenues	38,238	1	22,544	283	61,066
EXPENDITURES					
Current:					
Culture and recreation	33,565	-	-	-	33,565
Conservation	-	1,857	-	-	1,857
Total expenditures	33,565	1,857	-	-	35,422
Excess (deficiency) of revenues over (under) expenditures	4,673	(1,856)	22,544	283	25,644
Other financing sources (uses):					
Transfers in	15	3,805	-	-	3,820
Transfers out	-	-	-	(15)	(15)
Total other financing sources and uses	15	3,805	-	(15)	3,805
Net change in fund balances	4,688	1,949	22,544	268	29,449
Fund balances, beginning	7,708	15,012	46,154	37,119	105,993
Fund balances, ending	\$ 12,396	\$ 16,961	\$ 68,698	\$ 37,387	\$ 135,442

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, 2022

	Estimated	Actual	Variance Positive (Negative)
Taxes:			
Property	\$ 1,754,422	\$ 1,862,785	\$ 108,363
Land use change	2,960	3,610	650
Timber	34,466	61,529	27,063
Interest and penalties on delinquent taxes	53,198	59,851	6,653
Total taxes	<u>1,845,046</u>	<u>1,987,775</u>	<u>142,729</u>
Licenses, permits and fees:			
Business licenses and permits	-	375	375
Motor vehicle permits	198,537	371,568	173,031
Building permits	5,000	7,815	2,815
Other	8,681	100	(8,581)
Total licenses, permits and fees	<u>212,218</u>	<u>379,858</u>	<u>167,640</u>
Intergovernmental:			
State sources:			
Meals and rooms distributions	149,430	149,431	1
Highway block grant	81,650	81,333	(317)
State and federal forest land	2,121	2,121	-
LCHIP	49,500	49,500	-
Moose plates	5,000	5,000	-
Federal sources:			
ARPA	150,000	150,000	-
ARPA locality equipment	42,637	42,637	-
Other government sources:			
Parsonfield mutual aid	-	22,075	22,075
Total intergovernmental	<u>480,338</u>	<u>502,097</u>	<u>21,759</u>
Charges for services:			
Income from departments	<u>16,000</u>	<u>24,956</u>	<u>8,956</u>
Miscellaneous:			
Sale of property	-	700	700
Interest on investments	-	5,797	5,797
Insurance dividends and reimbursements	-	3,144	3,144
Contributions and donations	67,455	84,851	17,396
Other	2,951	22,928	19,977
Total miscellaneous	<u>70,406</u>	<u>117,420</u>	<u>47,014</u>
Other financing sources:			
Transfers in:			
Expendable trust fund	-	10,554	10,554
Total revenues and other financing sources	<u>2,624,008</u>	<u>\$ 3,022,660</u>	<u>\$ 398,652</u>
Fund balance appropriated	<u>670,500</u>		
Total revenues, other financing sources and use of fund balance	<u>\$ 3,294,508</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, 2022

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
General government:					
Executive	\$ -	\$ 162,500	\$ 156,642	\$ -	\$ 5,858
Election and registration	-	45,333	42,907	-	2,426
Financial administration	-	59,447	58,270	-	1,177
Revaluation of property	22,730	38,400	28,047	2,851	30,232
Legal	-	40,000	91,550	-	(51,550)
Personnel administration	-	97,662	96,762	-	900
Planning and zoning	-	34,086	33,965	-	121
General government buildings	-	73,000	74,094	11,392	(12,486)
Cemeteries	-	2,000	1,220	-	780
Insurance, not otherwise allocated	-	81,902	74,565	-	7,337
Advertising and regional associations	-	3,000	4,785	-	(1,785)
Total general government	22,730	637,330	662,807	14,243	(16,990)
Public safety:					
Police	1,150	234,367	236,980	28	(1,491)
Ambulance	-	120,000	111,152	-	8,848
Fire	1,598	196,484	199,798	-	(1,716)
Emergency management	-	4,490	4,707	-	(217)
Total public safety	2,748	555,341	552,637	28	5,424
Highways and streets:					
Highways and streets	169,000	1,513,750	1,638,441	-	44,309
Bridges	-	1,000	-	-	1,000
Street lighting	-	4,500	5,298	-	(798)
Total highways and streets	169,000	1,519,250	1,643,739	-	44,511
Sanitation:					
Solid waste collection	-	95,620	84,762	-	10,858
Solid waste disposal	-	76,990	75,926	-	1,064
Solid waste clean-up	-	10,000	6,215	-	3,785
Total sanitation	-	182,610	166,903	-	15,707
Health:					
Administration	-	4,500	4,615	-	(115)
Pest control	-	6,700	5,483	-	1,217
Health agencies and hospitals	-	22,530	22,530	-	-
Total health	-	33,730	32,628	-	1,102
Welfare:					
Administration and direct assistance	-	12,000	7,677	-	4,323
Vendor payments	-	4,000	3,259	-	741
Total welfare	-	16,000	10,936	-	5,064

(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, 2022

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Culture and recreation:					
Parks and recreation	-	30,000	30,000	-	-
Public library	9,792	64,285	55,673	-	18,404
Patriotic purposes	-	700	729	-	(29)
Total culture and recreation	<u>9,792</u>	<u>94,985</u>	<u>86,402</u>	<u>-</u>	<u>18,375</u>
Conservation	<u>-</u>	<u>4,000</u>	<u>3,792</u>	<u>-</u>	<u>208</u>
Debt service:					
Interest on tax anticipation note	-	1	-	-	1
Capital leases	<u>-</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>1</u>
Total debt service	<u>-</u>	<u>2</u>	<u>-</u>	<u>-</u>	<u>2</u>
Capital outlay:					
Buildings	<u>-</u>	<u>121,955</u>	<u>135,910</u>	<u>-</u>	<u>(13,955)</u>
Other financing uses:					
Transfers out:					
Expendable trust fund	-	125,500	125,500	-	-
Nonmajor funds	<u>-</u>	<u>3,805</u>	<u>3,805</u>	<u>-</u>	<u>-</u>
Total other financing uses	<u>-</u>	<u>129,305</u>	<u>129,305</u>	<u>-</u>	<u>-</u>
Total encumbrances, appropriations, expenditures and other financing uses	<u>\$ 204,270</u>	<u>\$ 3,294,508</u>	<u>\$ 3,425,059</u>	<u>\$ 14,271</u>	<u>\$ 59,448</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, 2022

Unassigned fund balance, beginning, as restated		\$ 1,755,485
Changes:		
Unassigned fund balance appropriated		(670,500)
Budget summary:		
Revenue surplus (Exhibit 16)	\$ 398,652	
Unexpended balance of appropriations (Exhibit 17)	<u>59,448</u>	
Budget surplus		458,100
Increase in nonspendable fund balance		<u>(10,421)</u>
Unassigned fund balance, ending		<u><u>\$ 1,532,664</u></u>



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, 2022, 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 matter that we wish to communicate:

Cash Reconciliation

We noted improvement during 2022 in the cash reconciliation process between the Treasurer's reconciliation and the general ledger. However, there were invoices for police detail that were posted to cash, instead of accounts receivable, in error. Revenues were reported correctly, however this resulted in errors on the monthly reconciliations, and a variance between the Treasurer's reconciled cash and the general ledger. We recommend that the Town continue to improve the monthly reconciliation process between the Treasurer's reconciliation and the general ledger, and investigate any discrepancies in a timely manner. Older items, and items that typically clear the bank immediately (i.e., payroll tax payments) but remain outstanding should be investigated further, as that likely indicates posting errors. Daily transaction reports from electronic payment processing providers should be tied to deposit reports for taxes and town clerk fees to identify amounts that have not cleared at month end.

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.

January 23, 2024

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