

TOWN OF EPSOM, 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 Epsom
Epsom, 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 Epsom 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 information of the Town as of December 31, 2022, and the respective changes in financial position thereof, and the budgetary comparison for the General Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for 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 management's discussion and analysis, and the pension and OPEB schedules on pages 3 – 8 and 39 – 42, respectively, 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 for placing the basic financial statements in an appropriate operational and economic context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town'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.

September 23, 2023

Roberts & Heene, PLLC

TOWN OF EPSOM, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS

The Town of Epsom's Discussion and Analysis is intended to provide an overview of the financial activities of the Town for the year ended December 31, 2022. Please read this in conjunction with the accompanying financial statements.

Financial Highlights

- Beginning in 2018, Epsom implemented financial reporting requirements of GASB 75 relative to Other Post-Employment Benefits (OPEB). OPEB include benefits like medical and dental insurance for retirees. Although Epsom does not provide any payment or cost share of retiree insurance, the perception is that retirees receive a beneficial premium cost through participation in Epsom's rating pool. The liability for this perceived benefit is required to be reported.
- Epsom's Government-Wide Net Position shows an increase of \$497,027 at year-end 2022.

Overview of the Financial Statements

The annual financial report for the Town of Epsom is a series of statements detailing the financial activity of the Town over the year. The Town's activities include general government services, police and fire, road maintenance, parks and recreation and community development. Property taxes, franchise fees, user fees and licenses, state and federal grants and interest income pay for these activities.

The basic financial statements are the government-wide financial statements, the fund financial statements, and notes to the financial statements. The report also contains other supplementary information such as the budgetary schedule. These components are described below.

Government-wide financial statements – These are two statements designed to provide a broad overview of the Town's finances in a manner similar to private sector businesses. They are presented on the accrual basis of accounting. This means that revenues and expenditures are shown when incurred, which could be before cash actually comes in or goes out. These statements also include all assets and liabilities of the Town. This means that Town-owned buildings, equipment and infrastructure (roads, bridges, etc.) are now included in the financial statements along with any related depreciation.

The Statement of Net Position presents information on all the Town's assets and liabilities, with the difference between the two reported as Net Position. The amount of Net Position is one way to gauge the financial health of the Town.

The Statement of Activities presents information about how the revenues and expenses of the Town during 2022 have changed the Net Position. All changes in Net Position, including revenues and expenditures, are shown even if the cash has not been received or paid at the year's end. An example would be taxes that have been billed but are not paid by December 31.

Over time the increases or decreases in Net Position may serve as an indication of whether the Town's overall financial condition is improving or deteriorating. These changes should be viewed in

(Continued on next page)

TOWN OF EPSOM, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS

context with the changes in the Town's property tax base and the condition of the Town's infrastructure.

Fund financial statements – A fund is a grouping of related accounts used to maintain control over money designated for a specific purpose. Fund accounting is used by all state and local governments. Its use ensures and shows compliance with finance related legal requirements.

Governmental Funds – Governmental funds are used to account for the Town's basic activities. These funds use a modified accrual accounting method that measures cash and all assets that can be quickly converted to cash. They focus on money in and money out and the balances remaining at the end of the year. Governmental fund statements have a narrower focus than that of the government-wide financial statements. It is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements.

The Town of Epsom reports one major fund - the General Fund. The Town also maintains several other governmental funds. Information for those funds is consolidated into a single, aggregated presentation ("Other Governmental Funds").

Fiduciary Funds

The Town is responsible for ensuring that the assets reported in these funds are used for their intended purpose. These funds include those held by the Trustee of Trust Funds for the school and Village District, and escrow funds related to Planning and Zoning issues that are held by the Treasurer. All of the Town's fiduciary activities are reported in a separate statement of fiduciary Net Position. We exclude these activities from the Town's government-wide financial statements because the Town cannot use these assets to finance its operations.

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

Other information – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information, such as budget to actual comparisons of expenditures and revenues.

Government-Wide Financial Analysis

As stated earlier, the amount of the Town's Net Position may serve over time as a useful indicator of Epsom's financial condition.

As of December 31, 2022, assets exceeded liabilities by \$11,451,836. This is a 4.3% increase over the year end 2021.

TOWN OF EPSOM, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is a summary of the Town's Net Position for 2022 compared to the 2021 Net Position.

	Net Position	
	Governmental Activities 2022	Governmental Activities 2021
Current and Other Assets	\$ 12,070,786	\$ 11,331,874
Capital Assets, net of Depreciation	8,442,951	7,764,352
Deferred Outflows	<u>1,204,424</u>	<u>1,068,595</u>
Total Assets	<u>21,718,161</u>	<u>20,164,821</u>
Current Liabilities	5,927,876	5,020,168
Non-Current Liabilities	3,641,630	2,903,513
Deferred Inflows	<u>696,819</u>	<u>1,286,331</u>
Total Liabilities	<u>10,266,325</u>	<u>9,210,012</u>
Net Position:		
Investments in Capital Assets, Net of Related Debt	8,371,830	7,670,797
Restricted	284,314	545,065
Unrestricted	<u>2,795,692</u>	<u>2,738,947</u>
Total Net Position	<u>\$ 11,451,836</u>	<u>\$ 10,954,809</u>

The capital assets of land, buildings, infrastructure, equipment and vehicles, net of depreciation and net of any related debt of which there was none, increased by \$701,033 or 9.1% from 2021 to 2022. Additions during 2022 were \$1,178,245. Capital assets represent 73% of year end Net Position. The capital assets are used to provide services to the Town and therefore do not represent money available for future spending. Non-capital assets of cash, cash equivalents and receivables, net of liabilities, total \$3,080,006, and are 27% of Net Position at year end 2022. Nine percent of the non-capital assets, \$284,314, are restricted for specific uses such as the Trust funds for perpetual care of cemetery plots, for the benefit of the Library, and the Lillian Morrison funds. Ninety one percent of the non-capital assets, \$2,795,692 are classified as unrestricted, but include receivables for unpaid taxes which are not cash available for spending, as well as funds designated for specific purposes such as conservation, and ambulance and fire apparatus replacement.

At year end 2022, current liabilities of \$5,927,876 were 58% of the total liabilities. Ninety four percent of these liabilities, or \$5,555,053, is the school's share of 2022 property taxes that were collected by the Town, but transferred to the school between January 1 and June 30 of 2023. Non-current liabilities and deferred revenue totaled \$4,338,449 and comprise 42% of total liabilities. Of this amount, \$2,615,796 is the net pension related liability, and \$921,120 is the other post-employment benefits liability.

One of the factors that create changes in Net Position is the governmental activity of the Town. The Changes in Net Position statement compares the 2022 revenues and expenses from governmental

TOWN OF EPSOM, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS

activities to those for 2021 along with their effect on Net Position for each year. At year-end 2022, the Net Position increased 5% over the 2021 Net Position.

The Town does not rely solely on property taxes to fund its activities. In 2022, 38% of total revenue came from property taxes and 62% came from other sources as shown below.

	Governmental Activities 2022	Governmental Activities 2021
Revenues:		
Program Revenues:		
Charges for Services	\$ 482,388	\$ 368,731
Grants and Contributions	620,110	219,008
General Revenues:		
Property Taxes – General Purpose	1,746,536	1,714,632
Other Taxes	96,538	120,638
Licenses and Permits	1,204,329	1,190,526
Unrestricted Grants and Contributions	426,596	351,713
Miscellaneous	<u>3,388</u>	<u>66,489</u>
Total Revenues	<u>4,579,885</u>	<u>4,031,737</u>
Expenses:		
General Government and Administration	1,215,559	769,631
Public Safety–Police, Fire, Emerg. Mgmt	1,384,659	1,351,596
Highway Department	829,630	1,051,465
Sanitation	252,953	246,319
Water Distribution	9,000	7,200
Health	11,320	11,428
Welfare	38,151	34,313
Culture and Recreation	295,274	283,725
Conservation	18,456	86,429
Economic Development	0	0
Capital Outlay	<u>27,856</u>	<u>249,382</u>
Total Expenses	<u>4,082,858</u>	<u>4,091,488</u>
Change in Net Position	497,027	(59,751)
Net Position – Beginning of Year	\$ 10,954,809	\$ 10,908,064
Restatement	<u>0</u>	106,496
Net Position – End of Year	<u>\$ 11,451,836</u>	<u>\$ 10,954,809</u>

Revenue from sources other than property tax was \$2,833,349, which was 22% more than in 2021. Program Revenues of \$1,102,498 were 39% of non-property tax sources and General Revenues not tied to a specific activity or program made up the other 61% at \$1,730,851. As in previous years, Motor Vehicle fees accounted for the largest portion of General Revenues. Also included in General Revenues is the State unrestricted contribution from Rooms and Meals Tax of \$426,596. Overall total revenue, including property taxes, was up 14% from 2021.

TOWN OF EPSOM, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS

Epsom's governmental expenses included budget and individual warrant article appropriations and the use of grants and contributions received during the year. Total expenses for 2022 were \$4,082,858, down .2% from 2021.

Total revenues from all governmental activities exceeded total expenses from all governmental activities for the year resulting in a \$497,027 increase in Net Position.

Financial Analysis of the Government

Epsom has only government type funds. The focus of these funds is to provide information on near-term inflows, outflows and balances of spendable resources. These funds include the general fund, Library, capital reserve, expendable trust, revolving and special revenue funds. At year-end 2021, the combined fund balance was \$5,183,824, a decrease of \$392,894 or approximately 7% below the 2021 year-end balance. The general fund balance decreased by \$400,951 and the other funds combined balance increased by \$497,449.

Budgetary Highlights

In accordance with the NH Statutes, Epsom's budget year runs from January 1 to December 31. The amount of the operating budget and any additional appropriations are determined by vote of the Town in March of each year. For 2022 the voters approved an operating budget of \$3,699,853 and additional Warrant Article appropriations totaling \$1,581,890. The total of voted appropriations for 2022 was \$5,305,743. Actual expenditures for 2022 were less than appropriations, and actual revenue was more than estimated revenue which resulted in an increase to Epsom's Unassigned Fund Balance as of December 31, 2021.

The 2022 tax rate was \$23.84 with the Town portion of the rate being \$3.71. When the tax rate was set in October 2022, the Board of Selectmen used \$322,000 of the Unassigned Fund Balance to reduce the tax rate. The amount of the remaining Unassigned Fund Balance was \$1,732,786, which was equal to 11% of 2022 total appropriations. The NH Department of Revenue Administration recommends that municipalities retain a fund balance amount equal to between 5% and 17% of total Town, School and County annual appropriations.

Capital Asset and Debt Administration

Capital Assets – As of December 31, 2022 Epsom had capital assets net of depreciation totaling \$8,442,951. These include buildings, parcels of land, bridges, reconstructed roads, the vehicles of the Fire, Police and Highway departments, and equipment with a value greater than \$10,000. The change in value is due to additions of assets and annual depreciation.

Debt – As of December 31, 2022 Epsom had no outstanding long-term debt.

TOWN OF EPSOM, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS

Economic Factors and Next Year's Budgets and Rates

The voters approved the proposed operating budget of \$3,843,585 for 2023. The voters approved additional appropriations of \$657,755 to be used as follows: \$420,000 to purchase a new ambulance, \$20,000 for a contingency fund for unanticipated expenses, \$1,800 to be deposited into the Cemetery Maintenance Expendable Trust Fund, \$4,000 to help control milfoil in Northwood Lake, \$185,000 to be deposited into capital reserve funds, and \$35,000 to be deposited into expendable trust funds. The voters approved \$49,000 to pay for six months benefits, salary, and equipment for an additional full-time police officer, \$49,000 to pay for six months benefits and salary for an additional full-time firefighter/paramedic, and \$15,600 to purchase five sets of firefighter turn out gear.

The total tax rate for 2022 was set in October of 2022 at \$23.84. The Board of Selectmen used \$322,000 of the Unassigned Fund Balance to reduce the tax rate. The rate is calculated by taking the total of all the appropriations approved in March for the Town and the School, adding in Epsom's share of the Merrimack County appropriation, subtracting the non-property tax revenue that the School and Town expect to receive, and then dividing that amount by the total assessed value of the Town. The Net Valuation of the Town as of September 1, 2022 was \$519,134,428.

Request for Financial Information

This financial report is designed to provide a general overview of the Town of Epsom's finances and show accountability for the money the Town receives. The audience for this information is intended to be Epsom's residents, taxpayers, customers and creditors. Questions concerning the information in this report or requests for additional information should be addressed to the Epsom Town Office at 1598 Dover Road, Epsom, NH 03234.

BASIC FINANCIAL STATEMENTS

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

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 9,736,774
Investments	1,274,711
Receivables, net of allowance for uncollectibles	1,002,834
Prepaid items	40,400
Tax deeded property held for resale	16,067
Capital assets, not being depreciated:	
Land	985,065
Construction in progress	627,707
Capital assets, net of accumulated depreciation:	
Buildings and building improvements	1,550,453
Machinery, vehicles and equipment	1,179,590
Infrastructure	4,100,136
Total assets	20,513,737
DEFERRED OUTFLOWS OF RESOURCES	
Deferred amounts related to pensions	578,911
Deferred amounts related to OPEB	625,513
Total deferred outflows of resources	1,204,424
LIABILITIES	
Accounts payable	135,161
Accrued payroll and benefits	43,317
Accrued interest payable	684
Intergovernmental payable	5,558,295
Retainage payable	190,419
Noncurrent obligations:	
Due within one year:	
Capital lease payable	23,059
Compensated absences payable	3,467
Due in more than one year:	
Capital lease payable	48,062
Compensated absences payable	30,126
Net pension liability	2,615,796
Other postemployment benefits liability	921,120
Total liabilities	9,569,506
DEFERRED INFLOWS OF RESOURCES	
Unearned revenue	292,134
Deferred amounts related to pensions	71,326
Deferred amounts related to OPEB	333,359
Total deferred inflows of resources	696,819
NET POSITION	
Net investment in capital assets	8,371,830
Restricted for:	
Endowments:	
Nonexpendable	192,771
Expendable	20,141
Other purposes	71,402
Unrestricted	2,795,692
Total net position	\$ 11,451,836

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

EXHIBIT 2
TOWN OF EPSOM, NEW HAMPSHIRE
Statement of Activities
For the Year Ended December 31, 2022

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General government	\$ 1,215,559	\$ 1,219,651	\$ 21,181	\$ -	\$ 25,273
Public safety	1,384,659	461,008	24,821	-	(898,830)
Highways and streets	829,630	-	-	130,151	(699,479)
Sanitation	252,953	-	-	-	(252,953)
Water distribution and treatment	9,000	-	-	-	(9,000)
Health	11,320	-	-	-	(11,320)
Welfare	38,151	2,521	-	-	(35,630)
Culture and recreation	295,274	3,537	8,531	-	(283,206)
Conservation	18,456	-	15,426	-	(3,030)
Capital outlay	27,856	-	-	420,000	392,144
Total primary government	<u>\$ 4,082,858</u>	<u>\$ 1,686,717</u>	<u>\$ 69,959</u>	<u>\$ 550,151</u>	<u>(1,776,031)</u>
General revenues:					
Property taxes					1,746,536
Other taxes					96,538
Grants and contributions not restricted to specific programs					426,596
Miscellaneous					3,388
Total general revenues					<u>2,273,058</u>
Change in net position					497,027
Net position, beginning, as restated, see Note III.D.					10,954,809
Net position, ending					<u>\$ 11,451,836</u>

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

EXHIBIT 3
TOWN OF EPSOM, NEW HAMPSHIRE
Balance Sheet
Governmental Funds
December 31, 2022

	General	Fire & Rescue Apparatus	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 8,098,288	\$ 1,352,918	\$ 285,568	\$ 9,736,774
Investments	-	-	1,274,711	1,274,711
Receivables, net of allowance for uncollectibles:				
Taxes	778,468	-	-	778,468
Accounts	-	136,745	11,438	148,183
Intergovernmental	-	-	19,011	19,011
Liens	57,172	-	-	57,172
Interfund receivable	19,226	-	625	19,851
Prepaid items	40,400	-	-	40,400
Tax deeded property held for resale	16,067	-	-	16,067
Total assets	<u>\$ 9,009,621</u>	<u>\$ 1,489,663</u>	<u>\$ 1,591,353</u>	<u>\$ 12,090,637</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 135,161	\$ -	\$ -	\$ 135,161
Accrued salaries and benefits	42,446	-	871	43,317
Intergovernmental payable	5,558,295	-	-	5,558,295
Retainage payable	190,419	-	-	190,419
Interfund payable	-	-	19,851	19,851
Total liabilities	<u>5,926,321</u>	<u>-</u>	<u>20,722</u>	<u>5,947,043</u>
Deferred inflows of resources:				
Deferred revenue	869,654	90,116	-	959,770
Fund balances:				
Nonspendable	56,467	-	192,771	249,238
Restricted	7,100	-	148,239	155,339
Committed	609,983	1,399,547	1,229,621	3,239,151
Assigned	15,092	-	-	15,092
Unassigned	1,525,004	-	-	1,525,004
Total fund balances	<u>2,213,646</u>	<u>1,399,547</u>	<u>1,570,631</u>	<u>5,183,824</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 9,009,621</u>	<u>\$ 1,489,663</u>	<u>\$ 1,591,353</u>	<u>\$ 12,090,637</u>

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

EXHIBIT 4
TOWN OF EPSOM, 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)	\$	5,183,824
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	\$	13,368,969
Less accumulated depreciation		<u>(4,926,018)</u>
		8,442,951
Interfund receivables and payables between governmental funds are eliminated on the statement of net position.		
Receivables	\$	(19,851)
Payables		<u>19,851</u>
		-
Revenues that are not available to pay for current period expenditures are deferred in the funds.		
Unavailable tax revenue	\$	520,348
Unavailable ambulance charges		90,116
Unavailable welfare liens		<u>57,172</u>
		667,636
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(684)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Capital lease outstanding	\$	71,121
Compensated absences payable		33,593
Net pension liability		2,615,796
Total OPEB liability		<u>921,120</u>
		(3,641,630)
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	\$	578,911
Deferred outflows of resources related to OPEB		625,513
Deferred inflows of resources related to pensions		(71,326)
Deferred inflows of resources related to OPEB		<u>(333,359)</u>
		799,739
Total net position of governmental activities (Exhibit 1)	\$	<u><u>11,451,836</u></u>

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

EXHIBIT 5
TOWN OF EPSOM, NEW HAMPSHIRE
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2022

	General	Fire & Rescue Apparatus	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 1,815,448	\$ -	\$ 672	\$ 1,816,120
Licenses, permits and fees	1,204,329	-	-	1,204,329
Intergovernmental	1,009,392	-	49,763	1,059,155
Charges for services	19,278	265,793	177,336	462,407
Miscellaneous	80,304	8,151	(93,666)	(5,211)
Total revenues	<u>4,128,751</u>	<u>273,944</u>	<u>134,105</u>	<u>4,536,800</u>
Expenditures:				
Current:				
General government	1,138,902	-	5,000	1,143,902
Public safety	1,153,777	-	173,640	1,327,417
Highways and streets	707,527	-	-	707,527
Sanitation	252,953	-	-	252,953
Water distribution and treatment	9,000	-	-	9,000
Health	11,320	-	-	11,320
Welfare	38,151	-	-	38,151
Culture and recreation	254,397	-	18,069	272,466
Conservation	905	-	17,551	18,456
Capital outlay	743,212	10,937	248,286	1,002,435
Total expenditures	<u>4,310,144</u>	<u>10,937</u>	<u>462,546</u>	<u>4,783,627</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(181,393)</u>	<u>263,007</u>	<u>(328,441)</u>	<u>(246,827)</u>
Other financing sources (uses):				
Transfers in	175,254	-	252,942	428,196
Transfers out	(248,745)	(10,254)	(169,197)	(428,196)
Total other financing sources and uses	<u>(73,491)</u>	<u>(10,254)</u>	<u>83,745</u>	<u>-</u>
Net change in fund balances	(254,884)	252,753	(244,696)	(246,827)
Fund balances, beginning, as restated, see Note III.D.	2,468,530	1,146,794	1,815,327	5,430,651
Fund balances, ending	<u>\$ 2,213,646</u>	<u>\$ 1,399,547</u>	<u>\$ 1,570,631</u>	<u>\$ 5,183,824</u>

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

EXHIBIT 6
TOWN OF EPSOM, 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)		\$ (246,827)
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	\$ 1,178,245	
Depreciation expense	(499,645)	
		678,600
Transfers in and out between governmental funds are eliminated on the operating statement.		
Transfers in	\$ (428,196)	
Transfers out	428,196	
		-
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	\$ 26,954	
Change in unavailable ambulance revenue	18,181	
Change in unavailable welfare liens	2,945	
Change in unavailable grant revenue	(4,994)	
		43,086
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds but has no effect on net position.		
Repayment of capital lease principal		22,434
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Decrease in accrued interest expense	\$ 243	
Decrease in compensated absences payable	19,349	
Net change in OPEB related balances	(78,292)	
		(58,700)
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	\$ 270,326	
Cost of benefits earned, net of employee contributions	(211,892)	
		58,434
Change in net position of governmental activities (Exhibit 2)		\$ 497,027

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

EXHIBIT 7
TOWN OF EPSOM, 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	\$ 1,809,025	\$ 1,809,025	\$ 1,842,402	\$ 33,377
Licenses, permits and fees	1,172,480	1,172,480	1,204,329	31,849
Intergovernmental	972,833	1,009,896	1,009,392	(504)
Charges for services	13,715	13,715	19,278	5,563
Miscellaneous	33,800	33,800	80,304	46,504
Total revenues	<u>4,001,853</u>	<u>4,038,916</u>	<u>4,155,705</u>	<u>116,789</u>
EXPENDITURES				
Current:				
General government	1,264,953	1,264,953	1,119,320	145,633
Public safety	1,164,237	1,181,300	1,108,812	72,488
Highways and streets	697,717	697,717	707,527	(9,810)
Sanitation	252,953	252,953	252,953	-
Water distribution and treatment	9,000	9,000	9,000	-
Health	11,948	11,948	11,320	628
Welfare	45,930	45,930	38,151	7,779
Culture and recreation	271,245	271,245	255,628	15,617
Conservation	5,450	5,450	905	4,545
Economic development	420	420	-	420
Capital outlay	1,337,690	1,357,690	1,353,195	4,495
Total expenditures	<u>5,061,543</u>	<u>5,098,606</u>	<u>4,856,811</u>	<u>241,795</u>
Deficiency of revenues under expenditures	<u>(1,059,690)</u>	<u>(1,059,690)</u>	<u>(701,106)</u>	<u>358,584</u>
Other financing sources (uses):				
Transfers in	235,000	235,000	175,254	(59,746)
Transfers out	(244,200)	(244,200)	(248,745)	(4,545)
Total other financing sources and uses	<u>(9,200)</u>	<u>(9,200)</u>	<u>(73,491)</u>	<u>(64,291)</u>
Net change in fund balance	<u>\$ (1,068,890)</u>	<u>\$ (1,068,890)</u>	(774,597)	<u>\$ 294,293</u>
Decrease in nonspendable fund balance			19,088	
Increase in restricted fund balance			(815)	
Unassigned fund balance, beginning, as restated			<u>2,801,676</u>	
Unassigned fund balance, ending			<u>\$ 2,045,352</u>	

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

EXHIBIT 8
TOWN OF EPSOM, NEW HAMPSHIRE
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2022

	<u>Custodial</u>
Assets:	
Cash and cash equivalents	\$ 34,134
Investments	774,077
Total assets	<u>808,211</u>
Liabilities	<u>-</u>
Net position	<u>\$ 808,211</u>

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

EXHIBIT 9
TOWN OF EPSOM, NEW HAMPSHIRE
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended December 31, 2022

	Custodial
Additions:	
New funds	\$ 95,000
Escrow deposits	2,814
Investment earnings:	
Interest and dividends	7,048
Change in fair value of investments	(52,751)
Total additions	52,111
Deductions:	
Distributions to the Epsom School District	5,730
Payments to developers	9,703
Total deductions	15,433
Change in net position	36,678
Net position, beginning	771,533
Net position, ending	\$ 808,211

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

NOTES TO THE FINANCIAL STATEMENTS

**TOWN OF EPSOM, 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 Epsom (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 fiscal year ended December 31, 2022.

I.B. Financial Reporting Entity – Basis of Presentation

I.B.1. *Entity Defined*

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

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

Government-Wide Financial Statements

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

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

**TOWN OF EPSOM, 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. The major 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. When calculating fund balance used to set the tax rate, unavailable tax revenues are not deferred in accordance with the directions of the New Hampshire Department of Revenue Administration.

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

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

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as needed.

**TOWN OF EPSOM, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2022**

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. This fund is used to account for all financial resources not reported in other funds.

Fire & Rescue Apparatus Fund – Reports as a special revenue fund, and is used to account for ambulance activity.

The Town also reports eight nonmajor governmental funds.

Fiduciary Funds

The Town reports the following fiduciary fund:

Custodial Fund – Accounts for amounts held by the Town for individuals or other governments. These assets are therefore not available to support the Town’s own programs. The Town’s custodial fund used to account for performance bonds held in escrow, and amounts held by the trustees of trust funds that belong to the Epsom School District and Epsom Village District.

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

I.C.1. Cash and Investments

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

Investments are stated at fair value based on quoted market prices

New Hampshire law authorizes the Town to invest in obligations of the United States government; the public deposit investment pool established pursuant to RSA 383:22; savings bank deposits; prime bankers’ acceptances; or certificates of deposit and repurchase agreements of banks incorporated under the laws of the State of New Hampshire or in banks recognized by the state treasurer.

**TOWN OF EPSOM, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
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DECEMBER 31, 2022**

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

I.C.2. Capital Assets and Depreciation

Generally, the Town’s property, plant and equipment with useful lives of more than one year are stated at historical cost and reported in the government-wide financial statements. Donated assets are stated at acquisition cost on the date donated. The Town generally 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	20-40
Machinery, vehicles and equipment	3-20
Infrastructure	20-30

I.C.3. Compensated Absences

Full-time, permanent employees are granted earned leave time and vacation benefits in varying amounts based on the number of years in employment. Balances lapse at the date of the employee’s anniversary. If an employee leaves prior to their anniversary date, they are compensated for the balance at that time.

Compensated absences are reported as accrued in the government-wide financial statements. Governmental funds report only matured compensated absences payable to currently terminated employees which are included in wages and benefits expenditures.

I.C.4. Equity

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

- Net investment in capital assets, which is computed as the total capital assets less accumulated depreciation, net of outstanding debt used to acquire those assets.

**TOWN OF EPSOM, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2022**

- Restricted for endowments, which consists of the balance of the Permanent Fund that must be permanently invested for perpetual care and other Town purposes.
- Restricted for other purposes, which consists of the Library Fund whose use is restricted by State law for the support of the library, and the balance of unspent donations whose use is restricted by donors, and drug forfeiture funds to be used for public safety.
- 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 and prepaid items in the General Fund, and endowments in the Permanent Funds.
- Restricted, which represents the expendable income from the Permanent Fund, the Library Fund, whose use is limited by law, donations restricted by the donors for welfare purposes, and drug forfeiture funds to be used for public safety.
- 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 encumbrances.
- Unassigned, which represents the remaining fund balance in the General Fund in excess of the nonspendable, restricted, committed and assigned balances.

I.D. Estimates

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

**TOWN OF EPSOM, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2022**

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, \$322,000 of the General Fund fund balance from 2021 was so used, and \$746,890 was appropriated from fund balance.

Encumbrance accounting is employed by the governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as restrictions 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, water distribution and treatment, health, welfare, culture and recreation, economic development, debt service and capital outlay. Management can transfer appropriations among budget line items as necessary, but the total expenditures cannot legally exceed the total appropriations unless permission is received from the Commissioner of Revenue Administration.

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

Revenues and other financing sources:	
Per Exhibit 7 (budgetary basis)	\$ 4,330,959
Adjustments:	
Basis difference:	
Tax revenue deferred in the prior year	493,394
Tax revenue deferred in the current year	(520,348)
Per Exhibit 5 (GAAP basis)	<u>\$ 4,304,005</u>
Expenditures and other financing uses:	
Per Exhibit 7 (budgetary basis)	\$ 5,105,556
Adjustments:	
Basis difference:	
Encumbrances, beginning	78,408
Encumbrances, ending	(625,075)
Per Exhibit 5 (GAAP basis)	<u>\$ 4,558,889</u>

**TOWN OF EPSOM, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2022**

Unassigned fund balance:	
Per Exhibit 7 (budgetary basis)	\$ 2,045,352
Adjustment:	
Basis difference:	
Deferred tax revenue, GAAP basis	(520,348)
Per Exhibit 3 (GAAP basis)	<u>\$ 1,525,004</u>

III. Detailed Notes on Funds and Government-Wide Statements

III.A. Assets

III.A.1. Investments

As of December 31, 2022, the Town’s reporting entity had the following investments:

Equity Funds	\$ 122,676
Mutual Funds	<u>1,926,112</u>
	<u>\$ 2,048,788</u>

The investments appear in the financial statements as follow:

Fund reporting level:	
Governmental funds - balance sheet (Exhibit 3)	\$ 1,274,711
Fiduciary funds - statement of fiduciary net position (Exhibit 8)	<u>774,077</u>
Total	<u>\$ 2,048,788</u>

Fair Value Measurement

The Town categorizes its fair value investments within the fair value hierarchy established by generally accepted accounting principles. The Town has the following recurring fair value measurements as of December 31, 2022:

<u>Investment</u>	<u>Level 1</u>
Equity Funds	\$ 122,676
Mutual Funds	<u>1,926,112</u>
	<u>\$ 2,048,788</u>

The Town classifies its investments into Level 1, which refers to investments traded in an active market. The levels relate to valuation only and do not necessarily indicate a measure of risk.

**TOWN OF EPSOM, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2022**

Investment Risks

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. New Hampshire law limits investments to those described in Note I.C.1. The Town does not have an investment policy that places any further restrictions on its investment choices.

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The Town does not have an investment policy that addresses limiting interest rate risk.

Concentration of Credit Risk is the risk of loss attributed to the magnitude of the Town's investment in a single issuer. The Town's investment policy addresses concentration of credit risk through its asset allocation objectives. As of December 31, 2022, the Town had \$832,732 invested in the Vanguard Short-Term Investment Grade Fund; \$577,252 invested in the Fidelity Short-Term Treasury Bond Index Fund; and \$242,661 invested in the Fidelity 500 Index Premium Fund, representing 40.65%, 28.18%, and 11.84%, respectively, of its total investments.

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

Property Taxes Receivable and Property Tax Calendar

Property taxes are levied and collected by the Town on a semi-annual basis. Tax bills are due on or around July 1 and December 1, with interest on those not received by the due date of 10% per annum on those levied prior to 2019, and 8% per annum on those levied thereafter. 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 18% per annum is charged upon redemption of liened taxes levied prior to 2019, and 14% per annum for the redemption of taxes levied thereafter. Properties not redeemed within two years of the date of the tax lien should be deeded to the Town. During the current year, the tax collector executed a lien for uncollected 2021 property taxes on May 5th.

The property taxes levied and collected by the Town include amounts for the State of New Hampshire, the Epsom School District, and Merrimack 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.

**TOWN OF EPSOM, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
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DECEMBER 31, 2022**

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	\$ 511,478,728
For all other taxes	\$ 519,134,428

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

	Per \$1,000 of Assessed Valuation	
Municipal portion	\$3.71	\$ 1,922,195
School portion:		
State of New Hampshire	\$1.26	646,796
Local	\$16.39	8,508,257
County portion	\$2.48	1,289,270
Total property taxes assessed		\$ 12,366,518

The following details the taxes receivable at year-end:

Property:	
Levy of 2022	\$ 577,717
Levy of 2021	3,506
Levy of 2018	135
Levy of 2017	133
Levy of 2016	130
Unredeemed (under tax lien):	
Levy of 2021	133,298
Levy of 2020	70,405
Levy of 2019	9,065
Levy of 2018	86
Levy of 2017 and prior	8,993
Less: allowance for estimated uncollectible taxes	(25,000)
Net taxes receivable	\$ 778,468

Deferred Revenue

Deferred revenue of \$959,770 at December 31, 2022 represents \$520,348 of property taxes, \$57,172 of welfare liens, and \$90,116 of ambulance service charges that were not collected within 60 days of year-end; and \$273,489 of unspent ARPA funds; and \$18,645 for prepayments of 2023 taxes. In the Governmental Activities, the ARPA funds and prepayments are reported as unearned.

**TOWN OF EPSOM, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2022**

III.A.3. Capital Assets

Changes in Capital Assets

The following table provides a summary of changes in capital assets:

	Balance, beginning	Additions	Deletions	Balance, ending
At cost:				
Not being depreciated:				
Land	\$ 985,065	\$ -	\$ -	\$ 985,065
Construction in progress	106,495	627,707	(106,495)	627,707
Total capital assets not being depreciated	<u>1,091,560</u>	<u>627,707</u>	<u>(106,495)</u>	<u>1,612,772</u>
Being depreciated:				
Buildings and building improvements	2,466,132	-	-	2,466,132
Machinery, vehicles and equipment	2,440,864	266,955	(27,740)	2,680,079
Infrastructure	6,219,908	390,078	-	6,609,986
Total capital assets being depreciated	<u>11,126,904</u>	<u>657,033</u>	<u>(27,740)</u>	<u>11,756,197</u>
Total all capital assets	<u>12,218,464</u>	<u>1,284,740</u>	<u>(134,235)</u>	<u>13,368,969</u>
Less accumulated depreciation:				
Buildings and building improvements	(871,271)	(44,408)	-	(915,679)
Machinery, vehicles and equipment	(1,365,115)	(163,114)	27,740	(1,500,489)
Infrastructure	(2,217,727)	(292,123)	-	(2,509,850)
Total accumulated depreciation	<u>(4,454,113)</u>	<u>(499,645)</u>	<u>27,740</u>	<u>(4,926,018)</u>
Net book value, capital assets being depreciated	<u>6,672,791</u>	<u>157,388</u>	<u>-</u>	<u>6,830,179</u>
Net book value, all capital assets	<u>\$ 7,764,351</u>	<u>\$ 785,095</u>	<u>\$ (106,495)</u>	<u>\$ 8,442,951</u>

Depreciation Expense

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

Governmental activities:	
General government	\$ 3,911
Public safety	157,132
Highways and streets	314,569
Culture and recreation	24,033
Total depreciation expense	<u>\$ 499,645</u>

III.B. Liabilities

III.B.1. Intergovernmental Payable

The amount due to other governments at December 31, 2022 consists of \$5,555,053 due to the Epsom School District for the balance of the 2022-2023 district assessment and \$3,242 in fees collected on behalf of the State of New Hampshire.

**TOWN OF EPSOM, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2022**

III.B.2. Long-Term Liabilities

Long-term liabilities currently outstanding are as follow:

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at 12/31/2022	Current Portion
Capital lease payable:						
DPW vehicles	\$ 118,500	2021	2025	2.75	\$ 71,121	\$ 23,059
Compensated absences payable:						
Accrued vacation leave					33,593	3,467
Net pension liability					2,615,796	-
Other postemployment benefits payable					921,120	-
					<u>\$ 3,641,630</u>	<u>\$ 26,526</u>

Changes in Long-Term Liabilities

The following is a summary of changes in long-term liabilities for the year ended December 31, 2022:

	Capital Lease Payable	Compensated Absences Payable	Net Pension Liability	OPEB Liability	Total
Balance, beginning	\$ 93,555	\$ 52,942	\$ 1,903,436	\$ 853,580	\$ 2,903,513
Additions	-	-	712,360	67,540	779,900
Reductions	(22,434)	(19,349)	-	-	(41,783)
Balance, ending	<u>\$ 71,121</u>	<u>\$ 33,593</u>	<u>\$ 2,615,796</u>	<u>\$ 921,120</u>	<u>\$ 3,641,630</u>

Debt Service Requirements to Maturity

The future minimum lease obligation for the capital lease is as follow:

Year Ending December 31,	Principal	Interest	Total
2023	23,059	1,981	25,040
2024	23,701	1,339	25,040
2025	24,361	678	25,039
Totals	<u>\$ 71,121</u>	<u>\$ 3,998</u>	<u>\$ 75,119</u>

III.B.3. Town Office Lease

The Town has an operating lease for its Town Office facilities. The Town is responsible for all utilities for the facility. Total lease expenditure for the year was \$39,128. The Town entered into a new lease on January 1, 2021 with a three-year term. One remaining lease payment in the amount of \$40,600 will be made in 2023. The Town will not be renewing the lease as it will be moving into the renovated Town Hall.

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

Receivable Fund	Payable Fund	Amount
General	Nonmajor	\$ 19,226
Nonmajor	Nonmajor	625
		\$ 19,851

The amount due to the General Fund from the Nonmajor Funds represents reimbursement for expenditures paid for the Grants Fund and Webster Park Fund. The amount due to the Nonmajor Funds from other Nonmajor Funds represents income earned on the Permanent Fund that is due to the Library Fund.

III.C.2. *Transfers*

Transfers within the reporting entity are substantially for the purposes of distributing taxes to the fund for which the appropriation was made, and distributing trust income and certain voted amounts to the applicable fund. The government-wide statement of activities eliminates transfers reported within the governmental activities columns.

The following schedule reports transfers within the reporting entity:

	Transfers In:		Total
	General Fund	Nonmajor Funds	
Transfers out:			
General fund	\$ -	\$ 248,745	\$ 248,745
Fire & Rescue Apparatus fund	10,254	-	10,254
Nonmajor funds	165,000	4,197	169,197
	\$ 175,254	\$ 252,942	\$ 428,196

The amount transferred to the Nonmajor Funds from the General Fund consists of \$244,200 of appropriations to the Expendable Trust Funds; and \$4,545 of land use change taxes to the Conservation Commission. The \$10,254 transferred to the General Fund from the Fire and Rescue

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Apparatus Fund consisted of a budgeted transfer from the prior year. The \$4,197 transferred from the Nonmajor Funds to the other Nonmajor Funds represents income earned on library trust funds and appropriations from the Permanent Fund to the Library Fund. The \$165,000 transferred from the Nonmajor Funds to the General Fund represents reimbursement of expenditures from the Expendable Trust Fund.

III.D. Restatement of Beginning Equity

The equity at January 1, 2022 was restated as follows:

	Governmental Activities	General Fund
To record construction in progress	\$ 106,495	\$ -
To record unavailable property taxes	-	(146,067)
Net position/fund balance, as previously reported	10,848,314	2,614,597
Net position/fund balance, as restated	<u>\$ 10,954,809</u>	<u>\$ 2,468,530</u>

III.E. Fund Equity

The components of fund balance, as described in Note I.C.4., are classified for the following purposes:

	General Fund	Fire & Rescue Apparatus Fund	Nonmajor Funds
Nonspendable:			
Endowments	\$ -	\$ -	\$ 192,771
Prepaid items	40,400	-	-
Tax deeded property	16,067	-	-
Total nonspendable	<u>56,467</u>	<u>-</u>	<u>192,771</u>
Restricted:			
General government	-	-	83,937
Public safety	1,993	-	-
Welfare	5,107	-	-
Culture and recreation	-	-	64,302
Total restricted	<u>7,100</u>	<u>-</u>	<u>148,239</u>
Committed:			
Public safety	-	-	76,103
Culture and recreation	-	-	6,247
Conservation	-	-	132,707
Capital outlay	609,983	1,399,547	1,014,564
Total committed	<u>609,983</u>	<u>1,399,547</u>	<u>1,229,621</u>
Assigned:			
General government	2,150	-	-
Public safety	8,911	-	-
Culture and recreation	4,031	-	-
Total assigned	<u>15,092</u>	<u>-</u>	<u>-</u>
Unassigned	<u>1,525,004</u>	<u>-</u>	<u>-</u>
Total fund balance	<u>\$ 2,213,646</u>	<u>\$ 1,399,547</u>	<u>\$ 1,570,631</u>

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III.F. Restricted Net Position

The government-wide statement of net position includes restricted net position of \$212,912 for public trust funds reported as restricted to reflect purpose restrictions contained in trust indentures; \$7,100 in donations restricted for public safety and welfare; and \$64,302 for library funds restricted in accordance with State law.

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 NH Public Risk Management Exchange (Primex), which is considered a public entity risk pool, currently operating as a common risk management and insurance program for member governmental entities. Primex's Worker's Compensation Program is a pooled risk management program under RSA 5-B and RSA 281-A. The membership and coverage run from January 1 to December 31. Information on coverage limits may be obtained from Primex. The Town also received property/liability coverage of various limits from a private insurance company.

Contributions paid in 2022 to be recorded as an insurance expenditure/expense totaled \$72,484 for property/liability and \$34,587 for worker's compensation. There were no unpaid contributions for the year. The member agreement permits Primex to make additional assessments to members should there be a deficiency in assets to meet its liabilities. At this time, Primex foresees no likelihood of any additional assessments for past years.

IV.B. Retirement Pensions

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 at www.nhrs.org or by contacting the NHRS at 54 Regional Drive, Concord, NH 03301.

Both the members and the Town make contributions to the NHRS. Member rates of contribution are set by the Legislature. Employer rates are determined by the NHRS trustees based on an actuarial valuation. The rates of contribution for police officers, fire personnel, and other employees are

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11.55%, 11.80%, and 7.00%, respectively, of gross earnings. The rates of contribution from the Town were 33.88% for police, 32.99% for fire personnel, and 14.06% for other employees. Employer contributions from the Town during the years 2020, 2021, and 2022 were \$209,983, \$224,475, and \$270,326, 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 \$2,615,796 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021 rolled forward. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating municipalities and school districts, actuarially determined. As of June 30, 2022, the Town's proportion was 0.0457%, which is an increase of .0028% from its proportion measured as of June 30, 2021.

For 2022, the Town recognized pension expense of \$211,892. 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
	<u> </u>	<u> </u>
Changes in proportion and differences between employer contributions and proportionate share of contributions	\$ 150,098	\$ 61,284
Net differences between projected and actual earnings on pension plan investments	99,135	-
Changes in assumptions	139,139	-
Differences between expected and actual experience	49,094	10,042
Town contributions subsequent to the measurement date	141,445	-
	<u>\$ 578,911</u>	<u>\$ 71,326</u>

The Town reported \$141,445 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,	
2023	\$ 101,451
2024	129,360
2025	(24,998)
2026	160,327
	<u>\$ 366,140</u>

Actuarial Assumptions

The net 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:

Actuarial Cost Method	Entry-Age Normal
Amortization Period	Level Percentage-of-Payroll, Closed
Remaining Amortization Period	18 years beginning July 1, 2021 (30 years beginning July 1, 2009)
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
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Based on the 2015-2019 experience study.

Mortality rates were based on 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.

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

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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	\$ 3,509,739	\$ 2,615,796	\$ 1,872,565

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. Other Postemployment Benefits

Plan Description

In addition to providing pension benefits, the Town provides 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 Anthem Access Blue. 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 January 1, 2022, the actuarial

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valuation date, there is only one participant of the postretirement plan that meets eligibility requirements. The plan does not issue a separate financial report.

Implicit Rate Subsidy

Same benefit options are available to retirees as active employees. Health insurance is purchased through HealthTrust. The Town participates in a Combination of Entities Agreement comprised of seven neighboring towns and one solid waste district for medical coverage rating purposes and their rates are determined based on the experience of the entire combination. The claims experience for active employees and retirees are combined to determine the final premium rate. This single premium rate is called a blended premium rate because it blends the expected claims of both active and retired participants. Retirees are generally older than the average participant in a non-Medicare plan, which means they are expected to generate higher claims than the average participant of the plan; therefore, they are receiving a subsidy even if they pay 100% of the blended premium rate because they would be paying less in premiums than their claims cost.

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.

Total OPEB Liability

The Town's total OPEB liability of \$921,120 consists of \$712,922 for the implicit rate subsidy determined by an actuarial valuation as of December 31, 2022 and \$208,198 for the medical insurance subsidy, 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.

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Methods and Assumptions

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

Implicit Rate Subsidy:		
Payroll Growth	3.00%	
Discount Rate	2.06%	
Inflation	3.70%	
Mortality	SOA RP-2014 Total Dataset Mortality with Scale MP-2018, (2006 Base Rate)	
Healthcare Cost Trend Rates	2022	7.00%
	2023	8.50%
	2024	7.50%
	2025	7.00%
	2026+	6.50% reduce by 0.5% each year until ultimate rate of 5.00% is reached in 2029
Medical Insurance Subsidy:		
Payroll Growth	5.40% per year	
Discount Rate	6.75%	
Inflation	2.00%	
Investment Rate of Return	6.75% net of pension 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 mortality improvements using Scale MP-2019	
Healthcare Cost Trend Rates	N/A, given that the benefits are fixed stipends	

Sensitivity of Total OPEB Liability

Assumptions and methods used to determine the total OPEB liability are sensitive to changes in the discount rate and healthcare cost trend rates. The following presents the total OPEB liability calculated using the current discount rates, as well as what the total OPEB liability would be if it were calculated using a discount rate 1-percentage point lower or 1-percentage point higher:

Implicit Rate Subsidy:			
	1%	Current	1%
	Decrease	Discount	Increase
	(1.06%)	Rate	(3.06%)
	<u> </u>	<u> </u>	<u> </u>
Town's total OPEB liability	\$ 790,070	\$ 712,922	\$ 643,159

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Medical Rate Subsidy:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Town's total OPEB liability	\$ 226,034	\$ 208,198	\$ 192,663

The following presents the total OPEB liability for the implicit rate subsidy calculated using the current healthcare cost trend rate as well as what the total OPEB liability would be if it were calculated using a healthcare cost trend rate 1-percentage point lower of 1-percentage point higher:

	1% Decrease (2.70%)	Current Healthcare Cost Trend Rate (3.70%)	1% Increase (4.70%)
Town's total OPEB liability	\$ 610,884	\$ 712,922	\$ 834,922

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

For the year ended December 31, 2022, the Town recognized an increase in expense of \$83,433 related to OPEB. 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>
Net differences between projected and actual earnings on pension plan investments	\$ 569	\$ -
Changes in assumptions	6,898	256,731
Differences between expected and actual experience	606,252	76,628
Town contributions subsequent to the measurement date	11,794	-
	<u>\$ 625,513</u>	<u>\$ 333,359</u>

The Town reported \$11,794 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.

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Other amounts reported as deferred inflows and outflows of resources will be recognized in OPEB expense as follow:

Year Ending December 31,	
2023	\$ 32,298
2024	36,951
2025	40,706
2026	170,405
	<u>\$ 280,360</u>

IV.D. Contingent Liabilities

The Town has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designee. These audits could result in a request for reimbursement from the grantor agency for costs disallowed under terms of the grant. Based on prior experience, the Town believes such disallowances, if any, will be immaterial.

REQUIRED SUPPLEMENTARY INFORMATION

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

For the Year Ended December 31,	Town's Proportion of Net Pension Liability	Town's Proportionate Share of the Net Pension Liability	Town's Covered- Employee Payroll	Town's Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll	Plan Fiduciary Position as a Percentage of the Total Pension Liability
2022	0.0457%	\$ 2,615,796	\$ 1,051,477	248.77%	65.12%
2021	0.0429%	\$ 1,903,436	\$ 1,010,883	188.29%	72.22%
2020	0.0436%	\$ 2,790,485	\$ 1,085,406	257.09%	58.72%
2019	0.0414%	\$ 1,990,718	\$ 948,170	209.95%	65.59%
2018	0.0466%	\$ 2,244,916	\$ 972,159	230.92%	64.73%
2017	0.0525%	\$ 2,582,815	\$ 989,304	261.07%	62.66%
2016	0.0538%	\$ 2,862,730	\$ 1,042,535	274.59%	58.30%
2015	0.0510%	\$ 2,019,655	\$ 938,779	215.14%	65.47%
2014	0.0500%	\$ 1,878,483	\$ 942,213	199.37%	66.32%

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

For the Year Ended December 31,	Contractually Required Contribution	Contribution in Relation to the Contractually Required Contribution	Contribution Deficiency	Town's Covered- Employee Payroll	Contributions as a Percentage of Covered-Employer Payroll
2022	\$ 270,326	\$ (270,326)	\$ -	\$ 1,051,477	25.71%
2021	\$ 224,475	\$ (224,475)	\$ -	\$ 1,010,883	22.21%
2020	\$ 209,983	\$ (209,983)	\$ -	\$ 1,085,406	19.35%
2019	\$ 182,187	\$ (182,187)	\$ -	\$ 948,170	19.21%
2018	\$ 211,110	\$ (211,110)	\$ -	\$ 972,159	21.72%
2017	\$ 218,031	\$ (218,031)	\$ -	\$ 989,304	22.04%
2016	\$ 223,385	\$ (223,385)	\$ -	\$ 1,042,535	21.43%
2015	\$ 205,002	\$ (205,002)	\$ -	\$ 938,779	21.84%
2014	\$ 192,412	\$ (192,412)	\$ -	\$ 942,213	20.42%

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

	2022	2021	2020	2019	2018
Total OPEB liability:					
Service cost	\$ 52,244	\$ 51,182	\$ 14,246	\$ 13,935	\$ 33,491
Interest	29,379	25,435	20,954	21,515	33,249
OPEB plan administrative expenses	(129)	74	63	139	43
OPEB plan net investment income	1,553	(4,597)	(192)	(965)	(1,499)
Changes of assumptions					
and differences between expected and actual experience	-	401,936	10,953	23,458	11,962
Difference between actual and expected experience	(7,210)	(4,257)	(4,936)	(264,026)	-
Net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions	25,348	(1,025)	(607)	(33,524)	45,289
Benefit payments	(33,645)	(28,857)	(31,602)	(32,032)	(18,255)
Net change in total OPEB liability	67,540	439,891	8,879	(271,500)	104,280
Total OPEB liability, beginning	853,580	413,689	404,810	676,310	572,030
Total OPEB liability, ending	<u>\$ 921,120</u>	<u>\$ 853,580</u>	<u>\$ 413,689</u>	<u>\$ 404,810</u>	<u>\$ 676,310</u>
Covered-employee payroll	\$ 1,051,477	\$ 1,010,883	\$ 1,085,406	\$ 948,170	\$ 972,159
Total OPEB liability as a percentage of covered-employee payroll	87.60%	84.44%	38.11%	42.69%	69.57%

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

	2022	2021	2020	2019	2018
Actuarially determined contribution	\$ 104,700	\$ 101,607	\$ 45,712	\$ 44,707	\$ 82,055
Contributions in relation to the actuarially determined contribution	(32,708)	(33,089)	(31,409)	(30,979)	(35,682)
Contribution deficiency	<u>\$ 71,992</u>	<u>\$ 68,518</u>	<u>\$ 14,303</u>	<u>\$ 13,728</u>	<u>\$ 46,373</u>
Covered-employee payroll	\$1,051,477	\$ 1,010,883	\$1,085,406	\$948,170	\$972,159
Contributions as a percentage of covered-employee payroll	9.96%	10.05%	4.21%	4.72%	8.44%

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NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION
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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 schedules, 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 EPSOM, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2022

	Special Revenue Funds						Capital Projects Fund	Permanent Fund	Total
	Library	Police Special Duty	Ambulance	Grants	Webster Park	Conservation	Expendable Trust		
ASSETS									
Cash and cash equivalents	\$ 63,677	\$ 63,415	\$ 1,323	\$ -	\$ 7,260	\$ 132,707	\$ 5,512	\$ 11,674	\$ 285,568
Investments	-	-	-	-	-	-	1,009,052	265,659	1,274,711
Receivables:									
Accounts	-	11,438	-	-	-	-	-	-	11,438
Intergovernmental	-	798	-	18,213	-	-	-	-	19,011
Interfund receivable	625	-	-	-	-	-	-	-	625
Total assets	\$ 64,302	\$ 75,651	\$ 1,323	\$ 18,213	\$ 7,260	\$ 132,707	\$ 1,014,564	\$ 277,333	\$ 1,591,353
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accrued salaries and benefits	\$ -	\$ 871	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 871
Interfund payable	-	-	-	18,213	1,013	-	-	625	19,851
Total liabilities	-	871	-	18,213	1,013	-	-	625	20,722
Fund balances:									
Nonspendable	-	-	-	-	-	-	-	192,771	192,771
Restricted	64,302	-	-	-	-	-	-	83,937	148,239
Committed	-	74,780	1,323	-	6,247	132,707	1,014,564	-	1,229,621
Total fund balances	64,302	74,780	1,323	-	6,247	132,707	1,014,564	276,708	1,570,631
Total liabilities and fund balances	\$ 64,302	\$ 75,651	\$ 1,323	\$ 18,213	\$ 7,260	\$ 132,707	\$ 1,014,564	\$ 277,333	\$ 1,591,353

EXHIBIT 15
TOWN OF EPSOM, 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						Capital Projects Fund	Permanent Fund	Total
	Library	Police Special Duty	Ambulance	Grants	Webster Park	Conservation	Expendable Trust		
REVENUES									
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 672	\$ -	\$ -	\$ 672
Intergovernmental	8,366	2,764	-	38,633	-	-	-	-	49,763
Charges for services	1,402	154,124	19,675	-	2,135	-	-	-	177,336
Miscellaneous	5,158	-	-	-	48	962	(67,909)	(31,925)	(93,666)
Total revenues	<u>14,926</u>	<u>156,888</u>	<u>19,675</u>	<u>38,633</u>	<u>2,183</u>	<u>1,634</u>	<u>(67,909)</u>	<u>(31,925)</u>	<u>134,105</u>
EXPENDITURES									
Current:									
General government	-	-	-	-	-	-	5,000	-	5,000
Public safety	-	153,994	19,646	-	-	-	-	-	173,640
Culture and recreation	16,326	-	-	-	1,743	-	-	-	18,069
Conservation	-	-	-	15,426	-	-	2,125	-	17,551
Capital outlay	-	-	-	23,207	-	-	225,079	-	248,286
Total expenditures	<u>16,326</u>	<u>153,994</u>	<u>19,646</u>	<u>38,633</u>	<u>1,743</u>	<u>-</u>	<u>232,204</u>	<u>-</u>	<u>462,546</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,400)</u>	<u>2,894</u>	<u>29</u>	<u>-</u>	<u>440</u>	<u>1,634</u>	<u>(300,113)</u>	<u>(31,925)</u>	<u>(328,441)</u>
Other financing sources (uses):									
Transfers in	4,197	-	-	-	-	4,545	244,200	-	252,942
Transfers out	-	-	-	-	-	-	(169,035)	(162)	(169,197)
Total other financing sources and uses	<u>4,197</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,545</u>	<u>75,165</u>	<u>(162)</u>	<u>83,745</u>
Net change in fund balances	2,797	2,894	29	-	440	6,179	(224,948)	(32,087)	(244,696)
Fund balances, beginning	61,505	71,886	1,294	-	5,807	126,528	1,239,512	308,795	1,815,327
Fund balances, ending	<u>\$ 64,302</u>	<u>\$ 74,780</u>	<u>\$ 1,323</u>	<u>\$ -</u>	<u>\$ 6,247</u>	<u>\$ 132,707</u>	<u>\$ 1,014,564</u>	<u>\$ 276,708</u>	<u>\$ 1,570,631</u>

EXHIBIT 16
TOWN OF EPSOM, 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	\$ 1,712,208	\$ 1,746,536	\$ 34,328
Land use change	6,400	6,047	(353)
Timber	8,000	7,897	(103)
Payments in lieu of taxes	22,417	20,790	(1,627)
Interest and penalties on delinquent taxes	60,000	61,132	1,132
Total taxes	<u>1,809,025</u>	<u>1,842,402</u>	<u>33,377</u>
Licenses, permits and fees:			
Business licenses and permits	480	545	65
Motor vehicle permits	1,136,000	1,170,744	34,744
Building permits	9,000	11,170	2,170
Other	27,000	21,870	(5,130)
Total licenses, permits and fees	<u>1,172,480</u>	<u>1,204,329</u>	<u>31,849</u>
Intergovernmental:			
State sources:			
Meals and rooms distributions	426,596	426,596	-
Highway block grant	130,655	130,151	(504)
NHRS contribution	15,582	15,582	-
Federal sources:			
ARPA	437,063	437,063	-
Total intergovernmental	<u>1,009,896</u>	<u>1,009,392</u>	<u>(504)</u>
Charges for services:			
Income from departments	<u>13,715</u>	<u>19,278</u>	<u>5,563</u>
Miscellaneous:			
Sale of property	2,500	8,762	6,262
Interest on investments	5,300	28,943	23,643
Fines and forfeits	-	4,409	4,409
Insurance dividends and reimbursements	-	1,566	1,566
Other	26,000	36,624	10,624
Total miscellaneous	<u>33,800</u>	<u>80,304</u>	<u>46,504</u>
Other financing sources:			
Transfers in:			
Nonmajor funds	<u>235,000</u>	<u>175,254</u>	<u>(59,746)</u>
Total revenues and other financing sources	4,273,916	<u>\$ 4,330,959</u>	<u>\$ 57,043</u>
Use of fund balance	<u>1,068,890</u>		
Total revenues, other financing sources and use of fund balance	<u>\$ 5,342,806</u>		

EXHIBIT 17
TOWN OF EPSOM, 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	\$ -	\$ 147,402	\$ 145,433	\$ -	\$ 1,969
Election and registration	-	52,754	48,501	-	4,253
Financial administration	-	140,469	141,992	-	(1,523)
Revaluation of property	-	16,600	13,833	-	2,767
Legal	-	11,000	14,421	-	(3,421)
Personnel administration	-	702,588	610,076	-	92,512
Planning and zoning	-	57,976	39,030	-	18,946
General government buildings	21,732	39,675	47,596	2,150	11,661
Cemeteries	-	5,810	5,536	-	274
Insurance, not otherwise allocated	-	70,679	72,484	-	(1,805)
Other	-	20,000	-	-	20,000
Total general government	<u>21,732</u>	<u>1,264,953</u>	<u>1,138,902</u>	<u>2,150</u>	<u>145,633</u>
Public safety:					
Police	35,544	617,605	624,065	-	29,084
Fire	17,547	556,576	525,246	4,950	43,927
Emergency management	785	7,119	4,466	3,961	(523)
Total public safety	<u>53,876</u>	<u>1,181,300</u>	<u>1,153,777</u>	<u>8,911</u>	<u>72,488</u>
Highways and streets:					
Administration	-	116,917	115,413	-	1,504
Highways and streets	-	579,200	591,323	-	(12,123)
Bridges	-	1,000	-	-	1,000
Street lighting	-	600	791	-	(191)
Total highways and streets	<u>-</u>	<u>697,717</u>	<u>707,527</u>	<u>-</u>	<u>(9,810)</u>
Sanitation:					
Solid waste clean-up	-	252,953	252,953	-	-
Water distribution and treatment:					
Water services	-	9,000	9,000	-	-
Health:					
Administration	-	4,048	3,820	-	228
Pest control	-	400	-	-	400
Health agencies and hospitals	-	7,500	7,500	-	-
Total health	<u>-</u>	<u>11,948</u>	<u>11,320</u>	<u>-</u>	<u>628</u>
Welfare:					
Administration	-	19,479	18,630	-	849
Direct assistance	-	26,451	19,521	-	6,930
Total welfare	<u>-</u>	<u>45,930</u>	<u>38,151</u>	<u>-</u>	<u>7,779</u>

(continued)

EXHIBIT 17 (continued)
TOWN OF EPSOM, 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	2,800	33,225	25,838	4,031	6,156
Public library	-	229,570	221,082	-	8,488
Patriotic purposes	-	1,950	1,477	-	473
Other	-	6,500	6,000	-	500
Total culture and recreation	2,800	271,245	254,397	4,031	15,617
Conservation:					
Administration	-	2,705	905	-	1,800
Purchase of natural resources	-	200	-	-	200
Total conservation	-	2,905	905	-	2,000
Economic development	-	420	-	-	420
Capital outlay:					
Machinery, vehicles and equipment	-	70,000	65,955	-	4,045
Buildings	-	1,267,690	657,257	609,983	450
Improvements other than buildings	-	20,000	20,000	-	-
Total capital outlay	-	1,357,690	743,212	609,983	4,495
Other financing uses:					
Transfers out:					
Nonmajor funds	-	246,745	248,745	-	(2,000)
Total encumbrances, appropriations, expenditures and other financing uses	\$ 78,408	\$ 5,342,806	\$ 4,558,889	\$ 625,075	\$ 237,250

EXHIBIT 18
TOWN OF EPSOM, 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		\$ 2,801,676
Changes:		
Unassigned fund balance used to reduce tax rate		(322,000)
Unassigned fund balance appropriated		(746,890)
Budget summary:		
Revenue surplus (Exhibit 16)	\$ 57,043	
Unexpended balance of appropriations (Exhibit 17)	<u>237,250</u>	
Budget surplus		294,293
Decrease in nonspendable fund balance		19,088
Increase in restricted fund balance		<u>(815)</u>
Unassigned fund balance, ending		<u><u>\$ 2,045,352</u></u>



Roberts & Greene, PLLC

INDEPENDENT AUDITOR'S COMMUNICATION TO MANAGEMENT

To the Members of the Board of Selectmen
Town of Epsom
Epsom, 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 Epsom 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.

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

September 23, 2023

Roberts & Greene, PLLC