

EPPING SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2022

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**EPPING SCHOOL DISTRICT
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JUNE 30, 2022**

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PLODZIK & SANDERSON

Professional Association/Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

To the Members of the School Board
Epping School District
Epping, New Hampshire

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and aggregate remaining fund information of the Epping School District as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and aggregate remaining fund information of the Epping School District, as of June 30, 2022, and the respective changes in financial position and the respective budgetary comparison for the general fund and the grants 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the Epping School District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

***Epping School District
Independent Auditor's Report***

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Epping School District'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 Epping School District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Change in Accounting Principle

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

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

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

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, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

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

***Epping School District
Independent Auditor's Report***

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2023 on our consideration of the Epping School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Epping School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Epping School District's internal control over financial reporting and compliance.

February 14, 2023
Concord, New Hampshire



PLODZIK & SANDERSON
Professional Association

2021-2022 Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Epping School District's basic financial statements. The School District's basic financial statements comprise four components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to the financial statements, and 4) required supplementary information. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements: The *government-wide financial statements* are designed to provide readers with a broad overview of Epping School District's finances, in a manner similar to a private-sector business.

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

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements can be found on pages 12-13 of this report.

Fund financial statements: A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Epping School District, like other governmental units, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the School District are divided into two categories: governmental funds and fiduciary funds.

Governmental funds: *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Epping School District maintained four individual governmental funds during the 2021-2022 fiscal year. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the general, food service and federal grants funds which are considered to be major funds. The other governmental fund, the local grants fund is considered to be a non-major fund which is listed under other governmental funds.

The School District adopts an annual appropriated budget for its major funds. A budgetary comparison statement has been provided for each of these funds to demonstrate compliance with the budget, see Exhibits D-1 and D-2.

The basic financial statements for the governmental funds can be found on pages 14-17 of this report, see Exhibits C-1, C-2, C-3 and C-4.

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. The notes to the financial statements can be found on pages 20-38 of this report.

Required Supplementary Information In addition to this Management's Discussion and Analysis the basic financial statements and accompanying notes are followed by a section of required supplementary information. This section includes a Schedule of the School District's Proportionate Share of Net Pension Liability, Schedule of School District Contributions, Schedule of the School District's Proportionate Share of Net Other Postemployment Benefits Liability, Schedule of School District Contributions – Other Postemployment Benefits, and the Schedule of Changes in the School District's Total Other Postemployment Benefits Liability, and Related Ratios along with accompanying notes. Required supplementary information can be found on pages 39-45 of this report.

Other information: In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which were derived from and relate directly to the underlying information and other records used to prepare the basic financial statements. Combining and individual fund statements and schedules can be found on pages 46-52 of this report.

Financial Highlights

The District's Net Position increased by 27.7% compared to the year ended June 30, 2021. This change is a result of changes in the deferred inflows of resources related to the pension liability as well as an increase in the Net Investment in Capital Assets. The School District will return \$577,311 in general fund balance to the town to reduce subsequent year's school district appropriation. Food service revenues exceeded expenditures by an amount of \$127,685 which results in a fund balance of \$127,685 at June 30, 2022.

Financial Analysis of the School District as a Whole
Net Position

The table below provides a summary of the School District's net position for the year ended June 30, 2020, as compared with June 30, 2019.

Table 1
Condensed Statement of Net Position

	<u>June 30,</u>		
	<u>2021</u>	<u>2022</u>	<u>Change</u>
Assets and deferred outflows of resources			
Current and other assets	\$ 2,682,884	\$ 3,049,416	\$ 366,532
Noncurrent assets	17,097,350	17,538,271	440,921
Total assets	<u>19,780,234</u>	<u>20,587,687</u>	<u>807,453</u>
Deferred outflows of resources	<u>6,431,127</u>	<u>4,425,090</u>	<u>(2,006,037)</u>
Total assets and deferred outflows of resources	<u>26,211,361</u>	<u>25,012,777</u>	<u>(1,198,584)</u>
Liabilities and deferred inflows of resources			
Current liabilities	495,791	849,053	353,262
Noncurrent liabilities	27,118,807	20,283,039	(6,835,768)
Total liabilities	<u>27,614,598</u>	<u>21,132,092</u>	<u>(6,482,506)</u>
Deferred inflows of resources	<u>461,202</u>	<u>5,228,919</u>	<u>4,767,717</u>
Total liabilities and deferred inflows of resources	<u>28,075,800</u>	<u>26,361,011</u>	<u>(1,714,789)</u>
Net position			
Net investment in capital assets	11,868,985	12,254,492	385,507
Restricted net position	36,096	325,796	289,700
Unrestricted net position	<u>(13,769,520)</u>	<u>(13,928,522)</u>	<u>(159,002)</u>
Total net position	<u>\$ (1,864,439)</u>	<u>\$ (1,348,234)</u>	<u>\$ 516,205</u>

The School District's combined total assets increased by 4.1% while liabilities decreased by 23.5%. Overall net position shows an increase of 27.7% due to a decrease in the net pension liability. The calculation of net investment in capital assets uses an historical cost of school buildings and land that does not necessarily reflect the fair value.

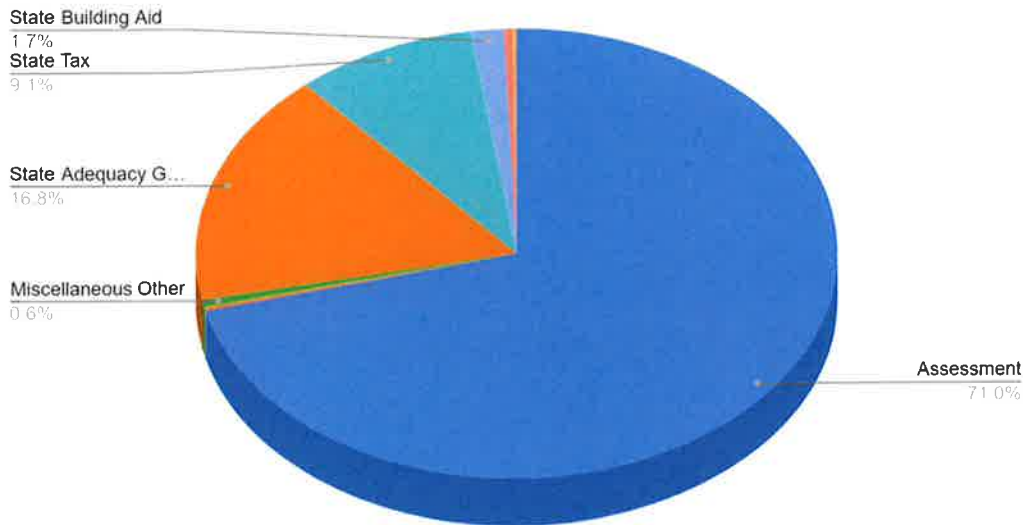
In 2020-2021, School District revenues were higher than expenses resulting in an increase in Net Position in the amount of \$516,205.

Table 2
Statement of Activities

	For the Fiscal Year Ended June 30	
	2021	2022
General Revenues:		
School District Assessment	\$ 14,307,196	\$ 13,571,957
Unrestricted Grants and Contributions	4,885,602	5,041,714
Unrestricted Investment Income	2,818	1,718
Miscellaneous	342,184	319,444
Total Revenues	<u>19,537,800</u>	<u>18,934,833</u>
Program Expenses (net of program revenue):		
Instruction	12,836,787	11,307,420
Support Services		
Student	1,819,392	1,630,155
Instructional Staff	882,670	1,066,304
General Administration	52,337	81,069
Executive Administration	1,009,221	929,106
School Administration	1,468,445	1,190,032
Operation and Maintenance of Plant	1,417,384	1,693,184
Student Transportation	584,551	717,570
Other	122,108	102,078
Non-Instructional	68,682	(126,220)
Interests on Long-Term Debt	(161,443)	(172,070)
Total Expenses	<u>20,100,134</u>	<u>18,418,628</u>
Change in Net Position	(562,334)	516,205
Beginning Net Position	<u>(1,302,105)</u>	<u>(1,864,439)</u>
Ending Net Position	<u>\$ (1,864,439)</u>	<u>\$ (1,348,234)</u>

Revenue Analysis

REVENUE ANALYSIS

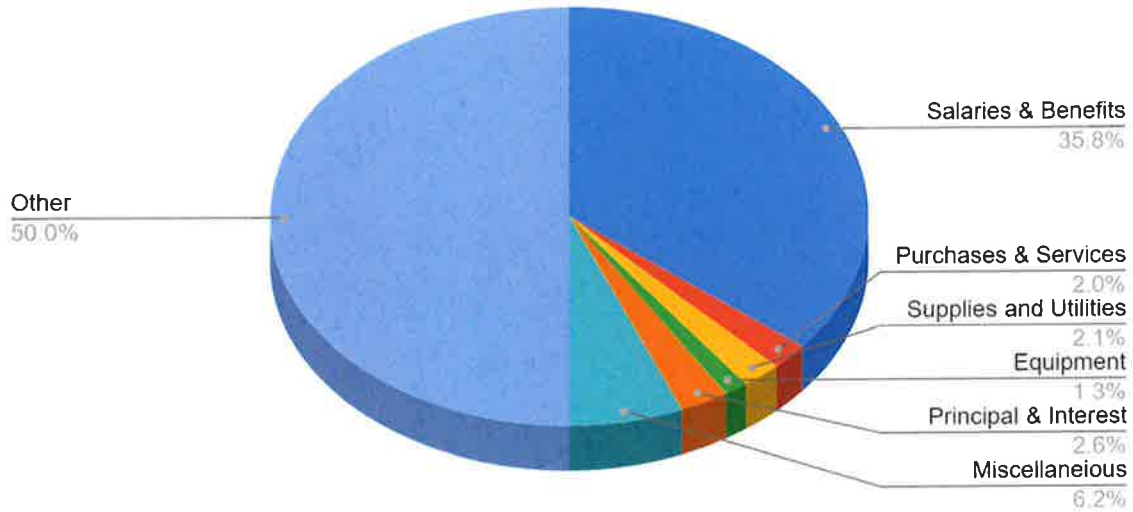


June 30, 2022 (General Fund Only, Budgetary Basis)

Assessment	\$ 13,571,957
Local	
Health Return of Surplus	22,222
Tuition	24,970
Miscellaneous Other	106,238
State	
State Adequacy Grant	3,210,265
State Tax	1,734,144
State Building Aid	315,875
State Cat Aid	97,284
State Vocational Transportation Aid	8,970
State Other	21
Federal	
Medicaid	19,925
Total	\$ 19,111,871

Expenditure Analysis

EXPENDITURE ANALYSIS



June 30, 2022 (General Fund Only, Budgetary Basis)		
Salaries & Benefits	\$	14,058,248
Purchases Services	\$	799,446
Supplies & Utilities	\$	827,398
Equipment	\$	500,898
Principal & Interest	\$	1,027,204
Miscellaneous	\$	2,418,777
Total	\$	<u>19,631,971</u>

Fund Balance

Surplus funds from operations within the general fund are generally used to reduce local property taxes. Following the approval of the voters for the school district to retain a portion of fund balance, up to 2.5% of the net assessment may now be retained by the district to be used to offset local property tax increases in future years or to fund requests for deficit appropriations/emergency expenditures.

The fund balance in the food service fund is cumulative and has been used to purchase equipment or to fund years in which there is a shortfall.

Typically, grant funds do not accumulate from year to year, unless a grant has been received for longer than one fiscal year. In that case, funds are carried forward for a specific purpose that must be completed within the specified time period of the grant. Capital trust funds are held by the town trustee of trust funds until such time as requests to expend are made by the School Board.

In the event of a Capital Project, the Capital Project fund balance is reserved for continuing appropriations for as long as the project is underway.

Long Term Debt Schedule **June 30, 2020**

	Middle Addition High Renovation	Elementary HVAC System	Elementary HVAC System
Length of Debt	20.00	10.00	10.00
Date of Issue	08/15/2005	08/15/2018	08/15/2021
Date of Final Payment	08/15/2025	08/15/2028	08/15/2031
Original Debt Amount	\$12,072,350	\$1,100,000	\$820,375
Interest Rate	4.13	2.57	0.96
Principal at Begin or Year	\$4,115,000	\$770,000	\$820,375
Retired Issues This Year	<u>\$755,000</u>	<u>\$100,000</u>	<u>\$21,384</u>
Remaining Principal Balance Due	<u>\$3,360,000.00</u>	<u>\$ 670,000.00</u>	<u>\$ 820,375.00</u>
Principal to be Paid Next FY	\$ 785,000	\$ 100,000	\$ 85,375
Interest to be Paid Next FY	\$ 81,179	\$ 31,620	\$ 39,662

Fixed Assets

	Balance, beginning	Additions	Retirements	Balance, ending
At cost:				
Not being depreciated:				
Land	\$ 375,128	\$ -	\$ -	\$ 375,128
Construction in progress	601,897	876,545	(1,478,442)	-
Total capital assets not being depreciated	977,025	876,545	(1,478,442)	375,128
Being depreciated:				
Buildings and building improvements	21,750,080	1,478,442	-	23,228,522
Machinery, equipment, and vehicles	1,180,633	25,607	-	1,206,240
Total capital assets being depreciated	22,930,713	1,504,049	-	24,434,762
Total capital assets	23,907,738	2,380,594	(1,478,442)	24,809,890
Less accumulated depreciation:				
Buildings and building improvements	(6,218,155)	(382,242)	-	(6,600,397)
Machinery, equipment, and vehicles	(592,233)	(78,989)	-	(671,222)
Total accumulated depreciation	(6,810,388)	(461,231)	-	(7,271,619)
Net book value, capital assets being depreciated	16,120,325	1,042,818	-	17,163,143
Net book value, all capital assets	\$ 17,097,350	\$ 1,919,363	\$ (1,478,442)	\$ 17,538,271

Capital assets include land, improvements to land, easements, buildings, building improvements, and all other tangible or intangible assets that are used in operations and have a useful life extending beyond a single reporting period. The calculation of fixed assets uses an historical cost of school buildings that does not necessarily reflect the fair market value.

Contact Information

This report is designed to provide a general overview of the district's finances and to demonstrate the district's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact:

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Epping, NH 03042
603-679-8003 Ext. 7104
Christine.vayda@eppingsd.org

BASIC FINANCIAL STATEMENTS

EXHIBIT A
EPPING SCHOOL DISTRICT
Statement of Net Position
June 30, 2022

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 1,670,686
Other receivables	20
Intergovernmental receivable	1,361,687
Inventory	13,123
Prepaid items	3,900
Capital assets, not being depreciated	375,128
Capital assets, net of accumulated depreciation	17,163,143
Total assets	<u>20,587,687</u>
DEFERRED OUTFLOWS OF RESOURCES	
Amounts related to pensions	3,543,406
Amounts related to other postemployment benefits	881,684
Total deferred outflows of resources	<u>4,425,090</u>
LIABILITIES	
Accounts payable	250,301
Accrued salaries and benefits	552,289
Accrued interest payable	46,463
Noncurrent obligations:	
Due within one year	1,076,604
Due in more than one year	19,206,435
Total liabilities	<u>21,132,092</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue - grants	513
Amounts related to pensions	3,635,083
Amounts related to other postemployment benefits	1,593,323
Total deferred inflows of resources	<u>5,228,919</u>
NET POSITION	
Net investment in capital assets	12,254,492
Restricted	325,796
Unrestricted	<u>(13,928,522)</u>
Total net position	<u><u>\$ (1,348,234)</u></u>

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

EXHIBIT B
EPPING SCHOOL DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2022

		Program Revenues			Net (Expense)
		Charges	Operating	Capital	Revenue and
	Expenses	for	Grants and	Grants and	Change in
		Services	Contributions	Contributions	Net Position
Governmental activities:					
Instruction	\$ 11,729,631	\$ 24,970	\$ 397,241	\$ -	\$ (11,307,420)
Support services:					
Student	1,681,656	-	51,501	-	(1,630,155)
Instructional staff	1,255,267	-	188,963	-	(1,066,304)
General administration	81,069	-	-	-	(81,069)
Executive administration	1,094,052	-	164,946	-	(929,106)
School administration	1,190,032	-	-	-	(1,190,032)
Business	12,647	-	12,647	-	-
Operation and maintenance of plant	1,709,810	600	16,026	-	(1,693,184)
Student transportation	726,540	-	8,970	-	(717,570)
Other	105,600	-	3,522	-	(102,078)
Noninstructional services	547,022	91,373	581,869	-	126,220
Interest on long-term debt	143,805	-	-	315,875	172,070
Total governmental activities	<u>\$ 20,277,131</u>	<u>\$ 116,943</u>	<u>\$ 1,425,685</u>	<u>\$ 315,875</u>	<u>(18,418,628)</u>
General revenues and contributions:					
School district assessment					13,571,957
Grants and contributions not restricted to specific programs					5,041,714
Interest					1,718
Miscellaneous					319,444
Total general revenues and contributions					<u>18,934,833</u>
Change in net position					516,205
Net position, beginning					<u>(1,864,439)</u>
Net position, ending					<u>\$ (1,348,234)</u>

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

EXHIBIT C-1
EPPING SCHOOL DISTRICT
Governmental Funds
Balance Sheet
June 30, 2022

	General	Grants	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 1,206,550	\$ -	\$ 464,136	\$ 1,670,686
Receivables:				
Accounts	-	-	20	20
Intergovernmental	616,839	639,262	105,586	1,361,687
Interfund receivables	717,437	-	-	717,437
Inventory	-	-	13,123	13,123
Prepaid items	3,900	-	-	3,900
Total assets	<u>\$ 2,544,726</u>	<u>\$ 639,262</u>	<u>\$ 582,865</u>	<u>\$ 3,766,853</u>
LIABILITIES				
Accounts payable	\$ 236,411	\$ -	\$ 13,890	\$ 250,301
Accrued salaries and benefits	551,420	-	869	552,289
Interfund payable	-	638,749	78,688	717,437
Total liabilities	<u>787,831</u>	<u>638,749</u>	<u>93,447</u>	<u>1,520,027</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - grants	-	513	-	513
FUND BALANCES				
Nonspendable	3,900	-	13,123	17,023
Restricted	-	-	312,673	312,673
Committed	930,198	-	-	930,198
Assigned	245,486	-	163,622	409,108
Unassigned	577,311	-	-	577,311
Total fund balances	<u>1,756,895</u>	<u>-</u>	<u>489,418</u>	<u>2,246,313</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,544,726</u>	<u>\$ 639,262</u>	<u>\$ 582,865</u>	<u>\$ 3,766,853</u>

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

EXHIBIT C-2
EPPING SCHOOL DISTRICT
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position
June 30, 2022

Total fund balances of governmental funds (Exhibit C-1)		\$ 2,246,313
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources, therefore, are not reported in the governmental funds.		
Cost	\$ 24,809,890	
Less accumulated depreciation	<u>(7,271,619)</u>	
		17,538,271
Pension and other postemployment benefits (OPEB) related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year, and therefore, are not reported in the governmental funds as follows:		
Deferred outflows of resources related to pensions	\$ 3,543,406	
Deferred inflows of resources related to pensions	(3,635,083)	
Deferred outflows of resources related to OPEB	881,684	
Deferred inflows of resources related to OPEB	<u>(1,593,323)</u>	
		(803,316)
Interfund receivables and payables between governmental funds are eliminated on the Statement of Net Position.		
Receivables	\$ (717,437)	
Payables	<u>717,437</u>	
		-
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(46,463)
Long-term liabilities are not due and payable in the current period, therefore, are not reported in the governmental funds.		
Bonds	\$ 4,850,375	
Unamortized bond premium	351,727	
Notes	81,677	
Compensated absences	224,344	
Net pension liability	12,528,445	
Other postemployment benefits	<u>2,246,471</u>	
		(20,283,039)
Net position of governmental activities (Exhibit A)		<u><u>\$ (1,348,234)</u></u>

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

EXHIBIT C-3
EPPING SCHOOL DISTRICT
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2022

	General	Grants	Other Governmental Funds	Total Governmental Funds
REVENUES				
School district assessment	\$13,571,957	\$ -	\$ -	\$13,571,957
Other local	208,968	-	230,970	439,938
State	5,366,559	-	40,704	5,407,263
Federal	19,925	827,444	526,809	1,374,178
Total revenues	19,167,409	827,444	798,483	20,793,336
EXPENDITURES				
Current:				
Instruction	10,766,942	375,487	129,350	11,271,779
Support services:				
Student	1,691,943	51,501	4,646	1,748,090
Instructional staff	1,119,390	188,963	-	1,308,353
General administration	69,993	-	-	69,993
Executive administration	993,923	164,946	-	1,158,869
School administration	1,191,071	-	-	1,191,071
Business	-	12,647	-	12,647
Operation and maintenance of plant	1,712,644	16,026	-	1,728,670
Student transportation	726,540	-	-	726,540
Other	102,078	3,522	-	105,600
Noninstructional services	2,272	14,352	531,357	547,981
Debt service:				
Principal	855,000	-	-	855,000
Interest	172,204	-	-	172,204
Facilities acquisition and construction	-	-	876,545	876,545
Total expenditures	19,404,000	827,444	1,541,898	21,773,342
Excess (deficiency) of revenues over (under) expenditures	(236,591)	-	(743,415)	(980,006)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	330,766	330,766
Transfers out	(330,766)	-	-	(330,766)
Bonds and notes issued	-	-	998,800	998,800
Total other financing sources (uses)	(330,766)	-	1,329,566	998,800
Net change in fund balances	(567,357)	-	586,151	18,794
Fund balances (deficit), beginning	2,324,252	-	(96,733)	2,227,519
Fund balances, ending	\$ 1,756,895	\$ -	\$ 489,418	\$ 2,246,313

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

EXHIBIT C-4
EPHING SCHOOL DISTRICT
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2022

Net change in fund balances of total governmental funds (Exhibit C-3)		\$ 18,794
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures, while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:		
Capitalized capital outlay	\$ 902,152	
Depreciation expense	(461,231)	
		440,921
Transfers in and out between governmental funds are eliminated on the Statement of Activities.		
Transfers in	\$ 330,766	
Transfers out	(330,766)	
		-
Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		
Issuance of bonds and notes	\$ (998,800)	
Principal repayment of bond	855,000	
Amortization of bond premium	33,923	
Principal repayment of notes payable	54,463	
		(55,414)
Some expenses reported in the Statement of Activities do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds.		
Increase in accrued interest expense	\$ (5,524)	
Increase in compensated absences payable	(12,425)	
Net change in net pension liability and deferred outflows and inflows of resources related to pensions	324,252	
Net change in net other postemployment benefits liability and deferred outflows and inflows of resources related to other postemployment benefits	(194,399)	
		111,904
Change in net position of governmental activities (Exhibit B)		<u>\$ 516,205</u>

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

EXHIBIT D-1
EPHING SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Fiscal Year Ended June 30, 2022

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
School district assessment	\$ 13,571,957	\$ 13,571,957	\$ -
Other local	139,000	153,430	14,430
State	5,304,277	5,366,559	62,282
Federal	20,000	19,925	(75)
Total revenues	<u>19,035,234</u>	<u>19,111,871</u>	<u>76,637</u>
EXPENDITURES			
Current:			
Instruction	11,443,914	10,728,610	715,304
Support services:			
Student	1,879,411	1,689,633	189,778
Instructional staff	973,572	923,571	50,001
General administration	86,959	66,568	20,391
Executive administration	975,953	987,136	(11,183)
School administration	1,203,484	1,185,826	17,658
Operation and maintenance of plant	1,716,297	1,671,734	44,563
Student transportation	836,801	726,540	110,261
Other	137,257	102,078	35,179
Debt service:			
Principal	855,000	855,000	-
Interest	175,820	172,204	3,616
Facilities acquisition and construction	5	-	5
Total expenditures	<u>20,284,473</u>	<u>19,111,172</u>	<u>1,173,301</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,249,239)</u>	<u>699</u>	<u>1,249,938</u>
OTHER FINANCING USES			
Transfers out	<u>(262,576)</u>	<u>(250,000)</u>	<u>12,576</u>
Net change in fund balance	<u>\$ (1,511,815)</u>	<u>(249,301)</u>	<u>\$ 1,262,514</u>
Decrease in nonspendable fund balance		26,590	
Increase in committed fund balance		(50,000)	
Unassigned fund balance, beginning		850,022	
Unassigned fund balance, ending		<u>\$ 577,311</u>	

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

EXHIBIT D-2
EPPING SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (GAAP Basis)
Grants Fund
For the Fiscal Year Ended June 30, 2022

	Budgeted Amounts			Variance
	Original	Final	Actual	Positive (Negative)
REVENUES				
Federal	\$ 538,746	\$ 827,444	\$ 827,444	\$ -
EXPENDITURES				
Current:				
Instruction	538,746	375,487	375,487	-
Support services:				
Student	-	51,501	51,501	-
Instructional staff	-	188,963	188,963	-
Executive administration	-	164,946	164,946	-
Business	-	12,647	12,647	-
Operation and maintenance of plant	-	16,026	16,026	-
Other	-	3,522	3,522	-
Noninstructional services	-	14,352	14,352	-
Total expenditures	538,746	827,444	827,444	-
Net change in fund balance	\$ -	\$ -	-	\$ -
Fund balance, beginning			-	
Fund balance, ending			\$ -	

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

EPPING SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2022

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EPHING SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1-A Reporting Entity

The Epping School District is a municipal corporation governed by an elected 5-member School Board. In evaluating how to define the School District for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth by the GASB. The School District has no component units to include in its reporting entity.

The following is a summary of the more significant accounting policies:

1-B Government-wide and Fund Financial Statements

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the primary government. Generally, the effect of interfund activity has been eliminated from these statements. Governmental activities normally are supported through assessments and intergovernmental revenues.

The *Statement of Net Position* presents the financial position of the School District at year-end. This Statement includes all of the School District's non-fiduciary assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position.

The *Statement of Activities* demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational requirements of a particular function. Assessments and other items not meeting the definition of program revenues are reported instead as general revenues. Resources that are dedicated internally are reported as general revenue rather than program revenue.

Fund Financial Statements – Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds and are presented in the other governmental column of the fund financial statements.

In the governmental fund financial statements, expenditures are reported by character: instruction, support services, noninstructional, debt services or facilities acquisition and construction.. Current expenditures are subclassified by function and are for items such as salaries, grants, supplies, and services. Debt service includes both interest and principal outlays related to bonds or notes. Capital outlay includes expenditures for equipment, real property, or infrastructure.

Other Financing Sources (Uses) – These additions to and reductions from resources in governmental fund financial statements normally result from transfers from/to other funds. Transfers are reported when incurred as "transfers in" by the receiving fund and as "transfers out" by the disbursing fund.

1-C Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Measurement Focus and Basis of Accounting – The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources* measurement focus and the *modified accrual basis* of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, with the exception of reimbursement-based grants, which use a period of one year. District assessments,

EPPING SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
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intergovernmental revenue, and other local sources associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. All other revenue items are considered to be measurable and available only when cash is received by the government.

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

Financial Statement Presentation – A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to report financial position and the results of operations, to demonstrate legal compliance, and to aid financial management by segregating transactions related to certain government functions or activities.

The School District reports the following major governmental funds:

General Fund – is the School District’s primary operating fund. The general fund accounts for all financial resources except those required to be accounted for in another fund. The primary revenue sources include district assessments, state and federal grants, and other local sources. The primary expenditures are for instruction, support services, and debt service. Under GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, guidance the School District’s portion of student activities, E-rate fund and expendable trust funds are consolidated in the general fund.

Grants Fund – accounts for the resources received from various federal, and state agencies. The resources are restricted to accomplishing the various objectives of the grantor agencies.

Nonmajor Funds – The School District also reports four nonmajor governmental funds.

1-D Cash and Cash Equivalents

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

New Hampshire statutes require that the School District treasurer have custody of all money belonging to the School District and pay out the same only upon orders of the School Board. The treasurer shall deposit all such monies in participation units in the public deposit investment pool established pursuant to NH RSA 383:22 or in solvent banks in the State. Funds may be deposited in banks outside the State if such banks pledge and deliver to a third-party custodial bank or the Federal Reserve Bank, collateral security for such deposits, United States government or government agency obligations or obligations of the State of New Hampshire in value at least equal to the amount of the deposit in each case.

1-E Receivables

Receivables in the government-wide and governmental fund financial statements represent amounts due to the School District at June 30, recorded as revenue, which will be collected in the future and consist primarily of accounts and intergovernmental receivables.

1-F Inventory

Inventories are valued at cost (first-in, first-out) which approximates market. The School District’s inventories include various items consisting of food service supplies, commodities, etc. USDA commodities received from the Federal government are recorded at the value established by the Federal government using the average cost method. Inventorial items are recorded as expenditures when consumed at the schools (the consumption method). The nonspendable fund balance at the governmental fund level is a part of the amount of inventories at year-end to indicate the portion of the governmental fund balance that is nonspendable.

1-G Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items and expensed as the items are used. This amount is also a part of nonspendable fund balance at year-end.

EPPING SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2022

1-H Capital Assets

Capital assets are reported in the government-wide financial statements but are not reported in the fund financial statements. Purchased or constructed assets are recorded at actual cost or estimated historical cost if actual cost is unavailable. Donated capital assets are recorded at estimated fair value at the date of donation, if received on or before June 15, 2015. Donated capital assets received after June 15, 2015 are recorded at acquisition value. The School District has established a threshold of \$10,000 or more and an estimated useful life in excess of one year for capitalization of depreciable assets.

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

The accounting and reporting treatment applied to capital assets associated with a fund are determined by the fund's measurement focus. General capital assets are assets of the School District as a whole. When purchased, such assets are recorded as expenditures in a governmental fund and capitalized as assets in the government-wide Statement of Net Position.

In the government-wide financial statements, the cost of property sold or retired, together with the related accumulated depreciation, is removed and any resulting gain or loss is included in income.

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

Capital Asset Class:	Years
Buildings and building improvements	10-75
Machinery, equipment, and vehicles	10-25

1-I Interfund Activities

Interfund activities are reported as follows:

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

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

1-J Accounts Payable

Accounts payable represent the gross amount of expenditures or expenses incurred as a result of normal operations, but for which no actual payment has yet been issued to vendors/providers as of June 30, 2022.

1-K Deferred Outflows/Inflows of Resources

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

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

EPPING SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2022

1-L Long-term Obligations

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

In the fund financial statements, governmental fund types of report bond premiums, and bond issuance costs during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

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

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

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

1-M Compensated Absences

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

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

1-N Defined Benefit Pension Plan

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

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

1-O Postemployment Benefits Other Than Pensions (OPEB)

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

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

EPPING SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2022

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

1-P Net Position/Fund Balances

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

Net Investment in Capital Assets – Consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, notes, or other debt attributable to the acquisition, construction, or improvement of those assets.

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

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

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

Nonspendable – Amounts that cannot be spent because they are either (a) not in spendable form; or (b) are legally or contractually required to be maintained intact.

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

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

Assigned – Amounts that are constrained by the School District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the School Board or through the Board delegating this responsibility to the Superintendent or Business Administrator through the budgetary process.

Unassigned – The portion of fund balance that has not been restricted, committed, or assigned for a specific purpose.

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

In accordance with RSA 198:4-bII, *Contingency Fund*, the School District voted to retain general fund unassigned fund balance of \$200,000 which is within the 2.5% of the net district assessment limit, to be used for emergency expenditures, or to use as a revenue source to reduce the tax rate.

1-Q Use of Estimates

The financial statements and related disclosures are prepared in conformity with accounting principles generally accepted in the United States. Management is required to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses/expenditures during the period reported. These estimates include assessing

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the collectability of accounts receivable, recoverability of inventory, the useful lives of capital assets, net pension liability, other postemployment benefit liability, and deferred outflows and inflows of resources related to both pension and other postemployment benefits, among others. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from estimates.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

2-A Budgetary Information

General governmental revenues and expenditures accounted for in budgetary funds are controlled by a formal integrated budgetary accounting system in accordance with various legal requirements which govern the School District's operations. At its annual meeting, the School District adopts a budget for the current year for the general and grants funds, as well as the nonmajor food service fund. However, the School Board has voted and accepted the federal grants awarded to the School District through the year, so these amounts are reported as a final budget for the grants fund, which is also reported as a major fund. Except as reconciled below, the budget was adopted on a basis consistent with United States generally accepted accounting principles.

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

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

State statutes require balanced budgets but provide for the use of beginning unassigned fund balance to achieve that end. In the fiscal year 2022, \$1,216,815 of the beginning general fund unassigned fund balance was applied for this purpose. Additionally, \$250,000 was appropriated to fund the School District's capital reserve funds.

2-B Budgetary Reconciliation to GAAP Basis

While the School District reports financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual is presented for each major governmental fund which had a budget. There are no differences between the budgetary basis and GAAP basis of accounting for the major grants fund. Differences between the budgetary basis and GAAP basis of accounting for the general fund are as follows:

Revenues:	
Per Exhibit D-1 (budgetary basis)	\$19,111,871
Adjustments:	
Basis difference:	
GASB Statement No. 54:	
Other local revenue of the blended funds	55,538
Per Exhibit C-3 (GAAP Basis)	<u>\$19,167,409</u>
Expenditures and other financing uses:	
Per Exhibit D-1 (budgetary basis)	\$19,361,172
Adjustments:	
Basis difference:	
Encumbrances, beginning	270,799
Encumbrances, ending	-
GASB Statement No. 54:	
To remove transfer from the general fund to the blended expendable trust fund	(250,000)
To recognize transfer to capital project fund from blended expendable trust fund	330,766
Expenditures of the blended funds	22,029
Per Exhibit C-3 (GAAP basis)	<u>\$19,734,766</u>

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2-C Accounting Change

Governmental Accounting Standards Board Statement No. 87, *Leases*, was implemented during fiscal year 2022. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The beginning balance of prior year capital leases were reclassified to retroactively report the change in accounting principle, see Note 8 for further information.

DETAILED NOTES ON ALL FUNDS

NOTE 3 – CASH AND CASH EQUIVALENTS

The School District's deposits are entirely covered by Federal Depository Insurance Corporation (FDIC) or by collateral held by the School District's agent in the School District's name. The FDIC currently insures the first \$250,000 of the School District's deposits at each financial institution, per case custodian. Deposit balances over \$250,000 are insured by collateral. As of year-end, the carrying amount of the School District's deposits was \$1,670,868 and the bank balances totaled \$2,313,199. Petty cash totaled \$250.

NOTE 4 – RECEIVABLES

Receivables at June 30, 2022, consisted of accounts and intergovernmental amounts arising from grants, school lunch program, and expendable trust funds held by the Town of Epping Trustees of Trust Funds for the School District. Receivables are recorded on the School District's financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and collectability.

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2022 consisted of the following:

	Balance, beginning	Additions	Retirements	Balance, ending
At cost:				
Not being depreciated:				
Land	\$ 375,128	\$ -	\$ -	\$ 375,128
Construction in progress	601,897	876,545	(1,478,442)	-
Total capital assets not being depreciated	977,025	876,545	(1,478,442)	375,128
Being depreciated:				
Buildings and building improvements	21,750,080	1,478,442	-	23,228,522
Machinery, equipment, and vehicles	1,180,633	25,607	-	1,206,240
Total capital assets being depreciated	22,930,713	1,504,049	-	24,434,762
Total capital assets	23,907,738	2,380,594	(1,478,442)	24,809,890
Less accumulated depreciation:				
Buildings and building improvements	(6,218,155)	(382,242)	-	(6,600,397)
Machinery, equipment, and vehicles	(592,233)	(78,989)	-	(671,222)
Total accumulated depreciation	(6,810,388)	(461,231)	-	(7,271,619)
Net book value, capital assets being depreciated	16,120,325	1,042,818	-	17,163,143
Net book value, all capital assets	\$ 17,097,350	\$ 1,919,363	\$ (1,478,442)	\$ 17,538,271

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Depreciation expense of \$461,231 was charged to the instruction function of the School District based on their usage of the related assets.

NOTE 6 – INTERFUND BALANCES AND TRANSFERS

Interfund receivable and payable balances consisting of overdrafts in pooled cash and budgetary transfers at June 30, 2022 are as follows:

Receivable Fund	Payable Fund	Amount
General	Nonmajor	\$ 78,688
General	Grants	638,749
		<u>\$ 717,437</u>

Interfund transfers during the year ended June 30, 2022 are as follows:

	Transfers In:
	Nonmajor
	Funds
Transfers out:	
General fund	<u>\$ 330,766</u>

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; and (2) use unrestricted revenue collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 7 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Deferred outflows of resources at June 30, 2022 consist of amounts related to pensions totaling \$3,543,406 and amounts related to OPEB totaling \$881,684. For further discussion on these amounts, see Notes 9 and 10, respectively.

Deferred inflows of resources at June 30, 2022 consist of the following:

	Governmental Activities	Grants Fund
Local grant revenue collected in advance of eligible expenditures	\$ 513	\$ 513
Amounts related to pensions, see Note 9	3,635,083	-
Amounts related to OPEB, see Note 10	1,593,323	-
Total deferred inflows of resources	<u>\$ 5,228,919</u>	<u>\$ 513</u>

NOTE 8 – LONG-TERM LIABILITIES

Changes in the School District's long-term liabilities consisted of the following for the year ended June 30, 2022:

	Balance July 1, 2021 (as restated)	Additions	Reductions	Balance June 30, 2022	Due Within One Year	Due In More Than One Year
Bonds payable:						
Direct placements	\$ 4,885,000	\$ 820,375	\$ (855,000)	\$ 4,850,375	\$ 970,375	\$ 3,880,000
Direct borrowings - Notes/loans payable	136,140	-	(54,463)	81,677	54,463	27,214
Premium	207,225	178,425	(33,923)	351,727	51,766	299,961
Total bonds payable	5,228,365	998,800	(943,386)	5,283,779	1,076,604	4,207,175
Compensated absences	211,919	45,457	(33,032)	224,344	-	224,344
Pension related liability	17,775,141	-	(5,246,696)	12,528,445	-	12,528,445
Net other postemployment benefits	3,903,382	-	(1,656,911)	2,246,471	-	2,246,471
Total long-term liabilities	<u>\$27,118,807</u>	<u>\$ 1,044,257</u>	<u>\$ (7,880,025)</u>	<u>\$20,283,039</u>	<u>\$ 1,076,604</u>	<u>\$19,206,435</u>

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

	Original Amount	Issue Date	Maturity Date	Interest Rate	Outstanding at June 30, 2022
Bonds payable					
Direct placements:					
School construction/renovation	\$12,072,350	2006	2026	4.10-50%	\$ 3,360,000
Elementary school HVAC	\$ 1,100,000	2018	2028	2.57%	670,000
Boiler room	\$ 820,375	2022	2032	0.96%	820,375
Total direct placements					<u>\$ 4,850,375</u>
Direct borrowings - Notes/loans payable					
Dell computers	\$ 81,640	2021	2024	12.68%	\$ 54,427
Lenovo chromebooks	\$ 81,750	2021	2023	6.60%	27,250
Total direct borrowings					<u>\$ 81,677</u>

The annual requirements to amortize all general obligation bonds and notes outstanding as of June 30, 2022, including interest payments, are as follows:

Fiscal Year Ending June 30,	Bonds- Direct Placements			Notes/Loans - Direct Borrowings		
	Principal	Interest	Total	Principal	Interest	Total
2023	\$ 970,375	\$ 152,461	\$ 1,122,836	\$ 54,463	\$ 5,376	\$ 59,839
2024	1,000,000	113,329	1,113,329	27,214	3,451	30,665
2025	1,040,000	79,399	1,119,399	-	-	-
2026	1,075,000	50,872	1,125,872	-	-	-
2027	175,000	34,553	209,553	-	-	-
2028-2032	590,000	60,690	650,690	-	-	-
Totals	<u>\$4,850,375</u>	<u>\$ 491,304</u>	<u>\$ 5,341,679</u>	<u>\$ 81,677</u>	<u>\$ 8,827</u>	<u>\$ 90,504</u>

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

NOTE 9 – DEFINED BENEFIT PENSION PLAN

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

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

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

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

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

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

Contributions – The System is financed by contributions from both the employees and the School District. Member contribution rates are established and may be amended by the State legislature while employer contribution rates are set by the System trustees based on an actuarial valuation. All employees are required to contribute 7% of earnable compensation. For fiscal year 2022, the School District contributed 19.48% for teachers and 13.75% for other employees. The contribution requirement for the fiscal year 2022 was \$1,516,770, which was paid in full.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions – At June 30, 2022, the School District reported a liability of \$12,528,445 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020. The School District's proportion of the net pension liability was based on a projection of the School District's long-term share of contributions to the pension plan relative to the projected contributions of all participating towns and school districts, actuarially determined. At June 30, 2021, the School District's proportion was 0.28% which was the same as its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the School District recognized pension expense of \$1,192,465. At June 30, 2022, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion	\$ 367,251	\$ -
Net difference between projected and actual investment earnings on pension plan investments	-	3,503,919
Changes in assumptions	1,308,525	-
Differences between expected and actual experience	350,815	131,164
Contributions subsequent to the measurement date	1,516,815	-
Total	<u>\$ 3,543,406</u>	<u>\$ 3,635,083</u>

The \$1,516,815 reported as deferred outflows of resources related to pensions results from the School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023.

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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 follows:

Fiscal Year Ending June 30,	
2022	\$ (100,466)
2023	(168,002)
2024	(245,363)
2025	(1,094,661)
Thereafter	-
Totals	<u>\$ (1,608,492)</u>

Actuarial Assumptions – The collective total pension liability was determined by an actuarial performed as of June 30, 2020, rolled forward to June 30, 2021, using the following assumptions:

Inflation:	2.0% per year
Wage inflation:	2.75% per year (2.25% for Teachers)
Salary increases:	5.6% average, including inflation
Investment rate of return:	6.75% net of pension plan investment expense, including inflation

Mortality rates were based on the 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.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2016 – June 30, 2019.

Long-term Rates of Return – The long-term expected rate of return on pension plan investment was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rate of return net of investment expenses by the target asset allocation percentage and by adding expected inflation. Following is a table presenting target allocations and long-term rates of return for 2021:

Asset Class	Target Allocation	Weighted average long-term expected real rate of return 2021
Large Cap Equities	22.50%	6.46%
Small/Mid Cap Equities	7.50%	1.14%
Total domestic equities	30.00%	
Int'l Equities (unhedged)	14.00%	5.53%
Emerging Int'l Equities	6.00%	2.37%
Total international equity	20.00%	
Core US Fixed Income	25.00%	3.60%
Private equity	10.00%	8.85%
Private debt	5.00%	7.25%
Total alternative investments	15.00%	
Real estate	10.00%	6.60%
Total	100.00%	

Discount Rate – The discount rate used to measure the collective total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. For purposes of the projection, member contributions and employer service cost contributions are projected based on the expected payroll of current members only. Employer contributions are determined based on the Pension Plan's actuarial

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funding policy as required by RSA 100-A:16. Based on those assumptions, the Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on Pension Plan investment was applied to all periods of projected benefit payments to determine the collective total pension liability.

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

Actuarial Valuation Date	1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
June 30, 2021	\$17,917,110	\$ 12,528,445	\$ 8,033,419

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

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

10-A New Hampshire Retirement System (NHRS)

Plan Description – The New Hampshire Retirement System (NHRS or the System) administers a cost-sharing multiple-employer other postemployment benefit plan medical subsidy healthcare plan (OPEB Plan). For additional system information, please refer to the 2019 Comprehensive Annual Financial Report, which can be found on the system's website at www.nhrs.org.

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

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

Maximum medical subsidy rates paid during fiscal year 2021 were as follows:

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

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

Contributions – The OPEB Plan is funded by allocating to the 401(h) subtrust the lesser of: 25% of all employer contributions made in accordance with RSA 100-A:16 or the percentage of employer contributions determined by the actuary to be the minimum rate necessary to maintain the benefits provided under RSA 100-A:53-b, RSA 100-A:53-c, and RSA 100-A:53-d. For fiscal year 2021, the minimum rates determined by the actuary to maintain benefits were the lesser of the two options and were used to determine the employer contributions due to the 401(h) subtrust. The State Legislature has the authority to establish, amend and discontinue the contribution requirements of the OPEB Plan. Administrative costs are allocated to the OPEB Plan based on fund balances. For fiscal year 2022, the School District contributed 1.54% for teachers and 0.31% for other employees. The contribution requirement for the fiscal year 2022 was \$109,879, which was paid in full.

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OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB – At June 30, 2022, the School District reported a liability of \$1,122,310 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2020. The School District's proportion of the net OPEB liability was based on a projection of the School District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating towns and school districts, actuarially determined. At June 30, 2021, the School District's proportion was 0.28% which was the same as its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the School District recognized OPEB expense of \$86,494. At June 30, 2022, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion	\$ 184	\$ -
Net difference between projected and actual investment earnings on OPEB plan investments	-	14,020
Differences between expected and actual experience	-	234
Contributions subsequent to the measurement date	109,880	-
Total	<u>\$ 110,064</u>	<u>\$ 14,254</u>

The \$109,880 reported as deferred outflows of resources related to OPEB results from the School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30,	
2022	\$ (3,257)
2023	(2,946)
2024	(3,302)
2025	(4,565)
Thereafter	-
Totals	<u>\$ (14,070)</u>

Actuarial Assumptions – The total OPEB liability in this report is based on an actuarial valuation performed as of June 30, 2020 and a measurement date of June 30, 2021. The total OPEB liability was determined using the following actuarial assumptions applied to all periods included in the measurement, unless otherwise specified:

Price inflation:	2.0% per year
Wage inflation:	2.75% per year (2.25% for Teachers)
Salary increases:	5.6% average, including inflation
Investment rate of return:	6.75% net of OPEB plan investment expense, including inflation
Health care trend rate:	Not applicable, given that the benefits are fixed stipends

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

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2016 – June 30, 2019.

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

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Following is a table presenting target allocations and long-term rates of return for 2021:

Asset Class	Target	Weighted average long-term expected real rate of return
	Allocation	2021
Large Cap Equities	22.50%	6.46%
Small/Mid Cap Equities	7.50%	1.14%
Total domestic equities	30.00%	
Int'l Equities (unhedged)	14.00%	5.53%
Emerging Int'l Equities	6.00%	2.37%
Total international equity	20.00%	
Core US Fixed Income	25.00%	3.60%
Private equity	10.00%	8.85%
Private debt	5.00%	7.25%
Total alternative investments	15.00%	
Real estate	10.00%	6.60%
Total	100.00%	

Discount Rate – The discount rate used to measure the total OPEB liability as of June 30, 2021 was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made under the current statute RSA 100-A:16 and that plan member contributions will be made under RSA 100-A:16. Based on those assumptions, the OPEB Plan's fiduciary net position was projected to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB Plan investments was applied to all periods of projected benefit payments to determine the collective total OPEB liability.

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

Actuarial	Current Single		
Valuation	1% Decrease	Rate Assumption	1% Increase
Date	5.75%	6.75%	7.75%
June 30, 2021	\$ 1,220,039	\$ 1,122,310	\$ 1,037,279

Sensitivity of the School District's Proportionate Share of the OPEB Liability to Changes in the Healthcare Cost Trend Rate – GASB No. 75 requires the sensitivity of the Net OPEB liability to the healthcare cost trend assumption. Since the medical subsidy benefits are a fixed stipend, there is no sensitivity to the change in the healthcare cost trend assumption.

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

10-B Retiree Health Benefit Program

Plan Description – GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, requires governments to account for other postemployment benefits (OPEB) on an accrual basis, rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially determined expense on the Statement of Activities when a future retiree earns their postemployment benefits, rather than when they use their postemployment benefit. The postemployment benefit liability is recognized on the Statement of Net Position over time. The School District OPEB plan is not administered through a trust that meets the criteria of paragraph 4 of GASB Statement No. 75.

EPPING SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2022

The total OPEB liability is based on the School District offering retirees post-employment healthcare insurance governed by RSA 100-A:50. The retirees pay 100% of the premium cost to participate and are included in the same pool as the active members. The inclusion of the retirees in the same pool effects the insurance rates of the active employees as the rates for the retirees are assumed to be higher due to the age consideration, thereby creating an implicit rate subsidy.

Funding Policy – The School District’s funding policy for the implicit rate subsidy is a pay-as-you-go basis.

Benefits Provided – The School District provides postemployment healthcare benefits for certain eligible retirees. The benefits are provided through fully insured plans that are sponsored by a state-wide health insurance consortium. Retirees are required to pay 100% of the cost of the premium.

Employees Covered by Benefit Terms – At July 1, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	-
Active employees	125
Total participants covered by OPEB plan	<u>125</u>

Total OPEB Liability – The School District’s total OPEB liability of \$1,124,161 was measured as of June 30, 2022 and was determined by an actuarial valuation as of July 1, 2021. The School District contracts with an outside actuary to complete the actuarial valuation and schedule of changes in the total OEPB liability. Detailed information can be found in the separately issued report through request of the School District business office.

Actuarial Assumptions and Other Inputs – The total OPEB liability of \$1,124,161 in the July 1, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate:	3.54%
Healthcare Cost Trend Rates:	
Current Year Trend	-0.40%
Second Year Trend	7.00%
Ultimate Trend	4.24%
Year Ultimate Trend is Reached	2090
Salary Increases:	3.00%

The discount rate was based on the index provided by *Bond Buyer 20-Bond General Obligation Index* based on the 20-year AA municipal bond rate as of June 30, 2022.

Mortality rates were based on the RP-2010 General Employees Headcount-Weighted Mortality fully generational using Scale MP-2021, Pub-2010 General Retirees Headcount-Weighted Mortality fully generational using Scale MP-2021, Pub-20210 Teachers Employees Headcount-Weighted Mortality fully generational using Scale MP-2021, and Pub-20210 Teachers Retirees Headcount-Weighted Mortality fully generational using Scale MP-2021.

Changes in the Total OPEB Liability

	June 30,	
	2021	2022
Total OPEB liability beginning of year	\$ 2,495,350	\$2,698,667
Changes for the year:		
Service cost	176,624	63,296
Interest	54,836	36,438
Assumption changes and difference between actual and expected experience	-	(1,664,442)
Benefit payments	(28,143)	(9,798)
Total OPEB liability end of year	<u>\$ 2,698,667</u>	<u>\$1,124,161</u>

EPHING SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2022

Sensitivity of the School District's OPEB Liability to Changes in the Discount Rate – The July 1, 2021 actuarial valuation was prepared using a discount rate of 3.54%. If the discount rate were 1% higher than what was used the OPEB liability would decrease to \$1,041,850 or by 7.32%. If the discount rate were 1% lower than what was used the OPEB liability would increase to \$1,210,641 or by 7.69%.

	Discount Rate		
	1% Decrease	Baseline 3.54%	1% Increase
Total OPEB Liability	\$ 1,210,641	\$ 1,124,161	\$ 1,041,850

Sensitivity of the School District's OPEB Liability to Changes in the Healthcare Cost Trend Rates – The July 1, 2021 actuarial valuation was prepared using an initial trend rate of (0.40%). If the trend rate were 1% higher than what was used the OPEB liability would increase to \$1,282,553 or by 14.09%. If the trend rate were 1% lower than what was used the OPEB liability would decrease to \$989,233 or by 12.00%.

	Healthcare Cost Trend Rates		
	1% Decrease	Baseline (0.40%)	1% Increase
Total OPEB Liability	\$ 989,233	\$ 1,124,161	\$ 1,282,553

OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB – For the year ended June 30, 2022, the School District recognized OPEB expense of \$227,571. At June 30, 2022, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings on OPEB plan investments	\$ 329,963	\$ 749,919
Changes in assumptions	441,657	829,150
Total	\$ 771,620	\$ 1,579,069

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

Fiscal Year Ending June 30,	
2023	\$ 127,837
2024	(125,149)
2025	(242,527)
2026	(274,208)
2027	(274,208)
Thereafter	(19,194)
Totals	\$ (807,449)

EPPING SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2022

NOTE 11 – GOVERNMENTAL ACTIVITIES

Net position reported on the government-wide Statement of Net Position at June 30, 2022 include the following:

	Governmental Activities
Net investment in capital assets:	
Net book value of all capital assets	\$ 17,538,271
Less:	
General obligation bonds payable	(4,850,375)
Unamortized bond premiums	(351,727)
Notes payable	(81,677)
Total net investment in capital assets	<u>12,254,492</u>
Restricted net position:	
Food service	127,685
Private grants	33,109
Capital projects	165,002
Total restricted net position	<u>325,796</u>
Unrestricted	<u>(13,928,522)</u>
Total net position	<u><u>\$ (1,348,234)</u></u>

NOTE 12 – GOVERNMENTAL FUND BALANCES

Governmental fund balances at June 30, 2022 consist of the following:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:			
Prepaid items	\$ 3,900	\$ -	\$ 3,900
Inventory	-	13,123	13,123
Total nonspendable fund balance	<u>3,900</u>	<u>13,123</u>	<u>17,023</u>
Restricted:			
Food service	-	114,562	114,562
Local grants	-	33,109	33,109
Capital projects	-	165,002	165,002
Total restricted fund balance	<u>-</u>	<u>312,673</u>	<u>312,673</u>
Committed:			
Expendable trust	630,198	-	630,198
Voted appropriation - March 2021	300,000	-	300,000
Total committed fund balance	<u>930,198</u>	<u>-</u>	<u>930,198</u>
Assigned:			
Retained (RSA 198:4-bII)	200,000	-	200,000
Student Activities	-	163,622	163,622
District activities	14,314	-	14,314
E-rate	31,172	-	31,172
Total assigned fund balance	<u>245,486</u>	<u>163,622</u>	<u>409,108</u>
Unassigned	<u>577,311</u>	<u>-</u>	<u>577,311</u>
Total governmental fund balances	<u><u>\$ 1,756,895</u></u>	<u><u>\$ 489,418</u></u>	<u><u>\$ 2,246,313</u></u>

NOTE 13 – RISK MANAGEMENT

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

EPPING SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2022

The New Hampshire Public Risk Management Exchange (Primex³) Workers' Compensation and Property/Liability Programs are pooled risk management programs under RSAs 5-B and 281-A. Coverage was provided from July 1, 2021 to June 30, 2022 by Primex³, which retained \$2,000,000 of each workers' compensation loss, \$500,000 of each liability loss, and for each property loss it is based upon the School District's property schedule on file with Primex³. The Board has decided to self-insure the aggregate exposure and has allocated funds based on actuarial analysis for that purpose. The workers' compensation section of the self-insurance membership agreement permits Primex³ to make additional assessments to members should there be a deficiency in contributions for any member year, not to exceed the member's annual contribution. GASB Statement No. 10 requires members of a pool with a sharing risk to disclose if such an assessment is probable, and a reasonable estimate of the amount, if any. In fiscal year 2021-22 the School District paid \$55,263 and \$49,980, respectively, to Primex for workers' compensation and property/liability. At this time, Primex³ foresees no likelihood of any additional assessment for this or any prior year.

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

NOTE 14 – CONTINGENT LIABILITIES

The School District 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 School District believes such disallowances, if any, will be immaterial.

NOTE 15 – COVID-19

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

On March 27, 2020, the United States Federal Government established the Coronavirus Aid, Relief and Economic Security (CARES Act) in response to the economic downfall caused by the COVID-19 pandemic. This Act provided funding through the Coronavirus Relief Fund (CRF) as well as the Education Stabilization Fund (ESF). On December 27, 2020, the Coronavirus Response and Relief Supplemental Appropriations Act, 2021 (CRRSAA) was signed into law, which provided additional funding for the ESF programs.

The ESR provided funds to the School District through the Elementary and Secondary School Emergency Relief Fund (ESSER). The objective of ESSER is to provide local education agencies with emergency relief funds to address the impact that COVID-19 has had, and continues to have, on elementary and secondary schools across the nation. This funding was awarded to the School District under the ESSER I, II, and III grants, with the School District expending \$319,704 of this funding in the fiscal year 2022 and must be used for activities to prevent, prepare, and respond to the coronavirus.

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

NOTE 16 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the balance sheet date, but before the financial statements are issued. Recognized subsequent events are events or transactions that provided additional evidence about conditions that existed at the balance sheet date, including the estimates inherent in the process of preparing the financial statements. Nonrecognized subsequent events are events that provide evidence about conditions that did not exist at the balance sheet date but arose after the date. Management has evaluated subsequent events through February 14, 2023, the date the June 30, 2022 financial statements were available to be issued, and noted no events occurred that require recognition or disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT E
EPPING SCHOOL DISTRICT
Schedule of the School District's Proportionate Share of Net Pension Liability
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended June 30, 2022
Unaudited

Fiscal year-end	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022
Measurement date	June 30, 2013	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021
School District's:									
Proportion of the net pension liability	0.25%	0.25%	0.25%	0.25%	0.26%	0.28%	0.28%	0.28%	0.28%
Proportionate share of the net pension liability	\$10,647,912	\$ 9,454,786	\$10,092,334	\$13,544,741	\$12,702,761	\$13,295,310	\$13,345,133	\$17,775,141	\$12,528,445
Covered payroll (as of the measurement date)	\$ 7,032,588	\$ 7,008,717	\$ 7,298,917	\$ 7,341,898	\$ 7,634,881	\$ 7,841,185	\$ 8,083,415	\$ 8,083,415	\$ 8,541,406
Proportionate share of the net pension liability as a percentage of its covered payroll	151.41%	134.90%	138.27%	184.49%	166.38%	169.56%	165.09%	219.90%	146.68%
Plan fiduciary net position as a percentage of the total pension liability	59.81%	66.32%	65.47%	58.30%	62.66%	64.73%	65.59%	58.72%	72.22%

EXHIBIT F
EPPING SCHOOL DISTRICT
Schedule of School District Contributions - Pensions
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended June 30, 2022
Unaudited

Fiscal year-end	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022
Measurement date	June 30, 2013	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021
Contractually required contribution	\$ 615,172	\$ 817,179	\$ 854,685	\$ 912,083	\$ 946,234	\$1,167,005	\$1,206,977	\$1,298,833	\$1,516,770
Contributions in relation to the contractually required contributions	615,172	817,179	854,685	912,083	946,234	1,167,005	1,206,977	1,298,833	1,516,770
Contribution deficiency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School District's covered payroll (as of the fiscal year)	\$7,032,588	\$7,008,717	\$7,298,917	\$7,341,898	\$7,634,881	\$7,841,185	\$8,083,415	\$8,541,406	\$8,166,328
Contributions as a percentage of covered payroll	8.75%	11.66%	11.71%	12.42%	12.39%	14.88%	14.93%	15.21%	18.57%

EPPING SCHOOL DISTRICT
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION –
PENSION LIABILITY
FOR THE FISCAL YEAR ENDED
JUNE 30, 2022

***Schedule of the School District's Proportionate Share of Net Pension Liability
And Schedule of School District Contributions – Pensions***

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

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

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

As required by GASB Statement No. 68, and as amended by GASB Statement No. 71, Exhibits E and F represent the actuarial determined costs associated with the School District's pension plan at June 30, 2022. These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

EXHIBIT G
EPPING SCHOOL DISTRICT
Schedule of the School District's Proportionate Share of the Net Other Postemployment Benefits Liability
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended June 30, 2022
Unaudited

Fiscal year-end	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022
Measurement date	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021
School District's proportion of the net OPEB liability	0.31%	0.32%	0.25%	0.25%	0.28%	0.28%
School District's proportionate share of the net OPEB liability	\$1,520,747	\$1,446,661	\$1,152,663	\$1,115,146	\$1,204,715	\$1,122,310
School District's covered payroll (as of the measurement date)	\$7,341,898	\$7,634,881	\$7,841,185	\$8,083,415	\$8,083,415	\$8,541,406
School District's proportionate share of the net OPEB liability as a percentage of its covered payroll	20.71%	18.95%	14.70%	13.80%	14.90%	13.14%
Plan fiduciary net position as a percentage of the total OPEB liability	5.21%	7.91%	7.53%	7.75%	7.74%	11.06%

EXHIBIT H
EPPING SCHOOL DISTRICT
Schedule of School District Contributions - Other Postemployment Benefits
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended June 30, 2022

<i>Unaudited</i>						
Fiscal year-end	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022
Measurement date	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021
Contractually required contribution	\$ 182,532	\$ 187,527	\$ 111,360	\$ 116,080	\$ 134,689	\$ 109,879
Contributions in relation to the contractually required contribution	182,532	187,527	111,360	116,080	134,689	109,879
Contribution deficiency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School District's covered payroll (as of the fiscal year)	\$7,341,898	\$7,634,881	\$7,841,185	\$8,083,415	\$8,541,406	\$8,166,328
Contributions as a percentage of covered payroll	2.49%	2.46%	1.42%	1.44%	1.58%	1.35%

EXHIBIT I
EPPING SCHOOL DISTRICT
Schedule of Changes in the School District's Total Other Postemployment Benefits Liability and Related Ratios
For the Fiscal Year Ended June 30, 2022

Unaudited

	June 30,				
	2018	2019	2020	2021	2022
OPEB liability, beginning of year	\$1,669,758	\$1,836,012	\$1,974,537	\$2,495,350	\$2,698,667
Changes for the year:					
Service cost	126,599	129,132	172,805	176,624	63,296
Interest	59,391	65,207	50,516	54,836	36,438
Assumption changes and difference between actual and expected experience	- 1,840	(26,629)	325,026	-	(1,664,442)
Benefit payments	(21,576)	(29,185)	(27,534)	(28,143)	(9,798)
OPEB liability, end of year	<u>\$1,836,012</u>	<u>\$1,974,537</u>	<u>\$2,495,350</u>	<u>\$2,698,667</u>	<u>\$1,124,161</u>
Covered payroll	<u>\$7,719,172</u>	<u>\$7,873,555</u>	<u>\$7,885,638</u>	<u>\$8,043,351</u>	<u>\$6,692,428</u>
Total OPEB liability as a percentage of covered payroll	23.79%	25.08%	31.64%	33.55%	16.80%

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

EPPING SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION –
OTHER POSTEMPLOYMENT BENEFITS LIABILITY
FOR THE FISCAL YEAR ENDED
JUNE 30, 2022

***Schedule of the School District's Proportionate Share of Net Other Postemployment Benefits Liability
And Schedule of School District Contributions – Other Postemployment Benefits***

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

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

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

As required by GASB Statement No. 75, Exhibits G and H represent the actuarial determined costs associated with the School District's other postemployment benefits at June 30, 2022. These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

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

Significant Changes From the Previous Actuarial Valuation

- Increasing the discount rate from 2.21% to 3.54%.
- Initial trend rates were advanced, the model for trends in subsequent years is based on the Getzen Model as updated through September 2021.
- The payroll growth rate was increased from 2.00% to 3.00%.
- The election rate was changed from 100% to 50% based on expected future enrollment.
- Mortality assumption changed from SOA RP-2.14 Total Dataset Mortality with Scale MP-2.19 (Base Year 2006) to Pub-2010 General Employees Headcount-Weighted Mortality fully generational using Scale MP-2021, Pub-2010 Teachers Employees Headcount-Weighted Mortality fully generational using Scale MP-2021, and Pub-2010 Teachers Retirees Headcount-Weighted Mortality fully generational using Scale MP-2021.
- The tables used for retirement and termination assumptions were updated to reflect the most recent tables from the New Hampshire Retirement System Comprehensive Annual Financial Report dated June 30, 2019.
- The morbidity assumptions were updated to use the Dale Yamamoto model published by the Society of Actuaries to give a better projection of anticipated costs as adjusted for age.

As required by GASB Statement No. 75, Exhibit I represents the actuarial determined costs associated with the School District's other postemployment benefits at June 30, 2022. The schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

COMBINING AND INDIVIDUAL FUND SCHEDULES

SCHEDULE 1
EPPING SCHOOL DISTRICT
Major General Fund
Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2022

	Estimated	Actual	Variance Positive (Negative)
School district assessment:			
Current appropriation	\$ 13,571,957	\$ 13,571,957	\$ -
Other local sources:			
Tuition	11,000	24,970	13,970
Investment earnings	-	887	887
Miscellaneous	128,000	127,573	(427)
Total from other local sources	139,000	153,430	14,430
State sources:			
Adequacy aid (grant)	3,210,258	3,210,265	7
Adequacy aid (tax)	1,734,144	1,734,144	-
School building aid	315,875	315,875	-
Catastrophic aid	32,000	97,284	65,284
Vocational aid	12,000	8,970	(3,030)
Other state aid	-	21	21
Total from state sources	5,304,277	5,366,559	62,282
Federal sources:			
Medicaid	20,000	19,925	(75)
Total revenues	19,035,234	\$ 19,111,871	\$ 76,637
Use of fund balance to reduce school district assessment	1,261,815		
Use of fund balance - appropriated	250,000		
Total revenues and use of fund balance	\$ 20,547,049		

SCHEDULE 2
EPPING SCHOOL DISTRICT
Major General Fund
Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2022

	Encumbered from Prior Year	Appropriations	Expenditures	Variance Positive (Negative)
Current:				
Instruction:				
Regular programs	\$ 27,046	\$ 7,558,877	\$ 6,962,965	\$ 622,958
Special programs	31	3,287,069	3,310,026	(22,926)
Vocational programs	4,980	162,500	169,296	(1,816)
Other programs	-	435,468	318,380	117,088
Total instruction	<u>32,057</u>	<u>11,443,914</u>	<u>10,760,667</u>	<u>715,304</u>
Support services:				
Student	2,310	1,879,411	1,691,943	189,778
Instructional staff	180,065	973,572	1,103,636	50,001
General administration	3,425	86,959	69,993	20,391
Executive administration	6,787	975,953	993,923	(11,183)
School administration	5,245	1,203,484	1,191,071	17,658
Operation and maintenance of plant	40,910	1,716,297	1,712,644	44,563
Student transportation	-	836,801	726,540	110,261
Other	-	137,257	102,078	35,179
Total support services	<u>238,742</u>	<u>7,809,734</u>	<u>7,591,828</u>	<u>456,648</u>
Noninstructional	<u>-</u>	<u>-</u>	<u>2,272</u>	<u>(2,272)</u>
Debt service:				
Principal of long-term debt	-	855,000	855,000	-
Interest on long-term debt	-	175,820	172,204	3,616
Total debt service	<u>-</u>	<u>1,030,820</u>	<u>1,027,204</u>	<u>3,616</u>
Facilities acquisition and construction	<u>-</u>	<u>5</u>	<u>-</u>	<u>5</u>
Other financing uses:				
Transfers out	<u>-</u>	<u>262,576</u>	<u>250,000</u>	<u>12,576</u>
Total appropriations, expenditures, other financing uses, and encumbrances	<u>\$ 270,799</u>	<u>\$ 20,547,049</u>	<u>\$ 19,631,971</u>	<u>\$ 1,185,877</u>

SCHEDULE 3
EPPING SCHOOL DISTRICT
Major General Fund
Schedule of Changes in Unassigned Fund Balance (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2022

Unassigned fund balance, beginning		\$ 850,022
Changes:		
Unassigned fund balance used to reduce school district assessment		(1,261,815)
Use of fund balance - appropriated		(250,000)
2021-2022 Budget summary:		
Revenue surplus (Schedule 1)	\$ 76,637	
Unexpended balance of appropriations (Schedule 2)	<u>1,185,877</u>	
2021-2022 Budget surplus		1,262,514
Decrease in nonspendable fund balance		26,590
Increase in committed fund balance		<u>(50,000)</u>
Unassigned fund balance, ending		<u><u>\$ 577,311</u></u>

SCHEDULE 4
EPPING SCHOOL DISTRICT
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2022

	Special Revenue Funds				
	Food Service	Local Grants	Student Activities	Capital Projects	Total
ASSETS					
Cash and cash equivalents	\$ 88,175	\$ 33,978	\$ 163,622	\$ 178,361	\$ 464,136
Accounts receivable	20	-	-	-	20
Intergovernmental receivable	105,586	-	-	-	105,586
Inventory	13,123	-	-	-	13,123
Total assets	<u>\$ 206,904</u>	<u>\$ 33,978</u>	<u>\$ 163,622</u>	<u>\$ 178,361</u>	<u>\$ 582,865</u>
LIABILITIES					
Accounts payable	\$ 13,890	\$ -	\$ -	\$ -	\$ 13,890
Accrued salaries and benefits	-	869	-	-	869
Interfund payable	65,329	-	-	13,359	78,688
Total liabilities	<u>79,219</u>	<u>869</u>	<u>-</u>	<u>13,359</u>	<u>93,447</u>
FUND BALANCES					
Nonspendable	13,123	-	-	-	13,123
Restricted	114,562	33,109	-	165,002	312,673
Assigned	-	-	163,622	-	163,622
Total fund balances	<u>127,685</u>	<u>33,109</u>	<u>163,622</u>	<u>165,002</u>	<u>489,418</u>
Total liabilities and fund balances	<u>\$ 206,904</u>	<u>\$ 33,978</u>	<u>\$ 163,622</u>	<u>\$ 178,361</u>	<u>\$ 582,865</u>

SCHEDULE 5
EPPING SCHOOL DISTRICT
Nonmajor Governmental Funds
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2022

	Special Revenue Funds				
	Food Service	Local Grants	Student Activity	Capital Projects	Total
REVENUES					
Other local	\$ 91,529	\$ 6,330	\$ 133,111	\$ -	\$ 230,970
State	40,704	-	-	-	40,704
Federal	526,809	-	-	-	526,809
Total revenues	<u>659,042</u>	<u>6,330</u>	<u>133,111</u>	<u>-</u>	<u>798,483</u>
EXPENDITURES					
Current:					
Instruction	-	4,671	124,679	-	129,350
Support services:					
Student	-	4,646	-	-	4,646
Noninstructional services	531,357	-	-	-	531,357
Facilities acquisition and construction	-	-	-	876,545	876,545
Total expenditures	<u>531,357</u>	<u>9,317</u>	<u>124,679</u>	<u>876,545</u>	<u>1,541,898</u>
Excess (deficiency) of revenues over (under) expenditures	<u>127,685</u>	<u>(2,987)</u>	<u>8,432</u>	<u>(876,545)</u>	<u>(743,415)</u>
OTHER FINANCING SOURCES					
Transfers in	-	-	-	330,766	330,766
Bonds and notes issued	-	-	-	998,800	998,800
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,329,566</u>	<u>1,329,566</u>
Net change in fund balances	127,685	(2,987)	8,432	453,021	586,151
Fund balances (deficit), beginning	-	36,096	155,190	(288,019)	(96,733)
Fund balances, ending	<u>\$ 127,685</u>	<u>\$ 33,109</u>	<u>\$ 163,622</u>	<u>\$ 165,002</u>	<u>\$ 489,418</u>

SCHEDULE 6
EPPING SCHOOL DISTRICT
Student Activity Funds
Combining Balance Sheet
June 30, 2022

	Student Activity Funds			Total
	High School	Middle School	Elementary School	
ASSETS				
Cash and cash equivalents	\$ 114,650	\$ 17,211	\$ 31,761	\$ 163,622
FUND BALANCES				
Assigned	\$ 114,650	\$ 17,211	\$ 31,761	\$ 163,622

SCHEDULE 7
EPPING SCHOOL DISTRICT
Student Activity Funds
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2022

	Student Activity Funds			
	High School	Middle School	Elementary School	Total
REVENUES				
Other local	\$ 97,725	\$ 10,654	\$ 24,732	\$ 133,111
EXPENDITURES				
Current:				
Instruction	85,933	13,748	24,998	124,679
Net change in fund balances	11,792	(3,094)	(266)	8,432
Fund balances, beginning	102,858	20,305	32,027	155,190
Fund balances, ending	<u>\$ 114,650</u>	<u>\$ 17,211</u>	<u>\$ 31,761</u>	<u>\$ 163,622</u>

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



PLODZIK & SANDERSON

Professional Association/Accountants & Auditors

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

To the Members of the School Board
Epping School District
Epping, New Hampshire

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Epping School District, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Epping School District's basic financial statements, and have issued our report thereon dated February 14, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Epping School District'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 Epping School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Epping School District's internal control.

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

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

Report on Compliance and Other Matters

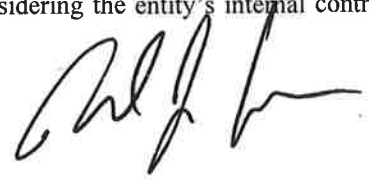
As part of obtaining reasonable assurance about whether the Epping School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct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

Epping School District

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

Purpose of This Report

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



February 14, 2023
Concord, New Hampshire

PLODZIK & SANDERSON
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Members of the School Board
Epping School District
Epping, New Hampshire

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Epping School District's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Epping School District's major federal programs for the year ended June 30, 2022. The Epping School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Epping School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of the Epping School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Epping School District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Epping School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions,

***Epping School District
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal
Control Over Compliance Required by the Uniform Guidance***

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Epping School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Epping School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Epping School District's internal control over compliance. Accordingly, no such opinion is expressed.

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

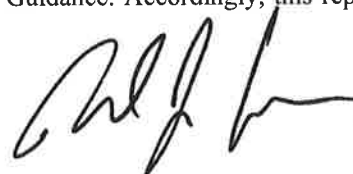
Report on Internal Control over Compliance

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

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

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

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



February 14, 2023
Concord, New Hampshire

PLODZIK & SANDERSON
Professional Association

SCHEDULE I
EPPING SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes X no
- Significant deficiency(ies) identified? yes X none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes X no
- Significant deficiency(ies) identified? yes X none reported

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes X no

Identification of major federal programs:

<u>Assistance Listing Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.553 and 10.555	Child Nutrition Cluster
84.367	Supporting Effective Instruction State Grants

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? yes X no

SECTION II - FINANCIAL STATEMENT FINDINGS

NONE

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

NONE

SCHEDULE II
Epping School District
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE				
Passed Through the State of New Hampshire Department of Education				
CHILD NUTRITION CLUSTER				
School Breakfast Program	10.553	N/A	\$ -	\$ 115,976
National School Lunch Program	10.555	N/A	-	410,833
<i>CLUSTER TOTAL</i>			-	526,809
U.S. DEPARTMENT OF EDUCATION				
Passed Through the State of New Hampshire Department of Education				
Title I Grants to Local Educational Agencies:				
Title I	84.010	20210755	-	15,527
Title I	84.010	20220688	-	113,297
<i>PROGRAM TOTAL</i>			-	128,824
SPECIAL EDUCATION CLUSTER				
Special Education - Grants to States:				
Remote Learning	84.027	20193473	-	158
IDEA	84.027	202513	-	11,831
IDEA	84.027	20211399	-	6,419
IDEA	84.027	20220694	-	196,714
IDEA - ARP	84.027X	20220796	-	44,081
Special Education - Preschool Grants:				
Preschool	84.173	92543	-	1,295
Preschool	84.173	202513	-	116
Preschool	84.173	20220694	-	3,733
Preschool - ARP	84.173X	20220796	-	3,774
<i>CLUSTER TOTAL</i>			-	268,121
Supporting Effective Instruction State Grants:				
Title II	84.367	20200155	-	4,800
Title II	84.367	20210912	-	7,946
Title II	84.367	20220805	-	20,123
<i>PROGRAM TOTAL</i>			-	32,869
Student Support and Academic Enrichment Program:				
Title IV	84.424	20190312	-	1,729
Title IV	84.424	20211395	-	15,356
			-	17,085
COVID-19 - Education Stabilization Fund:				
ESSER II	84.425D	20211624	-	60,841
ESSER III	84.425U	20220794	-	319,704
<i>PROGRAM TOTAL</i>			-	380,545
Total Expenditures of Federal Awards			\$ -	\$ 1,354,253

The accompanying notes are an integral part of this schedule.

EPPING SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the Epping School District under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Epping School District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Epping School District.

Note 2. Summary of Significant Accounting Policies

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

Note 3. Indirect Cost Rate

The Epping School District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 4. Food Donation

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities on the date received. For the fiscal year ended June 30, 2022, the value of food donations received was \$34,425.