

# TOWN OF EFFINGHAM, NEW HAMPSHIRE

FINANCIAL REPORT

AS OF AND FOR THE YEAR ENDED  
DECEMBER 31, 2018

**TOWN OF EFFINGHAM, NEW HAMPSHIRE  
FINANCIAL REPORT  
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DECEMBER 31, 2018**

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# Roberts & Greene, PLLC

## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Effingham as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Basis for Adverse Opinion on Governmental Activities**

Management has not recorded its capital assets in governmental activities and, accordingly, has not recorded depreciation expense on those assets. Accounting principles generally accepted in the United States of America require that those capital assets be capitalized and depreciated, which would increase the assets, net position, and expenses of the governmental activities. The amount by which this departure would affect the assets, net position, and expenses of the governmental activities has not been determined.

### **Adverse Opinion**

In our opinion, because of the significance of the matter described in the "Basis for Adverse Opinion on Governmental Activities" paragraph, the financial statements referred to above do not present fairly the financial position of the governmental activities of the Town of Effingham as of December 31, 2018, or the

changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Unmodified Opinions**

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of the Town of Effingham, as of December 31, 2018, and the respective changes in financial position thereof, and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note I.B.5. to the financial statements, in the year 2018, the Town adopted new accounting guidance regarding the accounting and reporting for postemployment benefits other than pensions (OPEB). Our opinion is not modified with respect to this matter.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the pension and OPEB information on pages 28-31 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

*Other Information*

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

*Roberts & Heene, PLLC*

Concord, New Hampshire  
November 8, 2019

## **BASIC FINANCIAL STATEMENTS**

**EXHIBIT 1**  
**TOWN OF EFFINGHAM, NEW HAMPSHIRE**  
**Statement of Net Position**  
**December 31, 2018**

	Governmental Activities
<b>ASSETS</b>	
Cash and cash equivalents	\$ 1,807,872
Investments	7,391
Intergovernmental receivable	75,887
Other receivables, net of allowance for uncollectibles	575,162
Tax deeded property held for resale	28,567
Total assets	2,494,879
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred amounts related to pensions	90,414
Deferred amounts related to OPEB	5,160
Total deferred outflows of resources	95,574
 <b>LIABILITIES</b>	
Accounts payable	26,018
Accrued payroll and benefits	12,409
Intergovernmental payable	1,021,491
Noncurrent obligations:	
Due in more than one year:	
Net pension liability	416,004
Other postemployment benefits payable	61,173
Total liabilities	1,537,095
 <b>DEFERRED INFLOWS OF RESOURCES</b>	
Unearned revenue	8,467
Deferred amounts related to pensions	20,792
Deferred amounts related to OPEB	194
Total deferred inflows of resources	29,453
 <b>NET POSITION</b>	
Restricted for:	
Endowments:	
Nonexpendable	19,284
Expendable	17,975
Other purposes	4,205
Unrestricted	982,441
Total net position	\$ 1,023,905

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

**EXHIBIT 2**  
**TOWN OF EFFINGHAM, NEW HAMPSHIRE**  
**Statement of Activities**  
**For the Year Ended December 31, 2018**

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental activities:				
General government	\$ 603,343	\$ 2,455	\$ 417	\$ (600,471)
Public safety	332,912	12,205	2,810	(317,897)
Highways and streets	754,909	-	82,309	(672,600)
Sanitation	150,854	7,730	-	(143,124)
Health	19,216	-	-	(19,216)
Welfare	12,233	-	-	(12,233)
Culture and recreation	56,038	-	22	(56,016)
Conservation	8,033	-	1,841	(6,192)
Total primary government	<u>\$ 1,937,538</u>	<u>\$ 22,390</u>	<u>\$ 87,399</u>	<u>(1,827,749)</u>
General revenues:				
Property taxes				914,385
Other taxes				89,549
Licenses and permits				306,493
Grants and contributions not restricted to specific programs				75,887
Miscellaneous				110,570
Total general revenues				<u>1,496,884</u>
Change in net position				(330,865)
Net position, beginning, as restated, see Note III.D.2.				<u>1,354,770</u>
Net position, ending				<u>\$ 1,023,905</u>

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

**EXHIBIT 3**  
**TOWN OF EFFINGHAM, NEW HAMPSHIRE**  
**Balance Sheet**  
**Governmental Funds**  
**December 31, 2018**

	General	Expendable Trust	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,147,588	\$ 604,083	\$ 56,201	\$ 1,807,872
Investments	7,391	-	-	7,391
Receivables, net of allowance for uncollectibles:				
Taxes	571,637	-	-	571,637
Accounts	3,525	-	-	3,525
Intergovernmental	75,887	-	-	75,887
Interfund receivable	6,289	-	2,813	9,102
Tax deeded property held for resale	28,567	-	-	28,567
Total assets	<u>\$ 1,840,884</u>	<u>\$ 604,083</u>	<u>\$ 59,014</u>	<u>\$ 2,503,981</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 26,018	\$ -	\$ -	\$ 26,018
Accrued salaries and benefits	12,409	-	-	12,409
Intergovernmental payable	1,021,491	-	-	1,021,491
Interfund payable	2,781	4,000	2,321	9,102
Total liabilities	<u>1,062,699</u>	<u>4,000</u>	<u>2,321</u>	<u>1,069,020</u>
Deferred inflows of resources:				
Deferred revenue	447,625	-	-	447,625
Fund balances:				
Nonspendable	28,567	-	19,284	47,851
Restricted	-	-	22,181	22,181
Committed	166,289	600,083	15,228	781,600
Assigned	829	-	-	829
Unassigned	134,875	-	-	134,875
Total fund balances	<u>330,560</u>	<u>600,083</u>	<u>56,693</u>	<u>987,336</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,840,884</u>	<u>\$ 604,083</u>	<u>\$ 59,014</u>	<u>\$ 2,503,981</u>

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

**EXHIBIT 4**  
**TOWN OF EFFINGHAM, NEW HAMPSHIRE**  
**Reconciliation of Total Fund Balances of Governmental Funds to the Statement of Net Position**  
**December 31, 2018**

Total fund balances of governmental funds (Exhibit 3)		\$ 987,336
Amounts reported for governmental activities in the statement of net position are different because:		
Interfund receivables and payables between governmental funds are eliminated on the statement of net position.		
Receivables	\$ (9,102)	
Payables	<u>9,102</u>	-
Revenues that are not available to pay for current period expenditures are deferred in the funds.		
Unavailable tax revenue		439,158
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Net pension liability	416,004	
Other postemployment benefits payable	<u>61,173</u>	(477,177)
Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows of resources related to pensions	\$ 90,414	
Deferred outflows of resources related to OPEB	5,160	
Deferred inflows of resources related to pensions	(20,792)	
Deferred inflows of resources related to OPEB	<u>(194)</u>	
		<u>74,588</u>
Total net position of governmental activities (Exhibit 1)		<u>\$ 1,023,905</u>

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

**EXHIBIT 5**  
**TOWN OF EFFINGHAM, NEW HAMPSHIRE**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended December 31, 2018**

	General	Expendable Trust	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Taxes	\$ 1,349,628	\$ -	\$ -	\$ 1,349,628
Licenses, permits and fees	306,493	-	-	306,493
Intergovernmental	162,847	-	-	162,847
Charges for services	22,390	-	-	22,390
Miscellaneous	101,100	7,496	2,413	111,009
Total revenues	<u>1,942,458</u>	<u>7,496</u>	<u>2,413</u>	<u>1,952,367</u>
<b>Expenditures:</b>				
Current:				
General government	514,688	60,187	800	575,675
Public safety	329,244	3,668	-	332,912
Highways and streets	754,909	-	-	754,909
Sanitation	150,854	-	-	150,854
Health	19,216	-	-	19,216
Welfare	12,233	-	-	12,233
Culture and recreation	54,938	684	416	56,038
Conservation	954	1,610	5,469	8,033
Total expenditures	<u>1,837,036</u>	<u>66,149</u>	<u>6,685</u>	<u>1,909,870</u>
Excess (deficiency) of revenues over (under) expenditures	<u>105,422</u>	<u>(58,653)</u>	<u>(4,272)</u>	<u>42,497</u>
<b>Other financing sources (uses):</b>				
Transfers in	-	67,049	4,022	71,071
Transfers out	<u>(71,049)</u>	<u>-</u>	<u>(22)</u>	<u>(71,071)</u>
Total other financing sources and uses	<u>(71,049)</u>	<u>67,049</u>	<u>4,000</u>	<u>-</u>
Net change in fund balances	34,373	8,396	(272)	42,497
Fund balances, beginning	296,187	591,687	56,965	944,839
Fund balances, ending	<u>\$ 330,560</u>	<u>\$ 600,083</u>	<u>\$ 56,693</u>	<u>\$ 987,336</u>

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

**EXHIBIT 6**  
**TOWN OF EFFINGHAM, NEW HAMPSHIRE**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund**  
**Balances of Governmental Funds to the Statement of Activities**  
**For the Year Ended December 31, 2018**

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Net change in fund balances of governmental funds (Exhibit 5)		\$ 42,497
Amounts reported for governmental activities in the statement of activities are different because:		
Transfers in and out between governmental funds are eliminated on the operating statement.		
Transfers in	\$ (71,071)	
Transfers out	<u>71,071</u>	-
Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in governmental funds.		
Change in unavailable tax revenue		(345,694)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Increase in other postemployment benefits payable		(17,674)
Governmental funds report pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned, net of employee contributions, is reported as pension expense.		
Town pension contributions	\$ 48,030	
Cost of benefits earned, net of employee contributions	<u>(58,024)</u>	<u>(9,994)</u>
Change in net position of governmental activities (Exhibit 2)		<u><u>\$ (330,865)</u></u>

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

**EXHIBIT 7**  
**TOWN OF EFFINGHAM, NEW HAMPSHIRE**  
**General Fund**  
**Statement of Revenues, Expenditures and Changes in Unassigned Fund Balance**  
**Budget and Actual (Non-GAAP Budgetary Basis)**  
**For the Year Ended December 31, 2018**

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Taxes	\$ 1,175,156	\$ 1,003,934	\$ (171,222)
Licenses, permits and fees	270,195	306,493	36,298
Intergovernmental	160,084	162,847	2,763
Charges for services	30,000	22,390	(7,610)
Miscellaneous	72,700	101,100	28,400
Total revenues	<u>1,708,135</u>	<u>1,596,764</u>	<u>(111,371)</u>
<b>EXPENDITURES</b>			
Current:			
General government	527,626	514,436	13,190
Public safety	342,440	329,244	13,196
Highways and streets	715,500	670,976	44,524
Sanitation	154,400	150,854	3,546
Health	19,716	19,216	500
Welfare	18,500	12,233	6,267
Culture and recreation	69,772	54,938	14,834
Conservation	1,000	954	46
Debt service:			
Interest on tax anticipation note	1	-	1
Total expenditures	<u>1,848,955</u>	<u>1,752,851</u>	<u>96,104</u>
Deficiency of revenues under expenditures	(140,820)	(156,087)	(15,267)
Other financing uses:			
Transfers out	<u>(71,049)</u>	<u>(71,049)</u>	<u>-</u>
Net change in fund balance	<u>\$ (211,869)</u>	<u>(227,136)</u>	<u>\$ (15,267)</u>
Decrease in nonspendable fund balance		26,198	
Unassigned fund balance, beginning		<u>774,971</u>	
Unassigned fund balance, ending		<u>\$ 574,033</u>	

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

**EXHIBIT 8**  
**TOWN OF EFFINGHAM, NEW HAMPSHIRE**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**December 31, 2018**

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	<u>Private Purpose Trust</u>
Assets:	
Cash and cash equivalents	\$ 1,527
Liabilities:	
	<u>-</u>
Net position:	
Held in trust for specific purposes	<u>\$ 1,527</u>

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

**EXHIBIT 9**  
**TOWN OF EFFINGHAM, NEW HAMPSHIRE**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
**For the Year Ended December 31, 2018**

	Private Purpose Trust
Additions:	
Interest	\$ 17
Net position, beginning	1,510
Net position, ending	\$ 1,527

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

**NOTES TO THE FINANCIAL STATEMENTS**

**TOWN OF EFFINGHAM, NEW HAMPSHIRE  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED  
DECEMBER 31, 2018**

**I. Summary of Significant Accounting Principles**

**I.A. Introduction**

The accounting and reporting framework and the more significant accounting principles and practices of the Town of Effingham (the Town) are discussed in subsequent sections of this note. The remainder of the notes is organized to provide explanations, including required disclosures, of the Town's financial activities for the year ended December 31, 2018.

**I.B. Financial Reporting Entity – Basis of Presentation**

**I.B.1. *Entity Defined***

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

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

*Government-Wide Financial Statements*

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

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

**TOWN OF EFFINGHAM, NEW HAMPSHIRE  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED  
DECEMBER 31, 2018**

*Fund Financial Statements*

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

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

The financial statements of the Town are prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Town's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements, except that the Town has not recorded its capital assets and accumulated depreciation as required by generally accepted accounting principles.

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

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Town considers revenues to be available if they are collected within 60 days of the end of the fiscal year. However, for the purposes of setting the tax rate, property taxes are not so deferred in accordance with the direction of the New Hampshire Department of Revenue Administration. Expenditures are recorded when the related fund liability is incurred.

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

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

*Governmental Funds*

The Town reports the following major governmental funds:

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

**TOWN OF EFFINGHAM, NEW HAMPSHIRE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED**  
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*Expendable Trust Fund* – This fund holds investments that are used for the purchase of capital assets and improvements.

The Town also reports three nonmajor governmental funds.

*Fiduciary Funds*

The Town reports the following fiduciary fund:

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

**I.B.5. *Change in Accounting Principle***

During the year, the Town adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. This results in a change in the measurement and presentation of the Town’s OPEB liability reported in the Statement of Net Position. The prior year’s net position was restated as shown in Note III.D.2. to reflect this change.

**I.C. *Assets and Net Position or Fund Equity***

**I.C.1. *Cash and Investments***

The laws of the State of New Hampshire require that the Town’s treasurer have custody of all monies belonging to the Town, other than those held by the trustees of trust funds, and pay out the same only upon orders of the Board of Selectmen. The treasurer shall deposit all monies in participation units in the public deposit investment pool established pursuant to N.H. RSA 383.22 or in solvent banks in the state. Funds may be deposited in banks outside the state if such banks pledge or deliver to a third party custodial bank or the Federal Reserve Bank, collateral security for such deposits, United States government or government agency obligations, or obligations of the State of New Hampshire in value at least equal to the amount of the deposit in each case.

Investments are stated at fair value based on quoted market prices.

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

**TOWN OF EFFINGHAM, NEW HAMPSHIRE  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED  
DECEMBER 31, 2018**

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

**I.C.2. *Equity***

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

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

The governmental funds report the following components of fund balance:

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

**TOWN OF EFFINGHAM, NEW HAMPSHIRE  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED  
DECEMBER 31, 2018**

**II. Stewardship, Compliance and Accountability**

**II.A. Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund. Unless encumbered, all appropriations lapse at year-end. The Town is allowed to use beginning fund balance to balance the budget. In 2018, \$11,869 of the unassigned fund balance from 2017 was so used, and \$200,000 was appropriated from fund balance.

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

**II.B. Reconciliation of Budgetary Basis to GAAP**

General Fund:

Revenues and other financing sources:	
Per Exhibit 7 (budgetary basis)	\$ 1,596,764
Adjustments:	
Basis difference:	
Tax revenue deferred in the prior year	784,852
Tax revenue deferred in the current year	(439,158)
Per Exhibit 5 (GAAP basis)	<u>\$ 1,942,458</u>
Expenditures and other financing uses:	
Per Exhibit 7 (budgetary basis)	\$ 1,823,900
Adjustments:	
Basis difference:	
Encumbrances, beginning	251,303
Encumbrances, ending	(167,118)
Per Exhibit 5 (GAAP basis)	<u>\$ 1,908,085</u>
Unassigned fund balance:	
Per Exhibit 7 (budgetary basis)	\$ 574,033
Adjustment:	
Basis difference:	
Deferred tax revenue, GAAP basis	(439,158)
Per Exhibit 3 (GAAP basis)	<u>\$ 134,875</u>

The Expendable Trust Fund was not budgeted.

**TOWN OF EFFINGHAM, NEW HAMPSHIRE  
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**III. Detailed Notes on Funds and Government-Wide Statements**

**III.A. Receivables and Deferred Revenue**

*Property Taxes Receivable and Property Tax Calendar*

Property taxes are levied and collected by the Town on a semi-annual basis. Tax bills are due on or around July 1 and December 1, with interest of 12% per annum on all taxes not received by the due date. The first billing is an estimate only based on half of the previous year's billing. The final billing is levied based on an inventory taken in April of each year (the tax year runs from April 1 to March 31), and is assessed after the tax rate has been calculated and set by the New Hampshire Department of Revenue Administration. A lien is executed on any unpaid property taxes in the following year and this lien takes priority over any others. Interest of 18% per annum is charged upon redemption of liened taxes. Properties not redeemed within two years of the date of the tax lien should be deeded to the Town. During the current year, the tax collector executed a lien for uncollected 2017 property taxes on August 24<sup>th</sup>.

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

The net assessed valuation as of April 1, 2018, upon which the 2018 property tax levy was based was:

For the New Hampshire education tax	\$ 161,395,915
For all other taxes	\$ 167,479,815

The tax rates and amounts assessed for the year ended December 31, 2018 were as follow:

	<u>Per \$1,000 of Assessed Valuation</u>	
Municipal portion	\$7.76	\$ 1,299,808
School portion:		
State of New Hampshire	\$2.05	330,908
Local	\$11.23	1,880,530
County portion	\$1.21	202,708
Total property taxes assessed		<u>\$ 3,713,954</u>

**TOWN OF EFFINGHAM, NEW HAMPSHIRE  
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The following details the taxes receivable at year-end:

Property:	
Levy of 2018	\$ 368,183
Unredeemed (under tax lien):	
Levy of 2017	130,552
Levy of 2016	88,311
Levy of 2015	5,529
Levy of 2014	2,174
Timber	1,888
Less: allowance for estimated uncollectible taxes	(25,000)
Net taxes receivable	<u>\$ 571,637</u>

*Accounts Receivable and Uncollectible Accounts*

The accounts receivable represents billings for police details in the amount of \$3,150 and a \$375 vendor credit.

*Intergovernmental Receivable*

The intergovernmental receivable represents the meals and rooms tax revenue owed from the State in the amount of \$75,887.

*Deferred Revenue*

Deferred revenue of \$447,625 at December 31, 2018 represents \$439,158 in 2018 property taxes not received within 60 days of year-end, and \$8,467 in prepayments of 2019 property taxes. In the governmental activities, only the prepayments are considered unearned revenue.

**III.B Intergovernmental Payable**

The amount due to other governments at December 31, 2018 consists of the balance of the 2018-2019 district assessment due to the Governor Wentworth Regional School District in the amount of \$1,021,491.

**TOWN OF EFFINGHAM, NEW HAMPSHIRE  
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**III.C. Balances and Transfers – Payments Within the Reporting Entity**

**III.C.1. *Receivables and Payables***

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

Receivable Fund	Payable Fund	Amount
General	Expendable trust	\$ 4,000
General	Nonmajor	2,289
Nonmajor	General	2,781
Nonmajor	Nonmajor	32
		\$ 9,102

The amount due to the General Fund from the Expendable Trust Fund represents a reimbursement for expenditures. The amount due to the General Fund from the Nonmajor Library Fund represents unspent appropriations. The amount due to the Nonmajor Conservation Commission Fund from the General Fund represents land use change tax collected on behalf of the fund. The amount due to the Nonmajor Library Fund from the Nonmajor Permanent Fund represents income earned on endowments for the Library.

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

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

The following schedule reports transfers within the reporting entity:

	Transfers In:		
	Expendable Trust Fund	Nonmajor Funds	Total
Transfers out:			
General fund	\$ 67,049	\$ 4,000	\$ 71,049
Nonmajor funds	-	22	22
	\$ 67,049	\$ 4,022	\$ 71,071

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

**TOWN OF EFFINGHAM, NEW HAMPSHIRE  
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**III.D. Fund Equity**

**III.D.1. Restricted Net Position**

The government-wide statement of net position includes restricted net position of \$37,259 for public trust funds reported as restricted for perpetual care and \$4,205 for library funds restricted in accordance with State law.

**III.D.2. Restatement of Beginning Equity**

Equity at January 1, 2018 was restated as follows:

	Governmental Activities
To restate for OPEB liability	\$ (38,533)
Net position, as previously reported	1,393,303
Net position, as restated	<u>\$ 1,354,770</u>

**III.D.3. Components of Fund Balance**

The components of fund balance, as described in Note I.C.2., are classified for the following purposes:

	General Fund	Expendable Trust Fund	Nonmajor Funds
Nonspendable:			
Endowments	\$ -	\$ -	\$ 19,284
Tax deeded property	28,567	-	-
Total nonspendable	<u>28,567</u>	<u>-</u>	<u>19,284</u>
Restricted:			
General government	-	-	17,976
Culture and recreation	-	-	4,205
Total restricted	<u>-</u>	<u>-</u>	<u>22,181</u>
Committed:			
Highways and streets	166,289	-	-
Conservation	-	-	15,228
Capital outlay	-	600,083	-
Total committed	<u>166,289</u>	<u>600,083</u>	<u>15,228</u>
Assigned for general government	829	-	-
Unassigned	134,875	-	-
Total fund balance	<u>\$ 330,560</u>	<u>\$ 600,083</u>	<u>\$ 56,693</u>

**TOWN OF EFFINGHAM, NEW HAMPSHIRE  
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**IV. Other Information**

**IV.A. Risk Management**

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

The Primex Workers' Compensation and Property/Liability Programs are pooled risk management programs under RSA 5-B and RSA 281-A. Workers' compensation and property/liability coverage were provided from January 1 to December 31, with property and employer's liability coverage in varying amounts, and statutory coverage for workers' compensation. Contributions paid in 2018 to be recorded as an insurance expenditure/expense totaled \$18,161 for property/liability insurance and \$9,619 for workers' compensation. There were no unpaid contributions for the year ended December 31, 2018.

**IV.B. Retirement Pensions**

*General Information about the Pension Plan*

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

Both the members and the Town make contributions to the NHRS. Member rates of contribution are set by the Legislature. Employer rates are determined by the NHRS trustees based on an actuarial valuation. Both member and employer rates are applied to gross earnings. For the year 2018, the member rate of contribution was 11.55% for police officers. The rate of contribution from the Town was 29.43%. The rates are actuarially determined to generate an amount, that when combined with employee contributions, is expected to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employer contributions from the Town during the years 2016, 2017, and 2018 were \$33,714, \$36,029, and \$48,030 respectively. The amounts were paid on a monthly basis as due.

**TOWN OF EFFINGHAM, NEW HAMPSHIRE  
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*Pension Liabilities, Pension Expense, and Deferred Outflows and Inflows of Resources Related to Pensions*

At December 31, 2018, the Town reported a liability of \$416,004 for its proportionate share of the net pension liability. The net pension liability is based upon the June 30, 2017 actuarial valuation, rolled forward to determine the net pension liability as of June 30, 2018. The roll-forward of the total pension liability from June 30, 2017 to June 30, 2018 reflects expected service and interest costs reduced by actual benefit payments, refunds, and administrative expenses for the plan year. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating municipalities and school districts, actuarially determined. As of June 30, 2018, the Town's proportion was 0.0086%, which was an increase of 0.0006% from its proportion measured as of June 30, 2017.

For 2018, the Town recognized pension expense of \$58,024. At year-end, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u>                    </u>	<u>                    </u>
Changes in proportion and differences between employer contributions and proportionate share of contributions	\$ 33,474	\$ 7,797
Net differences between projected and actual earnings on pension plan investments	-	9,627
Changes in assumptions	28,790	-
Differences between expected and actual experience	3,320	3,368
Town contributions subsequent to the measurement date	24,830	-
	<u>\$ 90,414</u>	<u>\$ 20,792</u>

The Town reported \$24,830 as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date, which will be recognized as a reduction of the net pension liability in the following year.

**TOWN OF EFFINGHAM, NEW HAMPSHIRE  
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Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follow:

Year Ending December 31,		
2019	\$	26,530
2020		19,843
2021		(4,635)
2022		3,054
	<u>\$</u>	<u>44,792</u>

*Actuarial Assumptions*

The total pension liability in the June 30, 2018 actuarial valuation was determined using the actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Entry-Age Normal
Amortization Period	Level Percentage-of-Payroll, Closed
Remaining Amortization Period	21 years beginning July 1, 2018
Asset Valuation Method	5-year smoothed market for funding purposes, 20% corridor
Price Inflation	2.5% per year
Wage Inflation	3.25% per year
Salary Increases	5.6% average, including inflation
Municipal Bond Rate	3.62% per year
Investment Rate of Return	7.25% net of pension plan investment expense, including inflation

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of the most recent actuarial experience study, which was for the period of July 1, 2010 – June 30, 2015.

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

**TOWN OF EFFINGHAM, NEW HAMPSHIRE  
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*Sensitivity of the Town's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate.

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Town's proportionate share of net pension liability	\$ 553,496	\$ 416,004	\$ 300,781

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

**IV.C. Contingent Liabilities**

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

**IV.D. Other Postemployment Benefits (OPEB)**

*Plan Description*

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

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

**TOWN OF EFFINGHAM, NEW HAMPSHIRE  
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Group II employees hired on or after 7/1/11 may retire at age 60, or at age 52.5 with 25 years of service. Retirees contribute 100% of premiums for individual, two-person or family medical coverage. Surviving beneficiaries continue to receive access to the Town's medical coverage after the death of the retired employee as long as they pay the required premium. As of January 1, 2018, the actuarial valuation date, there is only one participant of the postretirement plan that meets eligibility requirements. The plan does not issue a separate financial report.

*Implicit Rate Subsidy*

Same benefit options are available to retirees as active employees. Health insurance is purchased through Healthtrust. The Town is a member of the under-100 employees' pool and its rates are determined based on the experience of the entire under-100 employees' pool. The claims experience for active employees and retirees are combined to determine the final premium rate. This single premium rate is called a blended premium because it blends the expected claims of both active and retired participants. Retirees are generally older than the average participant in a non-Medicare plan, which means they are expected to generate higher claims than the average participant of the plan; therefore, they are receiving a subsidy even if they pay 100% of the blended premium rate because they would be paying less in premiums than their claims cost. The Town of Effingham has three active employees eligible for health insurance, and has not determined its implicit rate subsidy because the amount would not be material.

*Medical Insurance Subsidy*

The medical insurance subsidy is a payment made by NHRS to the former employer or its insurance administrator toward the cost of health insurance for a qualified retiree, his/her qualified spouse, and his/her certified dependent children 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 will be paid. If the health insurance premium amount exceeds the Medical Subsidy amount, then the retiree or other qualified person is responsible for paying any portion that the employer does not pay.

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

*Total OPEB Liability*

The Town's total OPEB liability of \$61,173 for the medical insurance subsidy was determined by an actuarial valuation as of June 30, 2017 with roll-forward procedures used to determine the liability as of June 30, 2018. The roll-forward of the total OPEB liability from June 30, 2017 to June 30, 2018 reflects expected service cost and interest reduced by actual benefit payments and refunds for the plan year.

**TOWN OF EFFINGHAM, NEW HAMPSHIRE  
NOTES TO THE FINANCIAL STATEMENTS  
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*OPEB Expense and Deferred Inflows and Outflows of Resources Related to OPEB*

For the year ended December 31, 2018, the Town recognized OPEB expense of \$23,044. At year-end, the Town 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 and differences between employer contributions and proportionate share of contributions	\$ 4,801	\$ -
Net differences between projected and actual earnings on pension plan investments	-	194
Differences between expected and actual experience	359	-
	\$ 5,160	\$ 194

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

Year Ending December 31,	
2019	\$ 5,099
2020	(61)
2021	(61)
2022	(11)
	\$ 4,966

*Methods and Assumptions*

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

Medical Insurance Subsidy:	
Payroll growth	3.25%
Discount rate	7.25%
Long-term municipal bond rate	3.62%
Inflation	2.5%
Investment rate of return	7.25%, net of investment expense, including inflation
Mortality	RP-2014 Healthy Annuitant and Employee Generational Mortality Tables with credibility adjustments and adjusted for fully generational mortality improvements using Scale MP-2015 based on the last experience study
Healthcare cost trend rates	N/A, benefits are fixed stipends

**TOWN OF EFFINGHAM, NEW HAMPSHIRE  
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*Sensitivity of the Total OPEB Liability to Changes in Rates*

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

Discount Rate Sensitivity

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Town's total OPEB liability	\$ 63,669	\$ 61,173	\$ 54,181

**REQUIRED SUPPLEMENTARY INFORMATION**

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Town's proportion of net pension liability	0.0086%	0.0080%	0.0083%	0.0079%	0.0077%
Town's proportionate share of the net pension liability	\$ 416,004	\$ 393,635	\$ 441,411	\$ 311,049	\$ 289,715
Town's covered-employee payroll	\$ 166,001	\$ 129,023	\$ 127,803	\$ 132,821	\$ 120,028
Town's proportionate share of the net pension liability as a percentage of covered-employee payroll	250.60%	305.09%	345.38%	234.19%	241.37%
Plan fiduciary position as a percentage of the total pension liability	64.77%	62.66%	58.30%	65.47%	66.32%

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

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 48,030	\$ 36,029	\$ 33,714	\$ 34,365	\$ 30,367
Contribution in relation to the contractually required contribution	<u>(48,030)</u>	<u>(36,029)</u>	<u>(33,714)</u>	<u>(34,365)</u>	<u>(30,367)</u>
Contribution deficiency	<u>\$ -</u>				
Town's covered-employee payroll	\$ 166,001	\$ 129,023	\$ 127,803	\$ 132,821	\$ 120,028
Contributions as a percentage of covered-employee payroll	28.93%	27.92%	26.38%	25.87%	25.30%

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

**EXHIBIT 12**  
**TOWN OF EFFINGHAM**

***Schedule of Changes in the Town's Total OPEB Liability and Related Ratios***

	<u>2018</u>	<u>2017</u>
Total OPEB liability:		
Service cost	\$ 132	
Interest	4,589	
Projected earnings on plan investments	(357)	
OPEB plan administrative and expenses	5644	
Net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions	17,410	
Benefit payments	<u>(4,778)</u>	
Net change in total OPEB liability	22,640	
Total OPEB liability, beginning	<u>38,533</u>	
Total OPEB liability, ending	<u>\$ 61,173</u>	<u>\$ 38,533</u>
Covered-employee payroll	\$ 166,001	\$ 129,023
Total OPEB liability as a percentage of covered-employee payroll	36.85%	29.87%

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

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

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	2018
Actuarially determined contribution	\$ 27,418
Contributions in relation to the actuarially determined contribution	(5,910)
Contribution deficiency	\$ 21,508
Covered-employee payroll	\$ 166,001
Contributions as a percentage of covered-employee payroll	16.52%

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

**TOWN OF EFFINGHAM, NEW HAMPSHIRE  
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION  
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The Pension Schedules and the OPEB Schedules are meant to present related information for ten years. Because this is the fourth year that the Town has presented the pension schedules, and the first year for the OPEB information under the new measurement standard, only five and one years, respectively, are presented. An additional year's information will be added each year until there are ten years shown.

**COMBINING NONMAJOR AND INDIVIDUAL GENERAL FUND SCHEDULES**

**EXHIBIT 14**  
**TOWN OF EFFINGHAM, NEW HAMPSHIRE**  
**Nonmajor Governmental Funds**  
**Combining Balance Sheet**  
**December 31, 2018**

	Special Revenue Funds			Total
	Library	Conservation Commission	Permanent Fund	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 6,462	\$ 12,447	\$ 37,292	\$ 56,201
Interfund receivable	32	2,781	-	2,813
Total assets	<u>\$ 6,494</u>	<u>\$ 15,228</u>	<u>\$ 37,292</u>	<u>\$ 59,014</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Interfund payable	<u>\$ 2,289</u>	<u>\$ -</u>	<u>\$ 32</u>	<u>\$ 2,321</u>
Fund balances:				
Nonspendable	-	-	19,284	19,284
Restricted	4,205	-	17,976	22,181
Committed	-	15,228	-	15,228
Total fund balances	<u>4,205</u>	<u>15,228</u>	<u>37,260</u>	<u>56,693</u>
Total liabilities and fund balances	<u>\$ 6,494</u>	<u>\$ 15,228</u>	<u>\$ 37,292</u>	<u>\$ 59,014</u>

**EXHIBIT 15**  
**TOWN OF EFFINGHAM, NEW HAMPSHIRE**  
**Nonmajor Governmental Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended December 31, 2018**

	Special Revenue Funds			Total
	Library	Conservation Commission	Permanent Fund	
<b>REVENUES</b>				
Miscellaneous	\$ 1,971	\$ 3	\$ 439	\$ 2,413
<b>EXPENDITURES</b>				
Current:				
General government	-	-	800	800
Culture and recreation	416	-	-	416
Conservation	-	5,469	-	5,469
Total expenditures	<u>416</u>	<u>5,469</u>	<u>800</u>	<u>6,685</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,555</u>	<u>(5,466)</u>	<u>(361)</u>	<u>(4,272)</u>
Other financing sources (uses):				
Transfers in	22	4,000	-	4,022
Transfers out	-	-	(22)	(22)
Total other financing sources and uses	<u>22</u>	<u>4,000</u>	<u>(22)</u>	<u>4,000</u>
Net change in fund balances	1,577	(1,466)	(383)	(272)
Fund balances, beginning	<u>2,628</u>	<u>16,694</u>	<u>37,643</u>	<u>56,965</u>
Fund balances, ending	<u>\$ 4,205</u>	<u>\$ 15,228</u>	<u>\$ 37,260</u>	<u>\$ 56,693</u>

**EXHIBIT 16**  
**TOWN OF EFFINGHAM, NEW HAMPSHIRE**  
**General Fund**  
**Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)**  
**For the Year Ended December 31, 2018**

	Estimated	Actual	Variance Positive (Negative)
<b>Taxes:</b>			
Property	\$ 1,081,156	\$ 914,385	\$ (166,771)
Timber	4,000	6,391	2,391
Interest and penalties on delinquent taxes	90,000	83,158	(6,842)
Total taxes	<u>1,175,156</u>	<u>1,003,934</u>	<u>(171,222)</u>
<b>Licenses, permits and fees:</b>			
Business licenses and permits	5,095	5,713	618
Motor vehicle permits	260,000	296,095	36,095
Building permits	1,600	2,305	705
Other	3,500	2,380	(1,120)
Total licenses, permits and fees	<u>270,195</u>	<u>306,493</u>	<u>36,298</u>
<b>Intergovernmental:</b>			
<b>State sources:</b>			
Meals and rooms distributions	75,887	75,887	-
Highway block grant	82,356	82,309	(47)
State and federal forest land	1,841	1,841	-
Fire grant	-	1,810	1,810
<b>Other government sources:</b>			
Fire mutual aid	-	1,000	1,000
Total intergovernmental	<u>160,084</u>	<u>162,847</u>	<u>2,763</u>
<b>Charges for services:</b>			
Income from departments	<u>30,000</u>	<u>22,390</u>	<u>(7,610)</u>
<b>Miscellaneous:</b>			
Sale of property	54,000	62,095	8,095
Interest on investments	-	146	146
Insurance dividends and reimbursements	18,700	37,141	18,441
Other	-	1,718	1,718
Total miscellaneous	<u>72,700</u>	<u>101,100</u>	<u>28,400</u>
Total revenues and other financing sources	1,708,135	<u>\$ 1,596,764</u>	<u>\$ (111,371)</u>
Use of fund balance	211,869		
Total revenues, other financing sources and use of fund balance	<u>\$ 1,920,004</u>		

**EXHIBIT 17**  
**TOWN OF EFFINGHAM, NEW HAMPSHIRE**  
**General Fund**  
**Schedule of Appropriations, Expenditures and Encumbrances (Non-GAAP Budgetary Basis)**  
**For the Year Ended December 31, 2018**

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
<b>Current:</b>					
<b>General government:</b>					
Executive	\$ -	\$ 114,600	\$ 107,808	\$ -	\$ 6,792
Election and registration	-	35,965	36,245	-	(280)
Financial administration	-	38,650	36,549	-	2,101
Revaluation of property	-	31,930	36,773	-	(4,843)
Legal	-	35,000	28,455	-	6,545
Personnel administration	-	65,000	77,860	-	(12,860)
Planning and zoning	1,081	25,981	20,979	829	5,254
General government buildings	-	69,500	71,065	-	(1,565)
Cemeteries	-	2,500	1,760	-	740
Insurance, not otherwise allocated	-	105,500	94,558	-	10,942
Advertising and regional associations	-	3,000	2,636	-	364
Total general government	<u>1,081</u>	<u>527,626</u>	<u>514,688</u>	<u>829</u>	<u>13,190</u>
<b>Public safety:</b>					
Police	-	188,395	182,345	-	6,050
Ambulance	-	57,735	57,732	-	3
Fire	-	89,800	85,064	-	4,736
Emergency management	-	6,510	4,103	-	2,407
Total public safety	<u>-</u>	<u>342,440</u>	<u>329,244</u>	<u>-</u>	<u>13,196</u>
<b>Highways and streets:</b>					
Highways and streets	69,100	708,000	747,675	20,167	9,258
Bridges	35,000	-	-	-	35,000
Street lighting	-	7,500	7,234	-	266
Total highways and streets	<u>104,100</u>	<u>715,500</u>	<u>754,909</u>	<u>20,167</u>	<u>44,524</u>
<b>Sanitation:</b>					
Solid waste collection	-	61,650	55,381	-	6,269
Solid waste disposal	-	89,000	89,670	-	(670)
Solid waste clean-up	-	3,750	5,803	-	(2,053)
Total sanitation	<u>-</u>	<u>154,400</u>	<u>150,854</u>	<u>-</u>	<u>3,546</u>
<b>Health:</b>					
Pest control	-	500	-	-	500
Health agencies and hospitals	-	19,216	19,216	-	-
Total health	<u>-</u>	<u>19,716</u>	<u>19,216</u>	<u>-</u>	<u>500</u>
<b>Welfare:</b>					
Direct assistance	-	14,000	8,522	-	5,478
Vendor payments	-	4,500	3,711	-	789
Total welfare	<u>-</u>	<u>18,500</u>	<u>12,233</u>	<u>-</u>	<u>6,267</u>

(continued)

**EXHIBIT 17 (continued)**  
**TOWN OF EFFINGHAM, NEW HAMPSHIRE**  
**General Fund**

**Schedule of Appropriations, Expenditures and Encumbrances (Non-GAAP Budgetary Basis)**  
**For the Year Ended December 31, 2018**

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Culture and recreation:					
Parks and recreation	-	10,000	-	-	10,000
Public library	-	59,072	54,296	-	4,776
Patriotic purposes	-	700	642	-	58
Total culture and recreation	-	69,772	54,938	-	14,834
Conservation	-	1,000	954	-	46
Debt service:					
Interest on tax anticipation note	-	1	-	-	1
Capital outlay:					
Improvements other than buildings	146,122	-	-	146,122	-
Other financing uses:					
Transfers out:					
Expendable trust fund	-	67,049	67,049	-	-
Nonmajor funds	-	4,000	4,000	-	-
Total other financing uses	-	71,049	71,049	-	-
Total encumbrances, appropriations, expenditures and other financing uses	\$ 251,303	\$ 1,920,004	\$ 1,908,085	\$ 167,118	\$ 96,104

**EXHIBIT 18**  
**TOWN OF EFFINGHAM, NEW HAMPSHIRE**  
**General Fund**  
**Schedule of Changes in Unassigned Fund Balance (Non-GAAP Budgetary Basis)**  
**For the Year Ended December 31, 2018**

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Unassigned fund balance, beginning		\$ 774,971
Changes:		
Unassigned fund balance used to reduce tax rate		(11,869)
Unassigned fund balance appropriated		(200,000)
Budget summary:		
Revenue shortfall (Exhibit 16)	\$ (111,371)	
Unexpended balance of appropriations (Exhibit 17)	<u>96,104</u>	
Budget deficit		(15,267)
Decrease in nonspendable fund balance		<u>26,198</u>
Unassigned fund balance, ending		<u>\$ 574,033</u>



# Roberts & Greene, PLLC

## INDEPENDENT AUDITOR'S COMMUNICATION TO MANAGEMENT

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

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Effingham as of and for the year ended December 31, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered the Town's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

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

We do wish to communicate the following other matters:

### ***Police Detail Billing – Repeat Finding***

Police detail revenue should be recorded when the service is provided. We recommend that the Police Department provide to the Town Office a listing of invoices that have been issued for police details on a monthly or quarterly basis. The invoices should then be posted to charges for services, and the related receivables recorded, which should then be reconciled with receipts of that time period.

### ***Capital Assets and Capital Asset Policy – Repeat Finding***

The Town has not recorded its capital assets and accumulated depreciation, as required by generally accepted accounting principles. The Town did initiate the process of compiling the necessary information, but has not provided a listing of all its capital assets at cost and related accumulated depreciation. We recommend that the Town review its capital asset policy, update it if necessary, and complete the inventorying and reporting of its capital assets.

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

November 8, 2019

*Roberts & Greene, PLLC*