

TOWN OF EFFINGHAM, NEW HAMPSHIRE

FINANCIAL REPORT

AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2015

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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, 2015, 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, 2015, 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, 2015, 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.

Change in Accounting Principle

As described in Note I.B.5. to the financial statements, the Town adopted the provisions of the Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to that matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the pension information on pages 26-28 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational and economic context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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.

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

January 27, 2017

Roberts & Aune, PLLC

BASIC FINANCIAL STATEMENTS

EXHIBIT 1
TOWN OF EFFINGHAM, NEW HAMPSHIRE
Statement of Net Position
December 31, 2015

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 1,796,747
Investments	7,152
Receivables	708,100
Prepaid items	9,332
Tax deeded property held for resale	65,944
Total assets	<u>2,587,275</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Deferred amounts related to pensions	<u>52,617</u>
 LIABILITIES	
Accounts payable	37,317
Accrued payroll and benefits	18,406
Intergovernmental payable	951,283
Noncurrent obligation:	
Due in more than one year:	
Net pension liability	<u>311,049</u>
Total liabilities	<u>1,318,055</u>
 DEFERRED INFLOWS OF RESOURCES	
Deferred amounts related to pensions	35,108
Unearned revenue	<u>13,272</u>
Total deferred inflows of resources	<u>48,380</u>
 NET POSITION	
Restricted for:	
Endowments:	
Nonexpendable	19,284
Expendable	18,973
Other purposes	1,445
Unrestricted	<u>1,233,755</u>
Total net position	<u><u>\$ 1,273,457</u></u>

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

EXHIBIT 2
TOWN OF EFFINGHAM, NEW HAMPSHIRE
Statement of Activities
For the Year Ended December 31, 2015

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental activities:				
General government	\$ 515,387	\$ 4,017	\$ 74,730	\$ (436,640)
Public safety	345,556	17,481	1,102	(326,973)
Highways and streets	682,232	-	76,157	(606,075)
Sanitation	160,347	4,520	-	(155,827)
Health	17,306	-	-	(17,306)
Welfare	14,356	-	-	(14,356)
Culture and recreation	71,596	-	1,302	(70,294)
Conservation	10,078	-	1,574	(8,504)
Capital outlay	11,011	-	-	(11,011)
Total primary government	<u>\$ 1,827,869</u>	<u>\$ 26,018</u>	<u>\$ 154,865</u>	<u>(1,646,986)</u>
General revenues:				
Property taxes				1,162,579
Other taxes				94,820
Licenses and permits				257,169
Miscellaneous				66,865
Total general revenues				<u>1,581,433</u>
Change in net position				(65,553)
Net position, beginning, as restated, see Note III.D.1.				<u>1,339,010</u>
Net position, ending				<u>\$ 1,273,457</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, 2015

	General	Expendable Trust	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 1,107,928	\$ 627,414	\$ 61,405	\$ 1,796,747
Investments	7,152	-	-	7,152
Receivables:				
Taxes	697,695	-	-	697,695
Accounts	10,405	-	-	10,405
Interfund receivable	4,000	-	3	4,003
Prepaid items	9,332	-	-	9,332
Tax dedeed property held for resale	65,944	-	-	65,944
Total assets	<u>\$ 1,902,456</u>	<u>\$ 627,414</u>	<u>\$ 61,408</u>	<u>\$ 2,591,278</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 33,036	\$ -	\$ 4,281	\$ 37,317
Accrued salaries and benefits	18,406	-	-	18,406
Intergovernmental payable	951,283	-	-	951,283
Interfund payable	-	4,000	3	4,003
Total liabilities	<u>1,002,725</u>	<u>4,000</u>	<u>4,284</u>	<u>1,011,009</u>
Deferred inflows of resources:				
Deferred revenue	<u>640,228</u>	<u>-</u>	<u>-</u>	<u>640,228</u>
Fund balances:				
Nonspendable	75,276	-	19,284	94,560
Restricted	-	-	20,418	20,418
Committed	-	623,414	17,422	640,836
Assigned	236,589	-	-	236,589
Unassigned	(52,362)	-	-	(52,362)
Total fund balances	<u>259,503</u>	<u>623,414</u>	<u>57,124</u>	<u>940,041</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,902,456</u>	<u>\$ 627,414</u>	<u>\$ 61,408</u>	<u>\$ 2,591,278</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, 2015

Total fund balances of governmental funds (Exhibit 3)		\$ 940,041
Interfund receivables and payables between governmental funds are eliminated on the statement of net position.		
Receivables	\$ (4,003)	
Payables	<u>4,003</u>	-
Revenues that are not available to pay for current period expenditures are deferred in the funds.		
Deferred tax revenue	\$ 616,551	
Deferred police detail revenue	<u>10,405</u>	626,956
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Net pension liability		(311,049)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows of resources related to pensions	\$ 52,617	
Deferred inflows of resources related to pensions	<u>(35,108)</u>	17,509
Total net position of governmental activities (Exhibit 1)		<u><u>\$ 1,273,457</u></u>

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

EXHIBIT 5
TOWN OF EFFINGHAM, NEW HAMPSHIRE
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2015

	General	Expendable Trust	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 1,333,774	\$ -	\$ 650	\$ 1,334,424
Licenses, permits and fees	257,169	-	-	257,169
Intergovernmental	154,865	-	-	154,865
Charges for services	15,613	-	-	15,613
Miscellaneous	62,339	133	4,393	66,865
Total revenues	<u>1,823,760</u>	<u>133</u>	<u>5,043</u>	<u>1,828,936</u>
Expenditures:				
Current:				
General government	494,572	20,015	800	515,387
Public safety	347,577	3,704	-	351,281
Highways and streets	682,232	-	-	682,232
Sanitation	160,347	-	-	160,347
Health	17,306	-	-	17,306
Welfare	14,356	-	-	14,356
Culture and recreation	62,645	1,934	7,017	71,596
Conservation	876	6,825	2,377	10,078
Capital outlay	7,011	4,000	-	11,011
Total expenditures	<u>1,786,922</u>	<u>36,478</u>	<u>10,194</u>	<u>1,833,594</u>
Deficiency of revenues under expenditures	<u>36,838</u>	<u>(36,345)</u>	<u>(5,151)</u>	<u>(4,658)</u>
Other financing sources (uses):				
Transfers in	7,011	65,000	3,622	75,633
Transfers out	(68,622)	(7,011)	-	(75,633)
Total other financing sources and uses	<u>(61,611)</u>	<u>57,989</u>	<u>3,622</u>	<u>-</u>
Net change in fund balances	(24,773)	21,644	(1,529)	(4,658)
Fund balances, beginning	284,276	601,770	58,653	944,699
Fund balances, ending	<u>\$ 259,503</u>	<u>\$ 623,414</u>	<u>\$ 57,124</u>	<u>\$ 940,041</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, 2015

Net change in fund balances of governmental funds (Exhibit 5)		\$ (4,658)
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	\$ (75,633)	
Transfers out	<u>75,633</u>	-
Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in governmental funds.		
Change in deferred tax revenue	\$ (77,025)	
Change in deferred police detail revenue	<u>10,405</u>	(66,620)
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	\$ 34,365	
Cost of benefits earned, net of employee contributions	<u>(28,640)</u>	<u>5,725</u>
Change in net position of governmental activities (Exhibit 2)		<u><u>\$ (65,553)</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, 2015

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Taxes	\$ 1,192,642	\$ 1,256,749	\$ 64,107
Licenses, permits and fees	239,760	257,169	17,409
Intergovernmental	151,809	154,865	3,056
Charges for services	15,000	15,613	613
Miscellaneous	75,000	62,339	(12,661)
Total revenues	<u>1,674,211</u>	<u>1,746,735</u>	<u>72,524</u>
EXPENDITURES			
Current:			
General government	457,231	453,260	3,971
Public safety	340,837	347,577	(6,740)
Highways and streets	669,400	682,232	(12,832)
Sanitation	133,709	160,347	(26,638)
Health	12,806	17,306	(4,500)
Welfare	29,500	14,356	15,144
Culture and recreation	62,105	62,645	(540)
Conservation	4,622	876	3,746
Interest on tax anticipation note	1	-	1
Capital outlay	<u>240,000</u>	<u>240,000</u>	<u>-</u>
Total expenditures	<u>1,950,211</u>	<u>1,978,599</u>	<u>(28,388)</u>
Deficiency of revenues under expenditures	<u>(276,000)</u>	<u>(231,864)</u>	<u>44,136</u>
Other financing sources (uses):			
Transfers in	240,000	7,011	(232,989)
Transfers out	<u>(65,000)</u>	<u>(68,622)</u>	<u>(3,622)</u>
Total other financing sources and uses	<u>175,000</u>	<u>(61,611)</u>	<u>(236,611)</u>
Net change in fund balance	<u>\$ (101,000)</u>	(293,475)	<u>\$ (192,475)</u>
Decrease in nonspendable fund balance		1,054	
Unassigned fund balance, beginning		<u>856,610</u>	
Unassigned fund balance, ending		<u>\$ 564,189</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, 2015

	Private Purpose Trust
Assets:	
Cash and cash equivalents	\$ 3,240
Liabilities	<u>-</u>
Net position:	
Held in trust for specific purposes	<u>\$ 3,240</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, 2015

	Private Purpose Trust
Change in net position	\$ -
Net position, beginning	3,240
Net position, ending	\$ 3,240

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, 2015**

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, 2015.

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, 2015**

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 deferred in accordance with the direction of the New Hampshire Department of Revenue Administration. Expenditures are recorded when the related fund liability is incurred, except for general obligation debt principal and interest which are reported as expenditures in the year due.

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

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
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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*

The Town adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, for the year ended December 31, 2015. This resulted in the inclusion of pension related liability and deferred inflows and outflows of resources in governmental activities. The prior year's net position was restated as shown in Note III.D.1.

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

I.C.1. *Cash and Investments*

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

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

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

Any person who directly or indirectly receives any such funds or monies for deposit or for investment in securities of any kind shall, prior to acceptance of such funds, make available at the time of such deposit or investment an option to have such funds secured by collateral having a value at least equal

**TOWN OF EFFINGHAM, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2015**

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 funds 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 and prepaid items 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.

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 2015, \$101,000 of the unassigned fund balance from 2014 was used.

**TOWN OF EFFINGHAM, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2015**

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)	\$ 1,753,746
Adjustments:	
Basis difference:	
Tax revenue deferred in the prior year	693,576
Tax revenue deferred in the current year	<u>(616,551)</u>
Per Exhibit 5 (GAAP basis)	<u>\$ 1,830,771</u>
 Expenditures and other financing uses:	
Per Exhibit 7 (budgetary basis)	\$ 2,047,221
Adjustments:	
Basis difference:	
Encumbrances, beginning	44,912
Encumbrances, ending	<u>(236,589)</u>
Per Exhibit 5 (GAAP basis)	<u>\$ 1,855,544</u>
 Unassigned fund balance:	
Per Exhibit 7 (budgetary basis)	\$ 564,189
Adjustment:	
Basis difference:	
Deferred tax revenue, GAAP basis	<u>(616,551)</u>
Per Exhibit 3 (GAAP basis)	<u>\$ (52,362)</u>

The Expendable Trust Fund was not budgeted.

II.C. Deficit Fund Balance

The General Fund reports an unassigned deficit at year-end of \$52,362, which is due to the deferral of all taxes not collected within sixty days of year-end as required by generally accepted accounting principles for governments and the encumbrance for the fire pumper truck where the associated transfer from the capital reserve funds will be reported in 2016.

**TOWN OF EFFINGHAM, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2015**

III. Detailed Notes on Funds and Government-Wide Statements

III.A. Assets

III.A.1. Investments

As of December 31, 2015, the Town's reporting entity had \$7,152 invested in the New Hampshire Public Deposit Investment Pool. This investment appears in the financial statement on the Governmental Funds' Balance Sheet (Exhibit 3).

III.A.2. 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 are deeded to the Town. During the current year, the tax collector executed a lien for uncollected 2014 property taxes on June 2nd.

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, 2015, upon which the 2015 property tax levy was based was:

For the New Hampshire education tax	\$ 164,716,451
For all other taxes	\$ 170,800,351

**TOWN OF EFFINGHAM, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
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The tax rates and amounts assessed for the year ended December 31, 2015 were as follow:

	Per \$1,000 of Assessed Valuation	
Municipal portion	\$6.96	\$ 1,189,354
School portion:		
State of New Hampshire	\$2.26	371,475
Local	\$9.90	1,691,087
County portion	\$1.35	230,616
Total property taxes assessed		\$ 3,482,532

The following details the taxes receivable at year-end:

Property:		
Levy of 2015		\$ 432,379
Unredeemed (under tax lien):		
Levy of 2014		164,830
Levy of 2013		89,995
Levy of 2012		9,911
Levy of 2011		580
Total taxes receivable		\$ 697,695

Deferred Revenue

Deferred revenue of \$640,228 at December 31, 2015 represents \$616,551 in 2015 property taxes and \$10,405 in 2015 police detail revenue that were not collected within 60 days of the year-end, and therefore, are deferred in accordance with generally accepted accounting principles, and \$13,272 in prepayments of 2016 property taxes. In the governmental activities, only the prepayments are considered unearned revenue.

III.B. Liabilities

III.B.1 Intergovernmental Payable

The amount due to other governments at December 31, 2015 consists of the balance of the 2015-2016 district assessment due to the Governor Wentworth Regional School District in the amount of \$951,283.

**TOWN OF EFFINGHAM, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2015**

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
Nonmajor	Nonmajor	3
		\$ 4,003

The amount due to the General Fund from the Expendable Trust Fund represents a reimbursement for expenditures. 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 are 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:			Total
	General Fund	Expendable Trust Fund	Nonmajor Funds	
Transfers out:				
General fund	\$ -	\$ 65,000	\$ 3,622	\$ 68,622
Expendable trust fund	7,011	-	-	7,011
	\$ 7,011	\$ 65,000	\$ 3,622	\$ 75,633

The amounts transferred to the Expendable Trust Fund and Nonmajor Funds from the General Fund represent voted appropriations. The amounts transferred from the Expendable Trust Fund represent reimbursements for expenses.

**TOWN OF EFFINGHAM, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2015**

III.D. Fund Equity

III.D.1. Restatement of Beginning Equity

Beginning equity of the Governmental Activities at January 1, 2015 was restated as follows:

To record pension liability and related deferrals	\$ (299,265)
Net position, as previously reported	<u>1,638,275</u>
Net position, as restated	<u><u>\$ 1,339,010</u></u>

III.D.2. Restricted Net Position

The government-wide statement of net position includes restricted net position of \$38,257 for public trust funds reported as restricted for perpetual care, and \$1,445 for library funds restricted in accordance with State law.

The notes continue on the next page.

**TOWN OF EFFINGHAM, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2015**

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	\$ -	\$ -	\$ 19,285
Prepaid items	9,332	-	-
Tax deeded property	65,944	-	-
Total nonspendable	75,276	-	19,285
Restricted:			
General government	-	-	18,973
Culture and recreation	-	-	1,445
Total restricted	-	-	20,418
Committed:			
General government	-	112,147	-
Public safety	-	378,514	-
Highways and streets	-	105,468	-
Sanitation	-	12,231	-
Culture and recreation	-	7,040	-
Conservation	-	8,014	17,422
Total committed	-	623,414	17,422
Assigned:			
General government	3,600	-	-
Public safety	232,989	-	-
Total assigned	236,589	-	-
Unassigned			
	(52,362)	-	-
Total fund balance	\$ 259,503	\$ 623,414	\$ 57,125

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) Workers' Compensation Program and the Property-Liability Trust, Inc., which are considered public entity risk pools, currently operating as common risk management and insurance programs for member governmental entities.

The Primex Workers' Compensation Program is a pooled risk management program under RSA 5-B and RSA 281-A. Workers' Compensation coverage was provided from January 1 to December 31. Primex provided employer's liability coverage of \$2,000,000, and statutory coverage for workers'

**TOWN OF EFFINGHAM, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
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compensation. Contributions paid in 2015 to be recorded as an insurance expenditure/expense totaled \$18,710 for property/liability insurance.

Property-Liability Trust, Inc. (the Trust) - This Trust is organized to provide certain property and liability protection to member towns, cities, and other qualifies political subdivision of New Hampshire. As a member of the Trust, the Town shares in contributing to the cost of, and receiving benefits from, a self-insured pooled risk management program. The membership and coverage runs from July 1 to June 30.

Contributions for 2015 recorded as an insurance expenditure/expense totaled \$11,318 for workers' compensation and \$500 for unemployment compensation insurance. The trust agreements permit the Trust to make additional assessments to members should there be a deficiency in trust assets to meet its liabilities. At this time, the Trust foresees no likelihood of any additional assessments for past years. There were no unpaid contributions for the period ended December 31, 2015.

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 2015, the member rate of contribution was 11.55% for police officers. The rate of contribution for pension and the medical subsidy from the Town for police was 25.30% from January 1st to June 30th and 26.38% from July 1st to December 31st. 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 2014 and 2015 were \$30,367 and \$34,365 respectively. The amounts were paid on a monthly basis as due.

**TOWN OF EFFINGHAM, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
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Pension Liabilities, Pension Expense, and Deferred Outflows and Inflows of Resources Related to Pensions

At December 31, 2015, the Town reported a liability of \$311,049 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. 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, 2015, the Town's proportion was 0.0079%, which was an increase of 0.0002% from its proportion measured as of June 30, 2014.

For 2015, the Town recognized pension expense of \$28,640. 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	\$ 14,059	\$ -
Net differences between projected and actual earnings on pension plan investments	19,969	28,282
Differences between expected and actual experience	-	6,826
Town contributions subsequent to the measurement date	18,589	-
	<u>\$ 52,617</u>	<u>\$ 35,108</u>

To Town reported \$18,589 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
NOTES TO THE FINANCIAL STATEMENTS
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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 Ended June 30,	
2016	\$ (2,320)
2017	(2,320)
2018	(2,320)
2019	6,081
2020	(201)
	\$ (1,080)

Actuarial Assumptions

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.75%
Salary increases	5.8% average, including inflation
Investment rate of return	7.75% per year

Mortality rates were based on the RP-2000 Mortality Table, projected to 2020 with Scale AA. The table includes a margin of 15% for men and 17% for women for mortality improvements.

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 7.75%, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75%) or one percentage point higher (8.75%) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Town's proportionate share of net pension liability	\$ 409,456	\$ 311,049	\$ 227,157

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

**TOWN OF EFFINGHAM, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2015**

IV.C Contingent Liabilities

The Town has received federal and state grants for specific purposes that are subject to review and possible audit by the grantor 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 if it should occur, the amount would not be material.

REQUIRED SUPPLEMENTARY INFORMATION

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

	<u>2015</u>	<u>2014</u>
Town's proportion of net pension liability	0.0079%	0.0077%
Town's proportionate share of the net pension liability	\$ 311,049	\$ 289,715
Town's covered-employee payroll	\$ 195,175	\$ 120,028
Town's proportionate share of the net pension liability as a percentage of covered-employee payroll	159.37%	241.37%
Plan fiduciary net position as a percentage of the total pension liability	65.47%	66.32%

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

	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 18,589	\$ 15,440
Contribution in relation to the contractually required contribution		
	<u>(18,589)</u>	<u>(15,440)</u>
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll	\$ 195,175	\$ 120,028
Contributions as a percentage of covered-employee payroll	9.52%	12.86%

TOWN OF EFFINGHAM, NEW HAMPSHIRE
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION
AS OF AND FOR THE YEAR ENDED
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The Schedule of the Town's Proportionate Share of the Net Pension Liability and the Schedule of the Town's Pension Contributions are meant to present related information for ten years. Because this is the first year that the Town has adopted GASB Statement No. 68 and presented the pension schedules, only two years 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 12
TOWN OF EFFINGHAM, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2015

	Special Revenue Funds			Total
	Library	Conservation Commission	Permanent Fund	
ASSETS				
Cash and cash equivalents	\$ 5,723	\$ 17,422	\$ 38,260	\$ 61,405
Interfund receivable	3	-	-	3
Total assets	<u>\$ 5,726</u>	<u>\$ 17,422</u>	<u>\$ 38,260</u>	<u>\$ 61,408</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 4,281	\$ -	\$ -	4,281
Interfund payable	-	-	3	3
Total liabilities	<u>4,281</u>	<u>-</u>	<u>3</u>	<u>4,284</u>
Fund balances:				
Nonspendable	-	-	19,284	19,284
Restricted	1,445	-	18,973	20,418
Committed	-	17,422	-	17,422
Total fund balances	<u>1,445</u>	<u>17,422</u>	<u>38,257</u>	<u>57,124</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 5,726</u>	<u>\$ 17,422</u>	<u>\$ 38,260</u>	<u>\$ 61,408</u>

EXHIBIT 13
TOWN OF EFFINGHAM, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended December 31, 2015

	Special Revenue Funds			Total
	Library	Conservation Commission	Permanent Fund	
REVENUES				
Taxes	\$ -	\$ 650	\$ -	\$ 650
Miscellaneous	4,381	4	8	4,393
Total revenues	<u>4,381</u>	<u>654</u>	<u>8</u>	<u>5,043</u>
EXPENDITURES				
Current:				
General government	-	-	800	800
Culture and recreation	7,017	-	-	7,017
Conservation	-	2,377	-	2,377
Total expenditures	<u>7,017</u>	<u>2,377</u>	<u>800</u>	<u>10,194</u>
Deficiency of revenues under expenditures	(2,636)	(1,723)	(792)	(5,151)
Other financing sources:				
Transfers in	-	3,622	-	3,622
Net change in fund balances	(2,636)	1,899	(792)	(1,529)
Fund balances, beginning	4,081	15,523	39,049	58,653
Fund balances, ending	<u>\$ 1,445</u>	<u>\$ 17,422</u>	<u>\$ 38,257</u>	<u>\$ 57,124</u>

EXHIBIT 14
TOWN OF EFFINGHAM, NEW HAMPSHIRE
General Fund
Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)
For the Year Ended December 31, 2015

	Estimated	Actual	Variance Positive (Negative)
Taxes:			
Property	\$ 1,043,302	\$ 1,162,579	\$ 119,277
Land use change	650	650	-
Timber	7,500	10,812	3,312
Excavation	75	74	(1)
Payments in lieu of taxes	21,115	-	(21,115)
Interest and penalties on delinquent taxes	120,000	82,634	(37,366)
Total taxes	1,192,642	1,256,749	64,107
Licenses, permits and fees:			
Business licenses and permits	13,260	13,595	335
Motor vehicle permits	220,000	237,014	17,014
Building permits	2,000	2,360	360
Other	4,500	4,200	(300)
Total licenses, permits and fees	239,760	257,169	17,409
Intergovernmental:			
State sources:			
Meals and rooms distributions	74,730	74,730	-
Highway block grant	75,505	76,157	652
State and federal forest land	1,574	1,574	-
Forest fire reimbursement	-	102	102
Federal sources:			
Rural development	-	1,302	1,302
Other government sources:			
Parsonsfield mutual aid	-	1,000	1,000
Total intergovernmental	151,809	154,865	3,056
Charges for services:			
Income from departments	15,000	15,613	613
Miscellaneous:			
Sale of property	75,000	62,087	(12,913)
Interest on investments	-	13	13
Other	-	239	239
Total miscellaneous	75,000	62,339	(12,661)
Other financing sources:			
Transfers in:			
Expendable trust fund	240,000	7,011	(232,989)
Total revenues and other financing sources	1,914,211	\$ 1,753,746	\$ (160,465)
Use of fund balance to reduce taxes	101,000		
Total revenues, other financing sources and use of fund balance	\$ 2,015,211		

EXHIBIT 15
TOWN OF EFFINGHAM, NEW HAMPSHIRE
General Fund
Schedule of Appropriations, Expenditures and Encumbrances (Non-GAAP Budgetary Basis)
For the Year Ended December 31, 2015

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
General government:					
Executive	\$ -	\$ 94,205	\$ 92,830	\$ -	\$ 1,375
Election and registration	-	29,095	28,328	-	767
Financial administration	5,730	38,727	41,201	3,600	(344)
Revaluation of property	39,182	49,454	91,412	-	(2,776)
Legal	-	20,000	19,758	-	242
Personnel administration	-	53,000	55,945	-	(2,945)
Planning and zoning	-	17,650	13,636	-	4,014
General government buildings	-	48,000	49,114	-	(1,114)
Cemeteries	-	2,500	2,356	-	144
Insurance, not otherwise allocated	-	101,600	97,868	-	3,732
Advertising and regional associations	-	3,000	2,124	-	876
Total general government	<u>44,912</u>	<u>457,231</u>	<u>494,572</u>	<u>3,600</u>	<u>3,971</u>
Public safety:					
Police	-	164,637	170,135	-	(5,498)
Fire	-	171,450	173,579	-	(2,129)
Emergency management	-	4,750	3,863	-	887
Total public safety	<u>-</u>	<u>340,837</u>	<u>347,577</u>	<u>-</u>	<u>(6,740)</u>
Highways and streets:					
Highways and streets	-	662,700	674,654	-	(11,954)
Street lighting	-	6,700	7,578	-	(878)
Total highways and streets	<u>-</u>	<u>669,400</u>	<u>682,232</u>	<u>-</u>	<u>(12,832)</u>
Sanitation:					
Solid waste collection	-	50,209	52,896	-	(2,687)
Solid waste disposal	-	79,000	102,481	-	(23,481)
Solid waste clean-up	-	4,500	4,970	-	(470)
Total sanitation	<u>-</u>	<u>133,709</u>	<u>160,347</u>	<u>-</u>	<u>(26,638)</u>
Health:					
Pest control	-	500	-	-	500
Health agencies and hospitals	-	12,306	17,306	-	(5,000)
Total health	<u>-</u>	<u>12,806</u>	<u>17,306</u>	<u>-</u>	<u>(4,500)</u>
Welfare:					
Direct assistance	-	20,000	10,355	-	9,645
Vendor payments	-	9,500	4,001	-	5,499
Total welfare	<u>-</u>	<u>29,500</u>	<u>14,356</u>	<u>-</u>	<u>15,144</u>

(continued)

EXHIBIT 15 (continued)
TOWN OF EFFINGHAM, NEW HAMPSHIRE
General Fund
Schedule of Appropriations, Expenditures and Encumbrances (Non-GAAP Budgetary Basis)
For the Year Ended December 31, 2015

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Culture and recreation:					
Parks and recreation	-	3,500	3,500	-	-
Public library	-	57,605	58,686	-	(1,081)
Patriotic purposes	-	1,000	459	-	541
Total culture and recreation	-	<u>62,105</u>	<u>62,645</u>	-	<u>(540)</u>
Conservation:					
Administration	-	3,622	-	-	3,622
Other	-	1,000	876	-	124
Total conservation	-	<u>4,622</u>	<u>876</u>	-	<u>3,746</u>
Debt service:					
Interest on tax anticipation note	-	1	-	-	1
Capital outlay:					
Machinery, vehicles and equipment	-	240,000	7,011	232,989	-
Other financing uses:					
Transfers out:					
Expendable trust fund	-	65,000	65,000	-	-
Total encumbrances, appropriations, expenditures and other financing uses	<u>\$ 44,912</u>	<u>\$ 2,015,211</u>	<u>\$ 1,855,544</u>	<u>\$ 236,589</u>	<u>\$ (32,010)</u>

EXHIBIT 16
TOWN OF EFFINGHAM, NEW HAMPSHIRE
General Fund
Schedule of Changes in Unassigned Fund Balance (Non-GAAP Budgetary Basis)
For the Year Ended December 31, 2015

Unassigned fund balance, beginning		\$ 856,610
Changes:		
Unassigned fund balance used to reduce tax rate		(101,000)
Budget summary:		
Revenue shortfall (Exhibit 14)	\$ (160,465)	
Overdraft of appropriations (Exhibit 15)	<u>(32,010)</u>	
Budget deficit		(192,475)
Decrease in nonspendable fund balance		<u>1,054</u>
Unassigned fund balance, ending		<u><u>\$ 564,189</u></u>



Roberts & Greene, PLLC

INDEPENDENT AUDITOR'S COMMUNICATION TO MANAGEMENT

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

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Effingham as of and for the year ended December 31, 2015, 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 want to discuss the following other matters:

Disbursement Controls – Repeat of 2014 Finding

Proper segregation of duties is important in a strong internal control environment. Because of the small size of the Town, we recommend that invoices be approved for payment by the employee who is authorized to approve purchases, and coded for the account to be charged prior to entry into the accounting system.

Pay Rate Authorization – Repeat of 2014 Finding

We recommend that the Town keep a pay rate authorization form in each employee's personnel file. These authorizations should be signed by the Board of Selectmen or its designee, as well as the employee. Any increase should also be documented within each personnel file.

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

January 27, 2017

Roberts & Greene, PLLC