

TOWN OF EFFINGHAM, NEW HAMPSHIRE

FINANCIAL REPORT

AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2014

**TOWN OF EFFINGHAM, NEW HAMPSHIRE
FINANCIAL REPORT
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2014**

TABLE OF CONTENTS

	<u>PAGES</u>
INDEPENDENT AUDITOR’S REPORT	1
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements:	
Statement of Net Position (Exhibit 1)	3
Statement of Activities (Exhibit 2)	4
Fund Financial Statements:	
Balance Sheet – Governmental Funds (Exhibit 3)	5
Reconciliation of Total Fund Balances of Governmental Funds to the Statement of Net Position (Exhibit 4)	6
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds (Exhibit 5)	7
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities (Exhibit 6)	8
General Fund - Statement of Revenues, Expenditures and Changes in Unassigned Fund Balance Budget and Actual (Non-GAAP Budgetary Basis) (Exhibit 7)	9
Statement of Fiduciary Net Position – Fiduciary Funds (Exhibit 8)	10
Statement of Changes in Fiduciary Net Position – Fiduciary Fund (Exhibit 9)	11
NOTES TO THE FINANCIAL STATEMENTS	12
COMBINING NONMAJOR AND INDIVIDUAL GENERAL FUND SCHEDULES	
Nonmajor Governmental Funds	
Combining Balance Sheet (Exhibit 10)	22
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Exhibit 11)	23
Major General Fund	
Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis) (Exhibit 12)	24
Schedule of Appropriations, Expenditures and Encumbrances (Non-GAAP Budgetary Basis) (Exhibit 13)	25
Schedule of Changes in Unassigned Fund Balance (Non-GAAP Budgetary Basis) (Exhibit 14)	27
INDEPENDENT AUDITOR’S COMMUNICATION TO MANAGEMENT	28



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, 2014, 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 the 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 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, 2014, 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, 2014, 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.

Other Matters

Required Supplementary Information

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 & Greene, PLLC

BASIC FINANCIAL STATEMENTS

EXHIBIT 1
TOWN OF EFFINGHAM, NEW HAMPSHIRE
Statement of Net Position
December 31, 2014

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 1,553,335
Investments	7,147
Intergovernmental receivable	5,303
Other receivables	923,963
Prepaid items	6,703
Tax dedeed property held for resale	69,627
Total assets	2,566,078
LIABILITIES	
Accounts payable	4,415
Accrued payroll and benefits	14,475
Intergovernmental payable	906,740
Total liabilities	925,630
DEFERRED INFLOWS OF RESOURCES	
Unearned revenue	2,173
NET POSITION	
Restricted for:	
Endowments:	
Nonexpendable	19,284
Expendable	17,862
Other purposes	5,984
Unrestricted	1,595,145
Total net position	\$ 1,638,275

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, 2014

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental activities:				
General government	\$ 426,539	\$ 2,498	\$ 75,450	\$ (348,591)
Public safety	314,291	2,167	2,459	(309,665)
Highways and streets	642,828	-	70,606	(572,222)
Sanitation	134,246	5,970	-	(128,276)
Health	17,402	-	-	(17,402)
Welfare	14,465	-	-	(14,465)
Culture and recreation	67,634	-	-	(67,634)
Conservation	7,101	-	774	(6,327)
Capital outlay	153,314	-	-	(153,314)
Total primary government	<u>\$ 1,777,820</u>	<u>\$ 10,635</u>	<u>\$ 149,289</u>	<u>(1,617,896)</u>
General revenues:				
Property taxes				1,179,684
Other taxes				121,588
Licenses and permits				248,798
Miscellaneous				76,941
Total general revenues				<u>1,627,011</u>
Change in net position				9,115
Net position, beginning				<u>1,629,160</u>
Net position, ending				<u>\$ 1,638,275</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, 2014

	General	Expendable Trust	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 892,912	\$ 601,770	\$ 58,653	\$ 1,553,335
Investments	7,147	-	-	7,147
Receivables:				
Taxes	923,963	-	-	923,963
Intergovernmental	5,303	-	-	5,303
Interfund receivable	-	-	2	2
Prepaid items	6,703	-	-	6,703
Tax deeded property held for resale	69,627	-	-	69,627
Total assets	<u>\$ 1,905,655</u>	<u>\$ 601,770</u>	<u>\$ 58,655</u>	<u>\$ 2,566,080</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 4,415	\$ -	\$ -	\$ 4,415
Accrued salaries and benefits	14,475	-	-	14,475
Intergovernmental payable	906,740	-	-	906,740
Interfund payable	-	-	2	2
Total liabilities	<u>925,630</u>	<u>-</u>	<u>2</u>	<u>925,632</u>
Deferred inflows of resources:				
Deferred revenue	<u>695,749</u>	<u>-</u>	<u>-</u>	<u>695,749</u>
Fund balances:				
Nonspendable	76,330	-	19,284	95,614
Restricted	-	-	23,846	23,846
Committed	-	601,770	15,523	617,293
Assigned	44,912	-	-	44,912
Unassigned	163,034	-	-	163,034
Total fund balances	<u>284,276</u>	<u>601,770</u>	<u>58,653</u>	<u>944,699</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,905,655</u>	<u>\$ 601,770</u>	<u>\$ 58,655</u>	<u>\$ 2,566,080</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, 2014

Total fund balances of governmental funds (Exhibit 3)		\$ 944,699
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	\$ (2)	
Payables	<u>2</u>	
Revenue that is not available to pay for current period expenditures is deferred in the funds.		-
Deferred tax revenue		<u>693,576</u>
Total net position of governmental activities (Exhibit 1)		<u><u>\$ 1,638,275</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, 2014

	General	Expendable Trust	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 1,259,852	\$ -	\$ 800	\$ 1,260,652
Licenses, permits and fees	248,798	-	-	248,798
Intergovernmental	150,289	-	-	150,289
Charges for services	10,635	-	-	10,635
Miscellaneous	72,417	64	3,460	75,941
Total revenues	<u>1,741,991</u>	<u>64</u>	<u>4,260</u>	<u>1,746,315</u>
Expenditures:				
Current:				
General government	418,793	6,546	1,200	426,539
Public safety	314,291	-	-	314,291
Highways and streets	637,203	5,625	-	642,828
Sanitation	134,246	-	-	134,246
Health	17,402	-	-	17,402
Welfare	14,465	-	-	14,465
Culture and recreation	60,557	3,930	3,147	67,634
Conservation	4,206	2,895	-	7,101
Capital outlay	40,677	112,637	-	153,314
Total expenditures	<u>1,641,840</u>	<u>131,633</u>	<u>4,347</u>	<u>1,777,820</u>
Excess (deficiency) of revenues over (under) expenditures	<u>100,151</u>	<u>(131,569)</u>	<u>(87)</u>	<u>(31,505)</u>
Other financing sources (uses):				
Transfers in	41,121	140,500	85	181,706
Transfers out	(140,585)	(41,121)	-	(181,706)
Total other financing sources and uses	<u>(99,464)</u>	<u>99,379</u>	<u>85</u>	<u>-</u>
Net change in fund balances	687	(32,190)	(2)	(31,505)
Fund balances, beginning	283,589	633,960	58,655	976,204
Fund balances, ending	<u>\$ 284,276</u>	<u>\$ 601,770</u>	<u>\$ 58,653</u>	<u>\$ 944,699</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, 2014

Net change in fund balances of governmental funds (Exhibit 5)	\$ (31,505)
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	\$ (181,706)
Transfers out	<u>181,706</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	<u>40,620</u>
Change in net position of governmental activities (Exhibit 2)	<u><u>\$ 9,115</u></u>

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

EXHIBIT 7
TOWN OF EFFINGHAM, NEW HAMPSHIRE
General Fund
Schedule of Revenues, Expenditures and Changes in Unassigned Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Year Ended December 31, 2014

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Taxes	\$ 1,284,843	\$ 1,284,843	\$ 1,300,472	\$ 15,629
Licenses, permits and fees	218,850	218,850	248,798	29,948
Intergovernmental	149,576	149,576	150,289	713
Charges for services	5,000	5,000	10,635	5,635
Miscellaneous	107,072	107,072	72,417	(34,655)
Total revenues	<u>1,765,341</u>	<u>1,765,341</u>	<u>1,782,611</u>	<u>17,270</u>
EXPENDITURES				
Current:				
General government	440,800	440,800	422,585	18,215
Public safety	323,615	323,615	314,291	9,324
Highways and streets	618,500	618,500	622,203	(3,703)
Sanitation	137,124	137,124	134,246	2,878
Health	17,850	17,850	17,402	448
Welfare	25,500	25,500	14,465	11,035
Culture and recreation	60,722	60,722	60,557	165
Conservation	4,750	4,665	4,206	459
Debt service:				
Interest on tax anticipation note	1,000	1,000	-	1,000
Capital outlay	37,100	37,100	32,417	4,683
Total expenditures	<u>1,666,961</u>	<u>1,666,876</u>	<u>1,622,372</u>	<u>44,504</u>
Excess of revenues over expenditures	<u>98,380</u>	<u>98,465</u>	<u>160,239</u>	<u>61,774</u>
Other financing sources (uses):				
Transfers in	-	-	41,121	41,121
Transfers out	(140,500)	(140,585)	(140,585)	-
Total other financing sources and uses	<u>(140,500)</u>	<u>(140,585)</u>	<u>(99,464)</u>	<u>41,121</u>
Net change in fund balance	<u>\$ (42,120)</u>	<u>\$ (42,120)</u>	60,775	<u>\$ 102,895</u>
Increase in nonspendable fund balance			(15,930)	
Unassigned fund balance, beginning			811,765	
Unassigned fund balance, ending			<u>\$ 856,610</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, 2014

	Private Purpose Trust
Assets:	
Cash and cash equivalents	\$ 3,240
Liabilities	-
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, 2014

	Private Purpose Trust
Additions:	
Investment earnings:	
Interest	\$ 1
Net position, beginning	3,239
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, 2014**

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, 2014.

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, 2014**

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
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2014**

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.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 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.

**TOWN OF EFFINGHAM, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2014**

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

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 2014, \$42,120 of the unassigned fund balance from 2013 was used.

**TOWN OF EFFINGHAM, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2014**

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.

Reconciliation of Budgetary Basis to GAAP

General Fund:

Revenues and other financing sources:	
Per Exhibit 7 (budgetary basis)	\$ 1,823,732
Adjustments:	
Basis difference:	
Tax revenue deferred in the prior year	652,956
Tax revenue deferred in the current year	(693,576)
Per Exhibit 5 (GAAP basis)	<u>\$ 1,783,112</u>
Expenditures and other financing uses:	
Per Exhibit 7 (budgetary basis)	\$ 1,762,957
Adjustments:	
Basis difference:	
Encumbrances, beginning	64,380
Encumbrances, ending	(44,912)
Per Exhibit 5 (GAAP basis)	<u>\$ 1,782,425</u>
Unassigned fund balance:	
Per Exhibit 7 (budgetary basis)	\$ 856,610
Adjustment:	
Basis difference:	
Deferred tax revenue, GAAP basis	(693,576)
Per Exhibit 3 (GAAP basis)	<u>\$ 163,034</u>

The Expendable Trust Fund was not budgeted.

III. Detailed Notes on Funds and Government-Wide Statements

III.A. Assets

III.A.1. Investments

As of December 31, 2014, the Town's reporting entity had \$7,147 invested in the New Hampshire Public Deposit Investment Pool. This investment appears in the financial statements on the Governmental Funds Balance Sheet (Exhibit 3).

**TOWN OF EFFINGHAM, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2014**

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 lien taxes. Properties not redeemed within two years of the date of the tax lien are deeded to the Town. During the current year, the tax collector executed a lien for uncollected 2013 property taxes on April 11th.

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, 2014, upon which the 2014 property tax levy was based was:

For the New Hampshire education tax	\$ 176,032,105
For all other taxes	\$ 180,421,105

The tax rates and amounts assessed for the year ended December 31, 2014 were as follow:

	Per \$1,000 of Assessed Valuation	
Municipal portion	\$6.71	\$ 1,211,323
School portion:		
State of New Hampshire	\$2.51	441,042
Local	\$10.06	1,815,698
County portion	\$1.00	179,861
Total property taxes assessed		\$ 3,647,924

**TOWN OF EFFINGHAM, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2014**

The following details the taxes receivable at year-end:

Property:	
Levy of 2014	\$ 567,393
Unredeemed (under tax lien):	
Levy of 2013	218,307
Levy of 2012	128,954
Levy of 2011	8,821
Timber	488
Total taxes receivable	<u>\$ 923,963</u>

Deferred Revenue

Deferred revenue of \$695,749 at December 31, 2014 represents \$693,576 in 2014 property taxes that were not collected within 60 days of the year-end, and therefore, are deferred in accordance with generally accepted accounting principles, and \$2,173 in prepayment of 2015 property taxes. In the governmental activities, only the prepayments are considered unearned revenue.

III.A.3. Restricted Net Position

The government-wide statement of net position includes restricted net position of \$37,146 for public trusts reported as restricted for perpetual care, and \$5,984 for library funds restricted in accordance with State law.

III.B. Intergovernmental Payable

The amount due to other governments at December 31, 2014 consists of the balance of the 2014-2015 district assessment due to the Governor Wentworth Regional School District in the amount of \$906,740.

III.C. 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.

TOWN OF EFFINGHAM, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2014

The following schedule reports transfers within the reporting entity:

	Transfers In:			Total
	General Fund	Expendable Trust Fund	Nonmajor Funds	
Transfers out:				
General fund	\$ -	\$ 140,500	\$ 85	\$ 140,585
Expendable trust fund	41,121	-	-	41,121
	\$ 41,121	\$ 140,500	\$ 85	\$ 181,706

The amounts transferred to the expendable trust fund and nonmajor funds from the general fund represent voted appropriations. The amount transferred from the expendable trust fund represents reimbursements for expenditures.

III.D. 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	Nonmajor Funds
Nonspendable:			
Endowments	\$ -	\$ -	\$ 19,284
Prepaid items	6,703	-	-
Tax deeded property	69,627	-	-
Total nonspendable	76,330	-	19,284
Restricted:			
General government	-	-	17,862
Culture and recreation	-	-	5,984
Total restricted	-	-	23,846
Committed:			
General government	-	91,248	-
Public safety	-	368,148	-
Highways and streets	-	99,446	-
Sanitation	-	10,229	-
Culture and recreation	-	5,973	-
Conservation	-	26,726	15,523
Total committed	-	601,770	15,523
Assigned for general government	44,912	-	-
Unassigned	163,034	-	-
Total fund balance	\$ 284,276	\$ 601,770	\$ 58,653

**TOWN OF EFFINGHAM, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2014**

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 Property-Liability Trust, Inc., which is considered a public entity risk pool, currently operating as a common risk management and insurance program for member governmental entities.

Property-Liability Trust, Inc. (the Trust) - This Trust 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 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 run from July 1 to June 30.

Contributions for 2014 recorded as an insurance expenditure/expense totaled \$13,515 for property/liability insurance. The trust agreement permits 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.

IV.B. Retirement Pensions

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 2014, 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%. Employer contributions from the Town during the year were \$30,367. The amount was paid on a monthly basis as due.

**TOWN OF EFFINGHAM, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2014**

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 if it should occur, the amount would not be material.

COMBINING NONMAJOR AND INDIVIDUAL GENERAL FUND SCHEDULES

EXHIBIT 10
TOWN OF EFFINGHAM, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2014

	Special Revenue Funds			Total
	Library	Conservation Commission	Permanent Fund	
ASSETS				
Cash and cash equivalents	\$ 4,079	\$ 15,523	\$ 39,051	\$ 58,653
Interfund receivable	2	-	-	2
Total assets	<u>\$ 4,081</u>	<u>\$ 15,523</u>	<u>\$ 39,051</u>	<u>\$ 58,655</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Interfund payable	\$ -	\$ -	\$ 2	\$ 2
Fund balances:				
Nonspendable	-	-	19,284	19,284
Restricted	4,081	-	19,765	23,846
Committed	-	15,523	-	15,523
Total fund balances	<u>4,081</u>	<u>15,523</u>	<u>39,049</u>	<u>58,653</u>
Total liabilities and fund balances	<u>\$ 4,081</u>	<u>\$ 15,523</u>	<u>\$ 39,051</u>	<u>\$ 58,655</u>

EXHIBIT 11
TOWN OF EFFINGHAM, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended December 31, 2014

	Special Revenue Funds			Total
	Library	Conservation Commission	Permanent Fund	
REVENUES				
Taxes	\$ -	\$ 800	\$ -	\$ 800
Miscellaneous	3,202	4	254	3,460
Total revenues	<u>3,202</u>	<u>804</u>	<u>254</u>	<u>4,260</u>
EXPENDITURES				
Current:				
General government	-	-	1,200	1,200
Culture and recreation	3,147	-	-	3,147
Total expenditures	<u>3,147</u>	<u>-</u>	<u>1,200</u>	<u>4,347</u>
Excess (deficiency) of revenues over (under) expenditures	55	804	(946)	(87)
Other financing sources:				
Transfers in	-	85	-	85
Net change in fund balances	55	889	(946)	(2)
Fund balances, beginning	4,026	14,634	39,995	58,655
Fund balances, ending	<u>\$ 4,081</u>	<u>\$ 15,523</u>	<u>\$ 39,049</u>	<u>\$ 58,653</u>

EXHIBIT 12
TOWN OF EFFINGHAM, NEW HAMPSHIRE
General Fund
Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)
For the Year Ended December 31, 2014

	Estimated	Actual	Variance Positive (Negative)
Taxes:			
Property	\$ 1,158,598	\$ 1,179,684	\$ 21,086
Land use change	-	800	800
Timber	10,000	10,830	830
Excavation	130	126	(4)
Payments in lieu of taxes	21,115	21,115	-
Interest and penalties on delinquent taxes	95,000	87,917	(7,083)
Total taxes	<u>1,284,843</u>	<u>1,300,472</u>	<u>15,629</u>
Licenses, permits and fees:			
Business licenses and permits	13,850	14,023	173
Motor vehicle permits	200,000	230,457	30,457
Building permits	2,200	2,695	495
Other	2,800	1,623	(1,177)
Total licenses, permits and fees	<u>218,850</u>	<u>248,798</u>	<u>29,948</u>
Intergovernmental:			
State sources:			
Meals and rooms distributions	75,450	75,450	-
Highway block grant	70,352	70,606	254
State and federal forest land	774	774	-
Fire suppression	-	383	383
Forest fire	-	171	171
Fire protection	-	1,905	1,905
Other government sources:			
Parsonsfeld mutual aid	3,000	1,000	(2,000)
Total intergovernmental	<u>149,576</u>	<u>150,289</u>	<u>713</u>
Charges for services:			
Income from departments	5,000	10,635	5,635
Miscellaneous:			
Sale of property	100,000	62,064	(37,936)
Interest on investments	-	15	15
Other	7,072	10,338	3,266
Total miscellaneous	<u>107,072</u>	<u>72,417</u>	<u>(34,655)</u>
Other financing sources:			
Transfers in:			
Expendable trust fund	-	41,121	41,121
Total revenues and other financing sources	1,765,341	<u>\$ 1,823,732</u>	<u>\$ 58,391</u>
Use of fund balance to reduce taxes	42,120		
Total revenues, other financing sources and use of fund balance	<u>\$ 1,807,461</u>		

EXHIBIT 13
TOWN OF EFFINGHAM, NEW HAMPSHIRE
General Fund
Schedule of Appropriations, Expenditures and Encumbrances (Non-GAAP Budgetary Basis)
For the Year Ended December 31, 2014

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
General government:					
Executive	\$ -	\$ 82,290	\$ 84,033	\$ -	\$ (1,743)
Election and registration	-	28,934	30,026	-	(1,092)
Financial administration	6,632	42,814	40,010	5,730	3,706
Revaluation of property	34,488	48,254	44,670	39,182	(1,110)
Legal	-	20,000	17,591	-	2,409
Personnel administration	-	54,000	50,768	-	3,232
Planning and zoning	-	17,508	14,122	-	3,386
General government buildings	-	47,000	50,748	-	(3,748)
Cemeteries	-	2,500	1,260	-	1,240
Insurance, not otherwise allocated	-	94,500	83,338	-	11,162
Advertising and regional associations	-	3,000	2,227	-	773
Total general government	<u>41,120</u>	<u>440,800</u>	<u>418,793</u>	<u>44,912</u>	<u>18,215</u>
Public safety:					
Police	-	158,315	149,029	-	9,286
Ambulance	-	96,000	93,000	-	3,000
Fire	-	65,050	67,693	-	(2,643)
Emergency management	-	4,250	4,569	-	(319)
Total public safety	<u>-</u>	<u>323,615</u>	<u>314,291</u>	<u>-</u>	<u>9,324</u>
Highways and streets:					
Highways and streets	15,000	612,000	630,034	-	(3,034)
Street lighting	-	6,500	7,169	-	(669)
Total highways and streets	<u>15,000</u>	<u>618,500</u>	<u>637,203</u>	<u>-</u>	<u>(3,703)</u>
Sanitation:					
Solid waste collection	-	49,424	44,923	-	4,501
Solid waste disposal	-	82,000	86,393	-	(4,393)
Solid waste clean-up	-	5,700	2,930	-	2,770
Total sanitation	<u>-</u>	<u>137,124</u>	<u>134,246</u>	<u>-</u>	<u>2,878</u>
Health:					
Pest control	-	500	52	-	448
Health agencies and hospitals	-	17,350	17,350	-	-
Total health	<u>-</u>	<u>17,850</u>	<u>17,402</u>	<u>-</u>	<u>448</u>
Welfare:					
Administration	-	20,000	10,790	-	9,210
Vendor payments	-	5,500	3,675	-	1,825
Total welfare	<u>-</u>	<u>25,500</u>	<u>14,465</u>	<u>-</u>	<u>11,035</u>

(continued)

EXHIBIT 13 (continued)
TOWN OF EFFINGHAM, NEW HAMPSHIRE
General Fund
Schedule of Appropriations, Expenditures and Encumbrances (Non-GAAP Budgetary Basis)
For the Year Ended December 31, 2014

	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	-	56,222	56,416	-	(194)
Patriotic purposes	-	1,000	641	-	359
Total culture and recreation	-	<u>60,722</u>	<u>60,557</u>	-	<u>165</u>
Conservation	-	<u>4,665</u>	<u>4,206</u>	-	<u>459</u>
Debt service:					
Interest on tax anticipation note	-	<u>1,000</u>	-	-	<u>1,000</u>
Capital outlay:					
Machinery, vehicles and equipment	-	37,100	34,286	-	2,814
Buildings	8,260	-	6,391	-	1,869
Total capital outlay	<u>8,260</u>	<u>37,100</u>	<u>40,677</u>	-	<u>4,683</u>
Other financing uses:					
Transfers out:					
Expendable trust fund	-	140,500	140,500	-	-
Nonmajor funds	-	85	85	-	-
Total other financing uses	-	<u>140,585</u>	<u>140,585</u>	-	-
Total encumbrances, appropriations, expenditures and other financing uses	<u>\$ 64,380</u>	<u>\$ 1,807,461</u>	<u>\$ 1,782,425</u>	<u>\$ 44,912</u>	<u>\$ 44,504</u>

EXHIBIT 14
TOWN OF EFFINGHAM, NEW HAMPSHIRE
General Fund
Schedule of Changes in Unassigned Fund Balance (Non-GAAP Budgetary Basis)
For the Year Ended December 31, 2014

Unassigned fund balance, beginning		\$ 811,765
Changes:		
Unassigned fund balance used to reduce tax rate		(42,120)
Budget summary:		
Revenue surplus (Exhibit 12)	\$ 58,391	
Unexpended balance of appropriations (Exhibit 13)	<u>44,504</u>	
Budget surplus		102,895
Increase in nonspendable fund balance		<u>(15,930)</u>
Unassigned fund balance, ending		<u>\$ 856,610</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, 2014, 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

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

We recommend that the Town keep a pay rate authorization form for each employee within its personnel files. 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