

# TOWN OF EFFINGHAM, NEW HAMPSHIRE

FINANCIAL REPORT

AS OF AND FOR THE YEAR ENDED  
DECEMBER 31, 2016

**TOWN OF EFFINGHAM, NEW HAMPSHIRE  
FINANCIAL REPORT  
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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, 2016, 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, 2016, 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, 2016, 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*

Accounting principles generally accepted in the United States of America require that the pension information on pages 25-27 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.

*Roberts & Greene, PLLC*

Concord, New Hampshire  
July 30, 2018

## **BASIC FINANCIAL STATEMENTS**

**EXHIBIT 1**  
**TOWN OF EFFINGHAM, NEW HAMPSHIRE**  
**Statement of Net Position**  
**December 31, 2016**

	Governmental Activities
<b>ASSETS</b>	
Cash and cash equivalents	\$ 1,866,055
Investments	7,189
Intergovernmental receivable	1,012
Other receivables	851,437
Prepaid items	2,197
Tax deeded property held for resale	67,006
Total assets	2,794,896
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred amounts related to pensions	126,060
 <b>LIABILITIES</b>	
Accounts payable	21,596
Accrued payroll and benefits	10,285
Intergovernmental payable	1,059,355
Noncurrent obligations:	
Due in more than one year:	
Net pension liability	441,411
Total liabilities	1,532,647
 <b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred amounts related to pensions	5,574
Unearned revenue	3,942
Total deferred inflows of resources	9,516
 <b>NET POSITION</b>	
Restricted for:	
Endowments:	
Nonexpendable	19,284
Expendable	18,238
Other purposes	1,656
Unrestricted	1,339,615
Total net position	\$ 1,378,793

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, 2016**

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental activities:				
General government	\$ 549,614	\$ 3,512	\$ 64	\$ (546,038)
Public safety	306,424	2,615	2,078	(301,731)
Highways and streets	451,768	-	81,343	(370,425)
Sanitation	141,198	3,137	-	(138,061)
Health	15,884	-	-	(15,884)
Welfare	9,635	-	-	(9,635)
Culture and recreation	67,939	-	3	(67,936)
Conservation	9,611	-	1,445	(8,166)
Capital outlay	265,205	-	-	(265,205)
Total primary government	<u>\$ 1,817,278</u>	<u>\$ 9,264</u>	<u>\$ 84,933</u>	<u>(1,723,081)</u>
General revenues:				
Property taxes				1,315,422
Other taxes				118,650
Licenses and permits				274,354
Grants and contributions not restricted to specific programs				76,582
Miscellaneous				36,087
Total general revenues				<u>1,821,095</u>
Change in net position				98,014
Net position, beginning, as restated, see Note III.D.1.				<u>1,280,779</u>
Net position, ending				<u>\$ 1,378,793</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, 2016**

	General	Expendable Trust	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,243,871	\$ 565,626	\$ 56,558	\$ 1,866,055
Investments	7,189	-	-	7,189
Receivables:				
Taxes	840,207	-	-	840,207
Accounts	11,230	-	-	11,230
Intergovernmental	1,012	-	-	1,012
Interfund receivable	4,000	-	6,753	10,753
Prepaid items	2,197	-	-	2,197
Tax deeded property held for resale	67,006	-	-	67,006
Total assets	<u>\$ 2,176,712</u>	<u>\$ 565,626</u>	<u>\$ 63,311</u>	<u>\$ 2,805,649</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 20,850	\$ -	\$ 746	\$ 21,596
Accrued salaries and benefits	10,285	-	-	10,285
Intergovernmental payable	1,059,355	-	-	1,059,355
Interfund payable	6,750	4,000	3	10,753
Total liabilities	<u>1,097,240</u>	<u>4,000</u>	<u>749</u>	<u>1,101,989</u>
Deferred inflows of resources:				
Deferred revenue	<u>752,343</u>	<u>-</u>	<u>-</u>	<u>752,343</u>
Fund balances:				
Nonspendable	69,203	-	19,284	88,487
Restricted	-	-	19,894	19,894
Committed	176,795	561,626	23,384	761,805
Assigned	10,074	-	-	10,074
Unassigned	71,057	-	-	71,057
Total fund balances	<u>327,129</u>	<u>561,626</u>	<u>62,562</u>	<u>951,317</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,176,712</u>	<u>\$ 565,626</u>	<u>\$ 63,311</u>	<u>\$ 2,805,649</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, 2016**

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Total fund balances of governmental funds (Exhibit 3)	\$	951,317
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	\$	(10,753)
Payables		<u>10,753</u>
		-
Revenues that are not available to pay for current period expenditures are deferred in the funds.		
Deferred tax revenue	\$	737,996
Deferred police detail revenue		<u>10,405</u>
		748,401
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Net pension liability		(441,411)
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	\$	126,060
Deferred inflows of resources related to pensions		<u>(5,574)</u>
		120,486
Total net position of governmental activities (Exhibit 1)		<u><u>\$ 1,378,793</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, 2016**

	General	Expendable Trust	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Taxes	\$ 1,305,877	\$ -	\$ 6,750	\$ 1,312,627
Licenses, permits and fees	274,354	-	-	274,354
Intergovernmental	161,448	-	-	161,448
Charges for services	9,264	-	-	9,264
Miscellaneous	30,986	899	4,269	36,154
Total revenues	<u>1,781,929</u>	<u>899</u>	<u>11,019</u>	<u>1,793,847</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	521,429	-	800	522,229
Public safety	306,424	-	-	306,424
Highways and streets	451,768	-	-	451,768
Sanitation	141,198	-	-	141,198
Health	15,884	-	-	15,884
Welfare	9,635	-	-	9,635
Culture and recreation	61,957	1,994	3,988	67,939
Conservation	1,065	4,023	4,523	9,611
Capital outlay	265,205	-	-	265,205
Total expenditures	<u>1,774,565</u>	<u>6,017</u>	<u>9,311</u>	<u>1,789,893</u>
Excess (deficiency) of revenues over (under) expenditures	<u>7,364</u>	<u>(5,118)</u>	<u>1,708</u>	<u>3,954</u>
<b>Other financing sources (uses):</b>				
Transfers in	232,000	175,330	3,733	411,063
Transfers out	<u>(179,060)</u>	<u>(232,000)</u>	<u>(3)</u>	<u>(411,063)</u>
Total other financing sources and uses	<u>52,940</u>	<u>(56,670)</u>	<u>3,730</u>	<u>-</u>
Net change in fund balances	60,304	(61,788)	5,438	3,954
Fund balances, beginning, as restated, see Note III.D.1.	266,825	623,414	57,124	947,363
Fund balances, ending	<u>\$ 327,129</u>	<u>\$ 561,626</u>	<u>\$ 62,562</u>	<u>\$ 951,317</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, 2016**

Net change in fund balances of governmental funds (Exhibit 5)		\$ 3,954
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	\$ (411,063)	
Transfers out	<u>411,063</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		121,445
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	\$ 33,714	
Cost of benefits earned, net of employee contributions	<u>(61,099)</u>	<u>(27,385)</u>
Change in net position of governmental activities (Exhibit 2)		<u><u>\$ 98,014</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, 2016**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 1,317,008	\$ 1,317,008	\$ 1,427,322	\$ 110,314
Licenses, permits and fees	243,300	243,300	274,354	31,054
Intergovernmental	159,370	159,370	161,448	2,078
Charges for services	7,500	7,500	9,264	1,764
Miscellaneous	42,500	42,500	30,986	(11,514)
Total revenues	<u>1,769,678</u>	<u>1,769,678</u>	<u>1,903,374</u>	<u>133,696</u>
<b>EXPENDITURES</b>				
Current:				
General government	488,184	488,184	527,903	(39,719)
Public safety	315,754	315,754	306,424	9,330
Highways and streets	479,459	479,459	451,768	27,691
Sanitation	147,496	147,496	141,198	6,298
Health	16,384	16,384	15,884	500
Welfare	21,500	21,500	9,635	11,865
Culture and recreation	61,840	61,840	61,957	(117)
Conservation	4,730	1,000	1,065	(65)
Debt service:				
Interest on tax anticipation note	1	1	-	1
Capital outlay	210,000	210,000	209,011	989
Total expenditures	<u>1,745,348</u>	<u>1,741,618</u>	<u>1,724,845</u>	<u>16,773</u>
Excess of revenues over expenditures	<u>24,330</u>	<u>28,060</u>	<u>178,529</u>	<u>150,469</u>
Other financing sources (uses):				
Transfers in	-	-	232,000	232,000
Transfers out	(175,330)	(179,060)	(179,060)	-
Total other financing sources and uses	<u>(175,330)</u>	<u>(179,060)</u>	<u>52,940</u>	<u>232,000</u>
Net change in fund balance	<u>\$ (151,000)</u>	<u>\$ (151,000)</u>	231,469	<u>\$ 382,469</u>
Decrease in nonspendable fund balance			6,073	
Unassigned fund balance, beginning			571,511	
Unassigned fund balance, ending			<u>\$ 809,053</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, 2016**

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	<u>Private Purpose Trust</u>
Assets:	
Cash and cash equivalents	\$ 2,270
Liabilities	<u>-</u>
Net position:	
Held in trust for specific purposes	<u>\$ 2,270</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, 2016**

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	<u>Private Purpose Trust</u>
Additions:	
Investment earnings:	
Interest	\$ 6
Deductions:	
Trust distributions	<u>976</u>
Change in net position	(970)
Net position, beginning	<u>3,240</u>
Net position, ending	<u><u>\$ 2,270</u></u>

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, 2016**

**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, 2016.

**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, 2016**

*Fund Financial Statements*

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

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

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

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

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Town considers revenues to be available if they are collected within 60 days of the end of the fiscal year. However, for the purposes of setting the tax rate, property taxes are not so deferred in accordance with the direction of the New Hampshire Department of Revenue Administration. Expenditures are recorded when the related fund liability is incurred, 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, 2016**

*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 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, 2016**

**I.C.2. Equity**

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

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

The governmental funds report the following components of fund balance:

- Nonspendable, which consists of tax deeded property held for resale 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 2016, none of the unassigned fund balance from 2015 was so used, but \$151,000 was appropriated from fund balance.

**TOWN OF EFFINGHAM, NEW HAMPSHIRE  
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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)	\$ 2,135,374
Adjustments:	
Basis difference:	
Tax revenue deferred in the prior year	616,551
Tax revenue deferred in the current year	<u>(737,996)</u>
Per Exhibit 5 (GAAP basis)	<u><u>\$ 2,013,929</u></u>
Expenditures and other financing uses:	
Per Exhibit 7 (budgetary basis)	\$ 1,903,905
Adjustments:	
Basis difference:	
Encumbrances, beginning	236,589
Encumbrances, ending	<u>(186,869)</u>
Per Exhibit 5 (GAAP basis)	<u><u>\$ 1,953,625</u></u>
Unassigned fund balance:	
Per Exhibit 7 (budgetary basis)	\$ 809,053
Adjustment:	
Basis difference:	
Deferred tax revenue, GAAP basis	<u>(737,996)</u>
Per Exhibit 3 (GAAP basis)	<u><u>\$ 71,057</u></u>

The Expendable Trust Fund was not budgeted.

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

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

*Property Taxes Receivable and Property Tax Calendar*

Property taxes are levied and collected by the Town on a semi-annual basis. Tax bills are due on or around July 1 and December 1, with interest of 12% per annum on all taxes not received by the due date. The first billing is an estimate only based on half of the previous year's billing. The final billing is levied based on an inventory taken in April of each year (the tax year runs from April 1 to March 31), and is assessed after the tax rate has been calculated and set by the New Hampshire Department of Revenue Administration. A lien is executed on any unpaid property taxes in the following year and this lien takes priority over any others. Interest of 18% per annum is charged upon redemption of lien taxes. Properties not redeemed within two years of the date of the tax lien should be deeded to the Town. During the current year, the tax collector executed a lien for uncollected 2015 property taxes on May 20<sup>th</sup>.

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

The net assessed valuation as of April 1, 2016, upon which the 2016 property tax levy was based was:

For the New Hampshire education tax	\$ 164,121,254
For all other taxes	\$ 170,205,154

The tax rates and amounts assessed for the year ended December 31, 2016 were as follow:

	<u>Per \$1,000 of Assessed Valuation</u>	
Municipal portion	\$7.99	\$ 1,360,015
School portion:		
State of New Hampshire	\$2.30	377,373
Local	\$11.15	1,897,904
County portion	\$1.36	231,392
Total property taxes assessed		<u><u>\$ 3,866,684</u></u>

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The following details the taxes receivable at year-end:

Property:	
Levy of 2016	\$ 475,292
Levy of 2015	1,793
Unredeemed (under tax lien):	
Levy of 2015	259,387
Levy of 2014	91,269
Levy of 2013	8,120
Land use change	4,346
Total taxes receivable	<u>\$ 840,207</u>

*Accounts Receivable and Uncollectible Accounts*

The accounts receivable represents billings for police details in the amount of \$11,230.

*Deferred Revenue*

Deferred revenue of \$752,343 at December 31, 2016 represents \$737,996 in 2016 property taxes and \$10,405 in 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 \$3,942 in prepayments of 2017 property taxes. In the governmental activities, only the prepayments are considered unearned revenue.

**III.B Intergovernmental Payable**

The amount due to other governments at December 31, 2016 consists of the balance of the 2016-2017 district assessment due to the Governor Wentworth Regional School District in the amount of \$1,059,355.

**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.”

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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	General	6,750
Nonmajor	Nonmajor	3
		\$ 10,753

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

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

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

The following schedule reports transfers within the reporting entity:

	Transfers In:			Total
	General Fund	Expendable Trust Fund	Nonmajor Funds	
Transfers out:				
General fund	\$ -	\$ 175,330	\$ 3,730	\$ 179,060
Expendable trust fund	232,000	-	-	232,000
Nonmajor funds	-	-	3	3
	\$ 232,000	\$ 175,330	\$ 3,733	\$ 411,063

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 the voted transfer from 2015 for the new Fire Truck.

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

**III.D.1. Restatement of Beginning Equity**

Beginning equity at January 1, 2016 was restated as follows:

	Governmental Activities	General Fund
To remove duplicate check	\$ 7,322	\$ 7,322
Net position/fund balance, as previously reported	1,273,457	259,503
Net position/fund balance, as restated	<u>\$ 1,280,779</u>	<u>\$ 266,825</u>

**III.D.2. Restricted Net Position**

The government-wide statement of net position includes restricted net position of \$37,522 for public trust funds reported as restricted for perpetual care, and \$1,656 for library funds restricted in accordance with State law.

**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
<b>Nonspendable:</b>			
Endowments	\$ -	\$ -	\$ 19,284
Prepaid items	2,197	-	-
Tax deeded property	67,006	-	-
Total nonspendable	<u>69,203</u>	<u>-</u>	<u>19,284</u>
<b>Restricted:</b>			
General government	-	-	18,238
Culture and recreation	-	-	1,656
Total restricted	<u>-</u>	<u>-</u>	<u>19,894</u>
<b>Committed:</b>			
Conservation	-	-	23,384
Capital outlay	176,795	561,626	-
Total committed	<u>176,795</u>	<u>561,626</u>	<u>23,384</u>
Assigned for general government	10,074	-	-
Unassigned	71,057	-	-
Total fund balance	<u>\$ 327,129</u>	<u>\$ 561,626</u>	<u>\$ 62,562</u>



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

**IV.A. Risk Management**

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

The Primex Workers' Compensation and Property/Liability Programs are pooled risk management program under RSA 5-B and RSA 281-A. Workers' compensation and property/liability coverage were provided from January 1 to December 31, with property and employer's liability coverage in varying amounts, and statutory coverage for workers' compensation. Contributions paid in 2016 to be recorded as an insurance expenditure/expense totaled \$9,123 for property/liability insurance and \$11,387 for workers' compensation. There were no unpaid contributions for the period ended December 31, 2016.

**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 2016, the member rate of contribution was 11.55% for police officers. The rate of contribution for pension and the medical subsidy from the Town was 26.38%. 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, 2015 and 2016 were \$30,367, \$34,365 and \$33,714 respectively. The amounts were paid on a monthly basis as due.

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

At December 31, 2016, the Town reported a liability of \$441,411 for its proportionate share of the net pension liability. The net pension liability is based upon the June 30, 2015 actuarial valuation, rolled forward to determine the net pension liability as of June 30, 2016. The roll-forward of the total pension liability from June 30, 2015 to June 30, 2016 reflects expected service and interest costs reduced by actual benefit payments, refunds, and administrative expenses for the plan year. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating municipalities and school districts, actuarially determined. As of June 30, 2016, the Town's proportion was 0.0083%, which was an increase of 0.0004% from its proportion measured as of June 30, 2015.

For 2016, the Town recognized pension expense of \$61,099. 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	\$ 25,376	\$ -
Net differences between projected and actual earnings on pension plan investments	27,617	-
Changes in assumptions	54,324	-
Differences between expected and actual experience	1,227	5,574
Town contributions subsequent to the measurement date	17,516	-
	<u>\$ 126,060</u>	<u>\$ 5,574</u>

To Town reported \$17,516 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 December 31,	
2017	\$ 22,575
2018	22,575
2019	31,516
2020	25,004
2021	1,300
	\$ 102,970

*Actuarial Assumptions*

The total pension liability in the June 30, 2016 actuarial valuation was determined using the actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%
Salary increases	5.6% average, including inflation
Investment rate of return	7.25% per year

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

Mortality rates were based on the RP-2014 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 7.25%, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate.

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Town's proportionate share of net pension liability	\$ 567,184	\$ 441,411	\$ 337,103

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

**REQUIRED SUPPLEMENTARY INFORMATION**

**EXHIBIT 9**  
**TOWN OF EFFINGHAM, NEW HAMPSHIRE**  
*Schedule of the Town's Proportionate Share of the Net Pension Liability*  
**New Hampshire Retirement System**

For the Year Ended December 31,	Town's Proportion of Net Pension Liability	Town's Proportionate Share of the Net Pension Liability	Town's Covered- Employee Payroll	Town's Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.0077%	\$ 289,715	\$ 120,028	241.37%	66.32%
2015	0.0079%	\$ 311,049	\$ 132,821	159.37%	65.47%
2016	0.0083%	\$ 441,411	\$ 127,803	345.38%	58.30%

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

**EXHIBIT 16**  
**TOWN OF EFFINGHAM, NEW HAMPSHIRE**  
*Schedule of the Town's Pension Contributions*  
**New Hampshire Retirement System**

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For the Year Ended December 31,	Contractually Required Contribution	Contribution in Relation to the Contractually Required Contribution	Contribution Deficiency	Town's Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
2014	\$ 30,367	\$ (30,367)	\$ -	\$ 120,028	25.30%
2015	\$ 34,365	\$ (34,365)	\$ -	\$ 132,821	25.87%
2016	\$ 33,714	\$ (33,714)	\$ -	\$ 127,803	26.38%

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

**TOWN OF EFFINGHAM, NEW HAMPSHIRE  
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION  
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 second year that the Town has presented the pension schedules, only three 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, 2016**

	Special Revenue Funds			Total
	Library	Conservation Commission	Permanent Fund	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 2,399	\$ 16,634	\$ 37,525	\$ 56,558
Interfund receivable	3	6,750	-	6,753
Total assets	<u>\$ 2,402</u>	<u>\$ 23,384</u>	<u>\$ 37,525</u>	<u>\$ 63,311</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 746	\$ -	\$ -	\$ 746
Interfund payable	-	-	3	3
Total liabilities	<u>746</u>	<u>-</u>	<u>3</u>	<u>749</u>
Fund balances:				
Nonspendable	-	-	19,284	19,284
Restricted	1,656	-	18,238	19,894
Committed	-	23,384	-	23,384
Total fund balances	<u>1,656</u>	<u>23,384</u>	<u>37,522</u>	<u>62,562</u>
Total liabilities and fund balances	<u>\$ 2,402</u>	<u>\$ 23,384</u>	<u>\$ 37,525</u>	<u>\$ 63,311</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, 2016**

	Special Revenue Funds			Total
	Library	Conservation Commission	Permanent Fund	
<b>REVENUES</b>				
Taxes	\$ -	\$ 6,750	\$ -	\$ 6,750
Miscellaneous	4,196	5	68	4,269
Total revenues	<u>4,196</u>	<u>6,755</u>	<u>68</u>	<u>11,019</u>
<b>EXPENDITURES</b>				
Current:				
General government	-	-	800	800
Culture and recreation	3,988	-	-	3,988
Conservation	-	4,523	-	4,523
Total expenditures	<u>3,988</u>	<u>4,523</u>	<u>800</u>	<u>9,311</u>
Excess (deficiency) of revenues over (under) expenditures	<u>208</u>	<u>2,232</u>	<u>(732)</u>	<u>1,708</u>
Other financing sources (uses):				
Transfers in	3	3,730	-	3,733
Transfers out	-	-	(3)	(3)
Total other financing sources and uses	<u>3</u>	<u>3,730</u>	<u>(3)</u>	<u>3,730</u>
Net change in fund balances	211	5,962	(735)	5,438
Fund balances, beginning	1,445	17,422	38,257	57,124
Fund balances, ending	<u>\$ 1,656</u>	<u>\$ 23,384</u>	<u>\$ 37,522</u>	<u>\$ 62,562</u>

**EXHIBIT 19**  
**TOWN OF EFFINGHAM, NEW HAMPSHIRE**  
**General Fund**  
**Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)**  
**For the Year Ended December 31, 2016**

	Estimated	Actual	Variance Positive (Negative)
<b>Taxes:</b>			
Property	\$ 1,218,408	\$ 1,315,422	\$ 97,014
Land use change	13,500	6,750	(6,750)
Timber	10,000	16,582	6,582
Excavation	100	31	(69)
Interest and penalties on delinquent taxes	75,000	88,537	13,537
Total taxes	<u>1,317,008</u>	<u>1,427,322</u>	<u>110,314</u>
<b>Licenses, permits and fees:</b>			
Business licenses and permits	13,300	13,499	199
Motor vehicle permits	225,000	254,636	29,636
Building permits	1,000	1,640	640
Other	4,000	4,579	579
Total licenses, permits and fees	<u>243,300</u>	<u>274,354</u>	<u>31,054</u>
<b>Intergovernmental:</b>			
State sources:			
Meals and rooms distributions	76,582	76,582	-
Highway block grant	81,343	81,343	-
State and federal forest land	1,445	1,445	-
Forest fire	-	1,066	1,066
Federal sources:			
Department of Homeland Security	-	1,012	1,012
Total intergovernmental	<u>159,370</u>	<u>161,448</u>	<u>2,078</u>
<b>Charges for services:</b>			
Income from departments	<u>7,500</u>	<u>9,264</u>	<u>1,764</u>
<b>Miscellaneous:</b>			
Sale of property	40,000	26,910	(13,090)
Interest on investments	-	49	49
Insurance dividends and reimbursements	-	254	254
Other	2,500	3,773	1,273
Total miscellaneous	<u>42,500</u>	<u>30,986</u>	<u>(11,514)</u>
<b>Other financing sources:</b>			
Transfers in:			
Expendable trust fund	-	232,000	232,000
Total revenues and other financing sources	1,769,678	<u>\$ 2,135,374</u>	<u>\$ 365,696</u>
Use of fund balance	151,000		
Total revenues, other financing sources and use of fund balance	<u>\$ 1,920,678</u>		

**EXHIBIT 16**  
**TOWN OF EFFINGHAM, NEW HAMPSHIRE**  
**General Fund**  
**Schedule of Appropriations, Expenditures and Encumbrances (Non-GAAP Budgetary Basis)**  
**For the Year Ended December 31, 2016**

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
<b>Current:</b>					
<b>General government:</b>					
Executive	\$ -	\$ 87,233	\$ 91,266	\$ -	\$ (4,033)
Election and registration	-	34,166	32,669	-	1,497
Financial administration	3,600	42,442	42,213	-	3,829
Revaluation of property	-	48,565	26,842	10,074	11,649
Legal	-	25,000	87,028	-	(62,028)
Personnel administration	-	55,500	55,508	-	(8)
Planning and zoning	-	17,778	14,557	-	3,221
General government buildings	-	67,000	71,663	-	(4,663)
Cemeteries	-	2,500	1,850	-	650
Insurance, not otherwise allocated	-	105,000	95,410	-	9,590
Advertising and regional associations	-	3,000	2,423	-	577
Total general government	<u>3,600</u>	<u>488,184</u>	<u>521,429</u>	<u>10,074</u>	<u>(39,719)</u>
<b>Public safety:</b>					
Police	-	173,209	168,518	-	4,691
Ambulance	-	65,745	65,743	-	2
Fire	-	71,700	69,948	-	1,752
Emergency management	-	5,100	2,215	-	2,885
Total public safety	<u>-</u>	<u>315,754</u>	<u>306,424</u>	<u>-</u>	<u>9,330</u>
<b>Highways and streets:</b>					
Highways and streets	-	472,459	444,220	-	28,239
Street lighting	-	7,000	7,548	-	(548)
Total highways and streets	<u>-</u>	<u>479,459</u>	<u>451,768</u>	<u>-</u>	<u>27,691</u>
<b>Sanitation:</b>					
Solid waste collection	-	51,746	50,999	-	747
Solid waste disposal	-	92,750	87,619	-	5,131
Solid waste clean-up	-	3,000	2,580	-	420
Total sanitation	<u>-</u>	<u>147,496</u>	<u>141,198</u>	<u>-</u>	<u>6,298</u>
<b>Health:</b>					
Pest control	-	500	-	-	500
Health agencies and hospitals	-	15,884	15,884	-	-
Total health	<u>-</u>	<u>16,384</u>	<u>15,884</u>	<u>-</u>	<u>500</u>
<b>Welfare:</b>					
Direct assistance	-	17,000	6,015	-	10,985
Vendor payments	-	4,500	3,620	-	880
Total welfare	<u>-</u>	<u>21,500</u>	<u>9,635</u>	<u>-</u>	<u>11,865</u>

(continued)

**EXHIBIT 16 (continued)**  
**TOWN OF EFFINGHAM, NEW HAMPSHIRE**  
**General Fund**

**Schedule of Appropriations, Expenditures and Encumbrances (Non-GAAP Budgetary Basis)**  
**For the Year Ended December 31, 2016**

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Culture and recreation:					
Parks and recreation	-	5,000	5,000	-	-
Public library	-	56,240	56,351	-	(111)
Patriotic purposes	-	600	606	-	(6)
Total culture and recreation	<u>-</u>	<u>61,840</u>	<u>61,957</u>	<u>-</u>	<u>(117)</u>
Conservation	<u>-</u>	<u>1,000</u>	<u>1,065</u>	<u>-</u>	<u>(65)</u>
Debt service:					
Interest on tax anticipation note	<u>-</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>1</u>
Capital outlay:					
Machinery, vehicles and equipment	232,989	-	232,000	-	989
Improvements other than buildings	<u>-</u>	<u>210,000</u>	<u>33,205</u>	<u>176,795</u>	<u>-</u>
Total capital outlay	<u>232,989</u>	<u>210,000</u>	<u>265,205</u>	<u>176,795</u>	<u>989</u>
Other financing uses:					
Transfers out:					
Expendable trust fund	-	175,330	175,330	-	-
Nonmajor funds	<u>-</u>	<u>3,730</u>	<u>3,730</u>	<u>-</u>	<u>-</u>
Total other financing uses	<u>-</u>	<u>179,060</u>	<u>179,060</u>	<u>-</u>	<u>-</u>
Total encumbrances, appropriations, expenditures and other financing uses	<u>\$ 236,589</u>	<u>\$ 1,920,678</u>	<u>\$ 1,953,625</u>	<u>\$ 186,869</u>	<u>\$ 16,773</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, 2016**

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Unassigned fund balance, beginning		\$ 571,511
Changes:		
Unassigned fund balance appropriated		(151,000)
Budget summary:		
Revenue surplus (Exhibit 14)	\$ 365,696	
Unexpended balance of appropriations (Exhibit 15)	<u>16,773</u>	
Budget surplus		382,469
Decrease in nonspendable fund balance		<u>6,073</u>
Unassigned fund balance, ending		<u><u>\$ 809,053</u></u>



**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, 2016, 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:

***Police Detail Billing***

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

***Other Postemployment Benefits (OPEB)***

The Town does not report its liability or annual cost for postemployment benefits other than pensions in its governmental activities because of the immaterial nature of the balance. The amount is immaterial because the Governmental Accounting Standards Board (GASB) Statement No. 45 only requires reporting the Town's annual cost less contributions made. However, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which will take effect for the Town in the year ending December 31, 2018, will require the Town to report the Actuarial Accrued Liability, an amount that is likely to be material to the financial statements. We recommend that the Town investigate the benefits and costs associated with obtaining a measurement valuation in order to determine the Town's unfunded accrued liability and comply with GASB Statement 75.



***Town of Effingham  
Independent Auditor's Communication to Management***

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.

*Roberts & Greene, PLLC*

Concord, New Hampshire  
July 30, 2018