

TOWN OF EFFINGHAM, NEW HAMPSHIRE

FINANCIAL REPORT

AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2019

**TOWN OF EFFINGHAM, NEW HAMPSHIRE
FINANCIAL REPORT
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2019**

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
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of the Town's Proportionate Share of the Net Pension Liability (Exhibit 10)	27
Schedule of the Town's Pension Contributions (Exhibit 11)	28
Schedule of Changes in the Town's Total OPEB Liability and Related Ratios (Exhibit 12)	29
Schedule of the Town's OPEB Contributions (Exhibit 13)	30
Note to the Required Supplementary Information	31
COMBINING NONMAJOR AND INDIVIDUAL GENERAL FUND SCHEDULES	
Nonmajor Governmental Funds	
Combining Balance Sheet (Exhibit 14)	32
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Exhibit 15)	33
Major General Fund	
Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis) (Exhibit 16)	34
Schedule of Appropriations, Expenditures and Encumbrances (Non-GAAP Budgetary Basis) (Exhibit 17)	35
Schedule of Changes in Unassigned Fund Balance (Non-GAAP Budgetary Basis) (Exhibit 18)	37
INDEPENDENT AUDITOR'S COMMUNICATION TO MANAGEMENT	38



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, 2019, 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, 2019, 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, 2019, 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 and OPEB information on pages 28-31 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Information

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

Roberts & Heine, PLLC

Concord, New Hampshire
February 3, 2021

BASIC FINANCIAL STATEMENTS

EXHIBIT 1
TOWN OF EFFINGHAM, NEW HAMPSHIRE
Statement of Net Position
December 31, 2019

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 2,474,876
Investments	7,551
Receivables, net of allowance for uncollectibles	744,775
Tax deeded property held for resale	31,562
Total assets	3,258,764
DEFERRED OUTFLOWS OF RESOURCES	
Deferred amounts related to pensions	53,824
Deferred amounts related to OPEB	2,372
Total deferred outflows of resources	56,196
LIABILITIES	
Accounts payable	37,114
Intergovernmental payable	1,151,863
Noncurrent obligations:	
Due in more than one year:	
Net pension liability	402,518
Other postemployment benefits liability	56,612
Total liabilities	1,648,107
DEFERRED INFLOWS OF RESOURCES	
Unearned revenue	11,091
Deferred amounts related to pensions	27,092
Deferred amounts related to OPEB	380
Total deferred inflows of resources	38,563
NET POSITION	
Restricted for:	
Endowments:	
Nonexpendable	19,284
Expendable	18,578
Other purposes	7,153
Unrestricted	1,583,275
Total net position	\$ 1,628,290

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, 2019

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General government	\$ 541,307	\$ 3,607	\$ 603	\$ -	\$ (537,097)
Public safety	400,244	3,263	3,000	60,935	(333,046)
Highways and streets	562,976	-	-	83,416	(479,560)
Sanitation	158,221	8,853	-	-	(149,368)
Health	20,966	-	-	-	(20,966)
Welfare	12,358	-	-	-	(12,358)
Culture and recreation	81,049	-	33	-	(81,016)
Conservation	6,041	-	-	-	(6,041)
Capital outlay	3,200	-	-	-	(3,200)
Total primary government	<u>\$ 1,786,362</u>	<u>\$ 15,723</u>	<u>\$ 3,636</u>	<u>\$ 144,351</u>	<u>(1,622,652)</u>
General revenues:					
Property taxes					1,636,948
Other taxes					106,948
Licenses and permits					328,659
Grants and contributions not restricted to specific programs					118,128
Miscellaneous					36,354
Total general revenues					<u>2,227,037</u>
Change in net position					604,385
Net position, beginning					<u>1,023,905</u>
Net position, ending					<u>\$ 1,628,290</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, 2019

	General	Expendable Trust	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 1,792,928	\$ 624,353	\$ 57,595	\$ 2,474,876
Investments	7,551	-	-	7,551
Taxes receivables, net of allowance for uncollectibles	744,775	-	-	744,775
Interfund receivable	918	-	5,661	6,579
Tax dedeed property held for resale	31,562	-	-	31,562
Total assets	<u>\$ 2,577,734</u>	<u>\$ 624,353</u>	<u>\$ 63,256</u>	<u>\$ 3,265,343</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 35,735	\$ -	\$ 1,379	\$ 37,114
Intergovernmental payable	1,151,863	-	-	1,151,863
Interfund payable	5,596	700	283	6,579
Total liabilities	<u>1,193,194</u>	<u>700</u>	<u>1,662</u>	<u>1,195,556</u>
Deferred inflows of resources:				
Deferred revenue	565,930	-	-	565,930
Fund balances:				
Nonspendable	31,562	-	19,284	50,846
Restricted	-	-	25,732	25,732
Committed	364,765	623,653	16,578	1,004,996
Assigned	37,373	-	-	37,373
Unassigned	384,910	-	-	384,910
Total fund balances	<u>818,610</u>	<u>623,653</u>	<u>61,594</u>	<u>1,503,857</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,577,734</u>	<u>\$ 624,353</u>	<u>\$ 63,256</u>	<u>\$ 3,265,343</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, 2019

Total fund balances of governmental funds (Exhibit 3)		\$ 1,503,857
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	\$ (6,579)	
Payables	<u>6,579</u>	-
Revenues that are not available to pay for current period expenditures are deferred in the funds.		
Unavailable tax revenue		554,839
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Net pension liability	\$ 402,518	
Other postemployment benefits liability	<u>56,612</u>	(459,130)
Deferred outflows and inflows of resources are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows of resources related to pensions	\$ 53,824	
Deferred outflows of resources related to OPEB	2,372	
Deferred inflows of resources related to pensions	(27,092)	
Deferred inflows of resources related to OPEB	<u>(380)</u>	28,724
Total net position of governmental activities (Exhibit 1)		<u>\$ 1,628,290</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, 2019

	General	Expendable Trust	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 1,628,215	\$ -	\$ -	\$ 1,628,215
Licenses, permits and fees	328,659	-	-	328,659
Intergovernmental	265,479	-	-	265,479
Charges for services	15,723	-	-	15,723
Miscellaneous	22,849	10,342	3,799	36,990
Total revenues	<u>2,260,925</u>	<u>10,342</u>	<u>3,799</u>	<u>2,275,066</u>
Expenditures:				
Current:				
General government	484,024	29,466	-	513,490
Public safety	392,953	7,291	-	400,244
Highways and streets	557,939	5,037	-	562,976
Sanitation	154,921	3,300	-	158,221
Health	20,966	-	-	20,966
Welfare	12,358	-	-	12,358
Culture and recreation	80,556	249	244	81,049
Conservation	842	2,340	2,859	6,041
Capital outlay	2,500	700	-	3,200
Total expenditures	<u>1,707,059</u>	<u>48,383</u>	<u>3,103</u>	<u>1,758,545</u>
Excess (deficiency) of revenues over (under) expenditures	<u>553,866</u>	<u>(38,041)</u>	<u>696</u>	<u>516,521</u>
Other financing sources (uses):				
Transfers in	16,499	74,110	4,238	94,847
Transfers out	(78,315)	(16,499)	(33)	(94,847)
Total other financing sources and uses	<u>(61,816)</u>	<u>57,611</u>	<u>4,205</u>	<u>-</u>
Net change in fund balances	492,050	19,570	4,901	516,521
Fund balances, beginning, as restated, see Note III.D.	326,560	604,083	56,693	987,336
Fund balances, ending	<u>\$ 818,610</u>	<u>\$ 623,653</u>	<u>\$ 61,594</u>	<u>\$ 1,503,857</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, 2019

Net change in fund balances of governmental funds (Exhibit 5)		\$ 516,521
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	\$ (94,847)	
Transfers out	<u>94,847</u>	-
Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in governmental funds.		
Change in unavailable tax revenue		115,681
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Decrease in OPEB related balances		1,587
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	\$ 30,374	
Cost of benefits earned, net of employee contributions	<u>(59,778)</u>	<u>(29,404)</u>
Change in net position of governmental activities (Exhibit 2)		<u><u>\$ 604,385</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, 2019

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Taxes	\$ 1,610,552	\$ 1,743,896	\$ 133,344
Licenses, permits and fees	229,695	328,659	98,964
Intergovernmental	161,200	265,479	104,279
Charges for services	13,000	15,723	2,723
Miscellaneous	9,000	22,849	13,849
Total revenues	<u>2,023,447</u>	<u>2,376,606</u>	<u>353,159</u>
EXPENDITURES			
Current:			
General government	587,439	515,968	71,471
Public safety	339,240	397,553	(58,313)
Highways and streets	962,251	902,537	59,714
Sanitation	171,100	154,921	16,179
Health	21,466	20,966	500
Welfare	16,500	12,358	4,142
Culture and recreation	82,135	80,556	1,579
Conservation	1,000	842	158
Debt service:			
Interest on tax anticipation note	1	-	1
Capital outlay	-	(143,622)	143,622
Total expenditures	<u>2,181,132</u>	<u>1,942,079</u>	<u>239,053</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(157,685)</u>	<u>434,527</u>	<u>592,212</u>
Other financing sources (uses):			
Transfers in	-	16,499	16,499
Transfers out	(78,315)	(78,315)	-
Total other financing sources and uses	<u>(78,315)</u>	<u>(61,816)</u>	<u>16,499</u>
Net change in fund balance	<u>\$ (236,000)</u>	372,711	<u>\$ 608,711</u>
Increase in nonspendable fund balance		(2,995)	
Unassigned fund balance, beginning		570,033	
Unassigned fund balance, ending		<u>\$ 939,749</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, 2019

	<u>Private Purpose Trust</u>
Assets:	
Cash and cash equivalents	\$ 1,553
Liabilities	<u>-</u>
Net position:	
Held in trust for specific purposes	<u>\$ 1,553</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, 2019

	Private Purpose Trust
Additions:	
Interest	\$ 26
Net position, beginning	<u>1,527</u>
Net position, ending	<u>\$ 1,553</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, 2019**

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, 2019.

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; (2) operating grants and contributions, which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. 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, 2019**

Fund Financial Statements

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

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

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

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

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

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

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

Governmental Funds

The Town reports the following major governmental funds:

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

**TOWN OF EFFINGHAM, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2019**

Expendable Trust Fund – Reports as a Capital Project Fund, and was established by Town Meeting to hold 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, 2019**

I.C.2. Equity

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

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

The governmental funds report the following components of fund balance:

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

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 2019, none of the unassigned fund balance from 2018 was so used, but \$236,000 was appropriated from fund balance.

Revenues are budgeted by source. Expenditures are budgeted by functions as follow: general government, public safety, highways and streets, sanitation, health, welfare, culture and recreation, debt service and capital outlay. Management can transfer appropriations among budget line items as

**TOWN OF EFFINGHAM, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2019**

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)	\$ 2,393,105
Adjustments:	
Basis difference:	
Tax revenue deferred in the prior year	439,158
Tax revenue deferred in the current year	(554,839)
Per Exhibit 5 (GAAP basis)	<u>\$ 2,277,424</u>
Expenditures and other financing uses:	
Per Exhibit 7 (budgetary basis)	\$ 2,020,394
Adjustments:	
Basis difference:	
Encumbrances, beginning	167,118
Encumbrances, ending	(402,138)
Per Exhibit 5 (GAAP basis)	<u>\$ 1,785,374</u>
Unassigned fund balance:	
Per Exhibit 7 (budgetary basis)	\$ 939,749
Adjustment:	
Basis difference:	
Deferred tax revenue, GAAP basis	(554,839)
Per Exhibit 3 (GAAP basis)	<u>\$ 384,910</u>

The Expendable Trust Fund was not budgeted.

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 8% per annum on all taxes levied in 2019, and 12% on those levied previously, 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

**TOWN OF EFFINGHAM, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2019**

(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 2018 property taxes on May 24th.

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, 2019, upon which the 2019 property tax levy was based was:

For the New Hampshire education tax	\$ 162,488,244
For all other taxes	\$ 167,310,144

The tax rates and amounts assessed for the year ended December 31, 2019 were as follow:

	Per \$1,000 of Assessed Valuation	
Municipal portion	\$10.05	\$ 1,681,514
School portion:		
State of New Hampshire	\$2.12	344,418
Local	\$13.51	2,261,175
County portion	\$1.22	203,313
Total property taxes assessed		\$ 4,490,420

The following details the taxes receivable at year-end:

Property:		
Levy of 2019		\$ 576,992
Unredeemed (under tax lien):		
Levy of 2018		124,396
Levy of 2017		67,569
Levy of 2016		742
Timber		76
Less: allowance for estimated uncollectible taxes		(25,000)
Net taxes receivable		\$ 744,775

**TOWN OF EFFINGHAM, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2019**

Deferred Revenue

Deferred revenue of \$565,930 at December 31, 2019 represents \$554,839 in 2019 property taxes not received within 60 days of year-end, and \$11,091 in prepayments of 2020 property taxes. In the governmental activities, the prepayments are considered unearned revenue.

III.B Intergovernmental Payable

The amount due to other governments at December 31, 2019 consists of the balance of the 2019-2020 district assessment due to the Governor Wentworth Regional School District in the amount of \$1,151,863.

III.C. Balances and Transfers – Payments Within the Reporting Entity

III.C.1. *Receivables and Payables*

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

Receivable Fund	Payable Fund	Amount
General	Expendable trust	\$ 700
General	Nonmajor	218
Nonmajor	General	5,596
Nonmajor	Nonmajor	65
		\$ 6,579

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

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.

**TOWN OF EFFINGHAM, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2019**

The following schedule reports transfers within the reporting entity:

	Transfers In:			Total
	General Fund	Expendable Trust Fund	Nonmajor Funds	
Transfers out:				
General fund	\$ -	\$ 74,110	\$ 4,205	\$ 78,315
Expendable trust fund	16,499	-	-	16,499
Nonmajor funds	-	-	33	33
	<u>\$ 16,499</u>	<u>\$ 74,110</u>	<u>\$ 4,238</u>	<u>\$ 94,847</u>

The amounts transferred to the Expendable Trust Fund and Nonmajor Funds from the General Fund represent voted appropriations. The amount transferred to the General Fund from the Expendable Trust Fund represents reimbursement of expenditures. The amount transferred between Nonmajor Funds represents interest earned in the Permanent Fund transferred to the Library Fund.

III.D. Fund Equity

III.D.1. Restricted Net Position

The government-wide statement of net position includes restricted net position of \$37,862 for public trust funds reported as restricted for perpetual care and \$7,153 for library funds restricted in accordance with State law.

III.D.2. Restatement of Beginning Equity

Equity at January 1, 2019 was restated as follows:

	General Fund	Expendable Trust Fund
To remove interfund	\$ (4,000)	\$ 4,000
Fund balance, as previously reported	330,560	600,083
Fund balance, as restated	<u>\$ 326,560</u>	<u>\$ 604,083</u>

**TOWN OF EFFINGHAM, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2019**

III.D.3. Components of Fund Balance

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

	General Fund	Expendable Trust Fund	Nonmajor Funds
Nonspendable:			
Endowments	\$ -	\$ -	\$ 19,284
Tax deeded property	31,562	-	-
Total nonspendable	<u>31,562</u>	<u>-</u>	<u>19,284</u>
Restricted:			
General government	-	-	18,579
Culture and recreation	-	-	7,153
Total restricted	<u>-</u>	<u>-</u>	<u>25,732</u>
Committed:			
Conservation	-	-	16,578
Capital outlay	364,765	623,653	-
Total committed	<u>364,765</u>	<u>623,653</u>	<u>16,578</u>
Assigned:			
General government	32,773	-	-
Public safety	4,600	-	-
Total assigned	<u>37,373</u>	<u>-</u>	<u>-</u>
Unassigned	384,910	-	-
Total fund balance	<u>\$ 818,610</u>	<u>\$ 623,653</u>	<u>\$ 61,594</u>

IV. Other Information

IV.A. Risk Management

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

The Primex Workers' Compensation and Property/Liability Programs are pooled risk management programs under RSA 5-B and RSA 281-A. Workers' compensation and property/liability coverage were provided from January 1 to December 31, with property and employer's liability coverage in varying amounts, and statutory coverage for workers' compensation. Contributions paid in 2019 to be

TOWN OF EFFINGHAM, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2019

recorded as an insurance expenditure/expense totaled \$28,544 for property/liability insurance and workers' compensation. There were no unpaid contributions for the year ended December 31, 2019.

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 2019, the member rate of contribution was 11.55% for police officers. The rate of contribution from the Town was 29.43% through June 30th, decreasing on July 1st to 28.43%. The rates are actuarially determined to generate an amount, that when combined with employee contributions, is expected to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employer contributions for pension and the medical subsidy from the Town during the years 2017, 2018, and 2019 were \$36,029, \$48,030, and \$35,064, respectively. The amounts were paid on a monthly basis as due.

Pension Liabilities, Pension Expense, and Deferred Outflows and Inflows of Resources Related to Pensions

At December 31, 2019, the Town reported a liability of \$402,518 for its proportionate share of the net pension liability. The net pension liability is based upon the June 30, 2018 actuarial valuation, rolled forward to determine the net pension liability as of June 30, 2019. The roll-forward of the total pension liability from June 30, 2018 to June 30, 2019 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, 2019, the Town's proportion was 0.0084%, which was a decrease of 0.0002% from its proportion measured as of June 30, 2018.

**TOWN OF EFFINGHAM, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2019**

For 2019, the Town recognized pension expense of \$59,778. 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
Changes in proportion and differences between employer contributions and proportionate share of contributions	\$ 21,107	\$ 15,149
Net differences between projected and actual earnings on pension plan investments	-	3,288
Changes in assumptions	14,442	-
Differences between expected and actual experience	2,226	8,655
Town contributions subsequent to the measurement date	16,049	-
	\$ 53,824	\$ 27,092

The Town reported \$16,049 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.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follow:

Year Ending December 31,	
2020	\$ 17,350
2021	(6,472)
2022	1,001
2023	(1,196)
	\$ 10,683

**TOWN OF EFFINGHAM, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2019**

Actuarial Assumptions

The total pension liability in the June 30, 2019 actuarial valuation was determined using the actuarial valuation as of June 30, 2018 rolled forward to June 30, 2019, using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Entry-Age Normal
Amortization Method	Level Percentage-of-Payroll, Closed
Remaining Amortization Period	21 years beginning July 1, 2018
Asset Valuation Method	5-year smoothed market for funding purposes; 20% corridor
Price Inflation	2.5% per year
Wage Inflation	3.25% per year
Salary Increases	5.6% average, including inflation
Municipal Bond Rate	3.13% per year
Investment Rate of Return	7.25%, net of pension plan investment expense, including inflation

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of the most recent actuarial experience study, which was for the period of July 1, 2010 – June 30, 2015.

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

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	\$ 538,988	\$ 402,518	\$ 289,726

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

**TOWN OF EFFINGHAM, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2019**

IV.C. Contingent Liabilities

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

IV.D. Other Postemployment Benefits (OPEB)

Plan Description

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

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

Group II employees hired on or after 7/1/11 may retire at age 60, or at age 52.5 with 25 years of service. Retirees contribute 100% of premiums for individual, two-person or family medical coverage. Surviving beneficiaries continue to receive access to the Town’s medical coverage after the death of the retired employee as long as they pay the required premium. As of January 1, 2019, the actuarial valuation date, there is only one participant of the postretirement plan that meets eligibility requirements. The plan does not issue a separate financial report.

Medical Insurance Subsidy

The medical insurance subsidy is a payment made by NHRS to the former employer or its insurance administrator toward the cost of health insurance for a qualified retiree, his/her qualified spouse, and his/her certified dependent children with a disability who are living in the household and being cared for by the retiree. If the health insurance premium amount is less than the Medical Subsidy amount, then only the health insurance premium will be paid. If the health insurance premium amount exceeds

**TOWN OF EFFINGHAM, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2019**

the Medical Subsidy amount, then the retiree or other qualified person is responsible for paying any portion that the employer does not pay.

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

Total OPEB Liability

The Town's total OPEB liability of \$56,612 for the medical insurance subsidy was determined by an actuarial valuation as of June 30, 2018 with roll-forward procedures used to determine the liability as of June 30, 2019. The roll-forward of the total OPEB liability from June 30, 2018 to June 30, 2019 reflects expected service cost and interest reduced by actual benefit payments and refunds for the plan year.

OPEB Expense and Deferred Inflows and Outflows of Resources Related to OPEB

For the year ended December 31, 2019, the Town recognized a credit to OPEB expense of \$1,587. At year-end, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in proportion and differences between employer contributions and proportionate share of contributions	\$ -	\$ 218
Net differences between projected and actual earnings on pension plan investments	-	64
Differences between expected and actual experience	-	98
Town contributions subsequent to the measurement date	2,372	-
	<u>\$ 2,372</u>	<u>\$ 380</u>

The Town reported \$2,372 as deferred outflows of resources related to OPEB resulting from Town contributions subsequent to the measurement date, which will be recognized as a reduction of the net total OPEB liability in the following year.

**TOWN OF EFFINGHAM, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2019**

Amounts reported as deferred inflows of resources will be recognized in OPEB expense as follow:

Year Ending December 31,	
2020	\$ (359)
2021	(42)
2022	4
2023	17
	<u>\$ (380)</u>

Methods and Assumptions

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

Medical Insurance Subsidy	
Payroll Growth	3.25%
Discount Rate	7.25%
Long-term municipal bond rate	3.13%
Inflation	2.50%
Investment Rate of Return	7.25% per year, net of OPEB plan investment expense, including inflation
Mortality	RP-2014 Health Annuitant and Employee Generational Mortality Table for males and females with credibility adjustments, adjusted for fully generational mortality improvements using Scale MP-2015 based on the last experience study
Healthcare Cost Trend Rates	N/A, given that benefits are fixed stipends

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Town's total OPEB liability	<u>\$ 61,405</u>	<u>\$ 56,612</u>	<u>\$ 52,448</u>

REQUIRED SUPPLEMENTARY INFORMATION

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

	2019	2018	2017	2016	2015	2014
Town's proportion of net pension liability	0.0084%	0.0086%	0.0080%	0.0083%	0.0079%	0.0077%
Town's proportionate share of the net pension liability	\$ 402,518	\$ 416,004	\$ 393,635	\$ 441,411	\$ 311,049	\$ 289,715
Town's covered-employee payroll	\$ 121,347	\$ 166,001	\$ 129,023	\$ 127,803	\$ 132,821	\$ 120,028
Town's proportionate share of the net pension liability as a percentage of covered-employee payroll	331.71%	250.60%	305.09%	345.38%	234.19%	241.37%
Plan fiduciary position as a percentage of the total pension liability	65.59%	64.77%	6266.00%	58.30%	65.47%	66.32%

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

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

	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 30,374	\$ 48,030	\$ 36,029	\$ 33,714	\$ 34,365	\$ 30,367
Contribution in relation to the contractually required contribution	(30,374)	(48,030)	(36,029)	(33,714)	(34,365)	(30,367)
Contribution deficiency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered-employee payroll	\$ 121,347	\$ 166,001	\$ 129,023	\$ 127,803	\$ 132,821	\$ 120,028
Contributions as a percentage of covered-employee payroll	25.03%	28.93%	27.92%	26.38%	25.87%	25.30%

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

EXHIBIT 12
TOWN OF EFFINGHAM
Schedule of Changes in the Town's Total OPEB Liability and Related Ratios

	2019	2018
Total OPEB liability:		
Service cost	\$ 71	\$ 132
Interest	2,861	4,589
Projected earnings on plan investments	(166)	(357)
OPEB plan administrative expenses	24	5,644
Net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions	2,973	17,410
Benefit payments	(10,324)	(4,778)
Net change in total OPEB liability	(4,561)	22,640
Total OPEB liability, beginning	61,173	38,533
Total OPEB liability, ending	<u>\$ 56,612</u>	<u>\$ 61,173</u>
Covered-employee payroll	\$ 121,347	\$ 166,001
Total OPEB liability as a percentage of covered-employee payroll	46.65%	36.85%
Town's proportion of total OPEB liability	0.0129%	0.0134%

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

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

	2019	2018
Actuarially determined contribution	\$ 5,893	\$ 5,910
Contributions in relation to the actuarially determined contribution	(5,893)	(5,910)
Contribution deficiency	\$ -	\$ -
Covered-employee payroll	\$ 121,347	\$ 166,001
Contributions as a percentage of covered-employee payroll	4.86%	3.56%

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

TOWN OF EFFINGHAM
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2019

The Pension and OPEB Schedules are meant to present related information for ten years. Because this is the fifth year that the Town has presented the pension schedules, and the second year for the OPEB information under the current measurement standard, only six and two years, respectively, are presented. An additional year's information will be added each year until there are ten years shown.

COMBINING NONMAJOR AND INDIVIDUAL GENERAL FUND SCHEDULES

EXHIBIT 14
TOWN OF EFFINGHAM, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2019

	Special Revenue Funds			Total
	Library	Conservation Commission	Permanent Fund	
ASSETS				
Cash and cash equivalents	\$ 8,685	\$ 10,982	\$ 37,928	\$ 57,595
Interfund receivable	65	5,596	-	5,661
Total assets	<u>\$ 8,750</u>	<u>\$ 16,578</u>	<u>\$ 37,928</u>	<u>\$ 63,256</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 1,379	\$ -	\$ -	\$ 1,379
Interfund payable	218	-	65	283
Total liabilities	<u>1,597</u>	<u>-</u>	<u>65</u>	<u>1,662</u>
Fund balances:				
Nonspendable	-	-	19,284	19,284
Restricted	7,153	-	18,579	25,732
Committed	-	16,578	-	16,578
Total fund balances	<u>7,153</u>	<u>16,578</u>	<u>37,863</u>	<u>61,594</u>
Total liabilities and fund balances	<u>\$ 8,750</u>	<u>\$ 16,578</u>	<u>\$ 37,928</u>	<u>\$ 63,256</u>

EXHIBIT 15
TOWN OF EFFINGHAM, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended December 31, 2019

	Special Revenue Funds			Total
	Library	Conservation Commission	Permanent Fund	
REVENUES				
Miscellaneous	\$ 3,159	\$ 4	\$ 636	\$ 3,799
EXPENDITURES				
Current:				
Culture and recreation	244	-	-	244
Conservation	-	2,859	-	2,859
Total expenditures	244	2,859	-	3,103
Excess (deficiency) of revenues over (under) expenditures	2,915	(2,855)	636	696
Other financing sources (uses):				
Transfers in	33	4,205	-	4,238
Transfers out	-	-	(33)	(33)
Total other financing sources and uses	33	4,205	(33)	4,205
Net change in fund balances	2,948	1,350	603	4,901
Fund balances, beginning	4,205	15,228	37,260	56,693
Fund balances, ending	\$ 7,153	\$ 16,578	\$ 37,863	\$ 61,594

EXHIBIT 16
TOWN OF EFFINGHAM, NEW HAMPSHIRE
General Fund
Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)
For the Year Ended December 31, 2019

	Estimated	Actual	Variance Positive (Negative)
Taxes:			
Property	\$ 1,543,952	\$ 1,636,948	\$ 92,996
Timber	1,600	38,249	36,649
Excavation	-	133	133
Interest and penalties on delinquent taxes	65,000	68,566	3,566
Total taxes	1,610,552	1,743,896	133,344
Licenses, permits and fees:			
Business licenses and permits	6,095	6,427	332
Motor vehicle permits	220,000	314,075	94,075
Building permits	1,600	3,395	1,795
Other	2,000	4,762	2,762
Total licenses, permits and fees	229,695	328,659	98,964
Intergovernmental:			
State sources:			
Municipal aid	-	40,469	40,469
Meals and rooms distributions	75,782	75,782	-
Highway block grant	83,541	83,416	(125)
State and federal forest land	1,877	1,877	-
Federal source:			
FEMA	-	60,935	60,935
Other government sources:			
Parsonfield mutual aid	-	3,000	3,000
Total intergovernmental	161,200	265,479	104,279
Charges for services:			
Income from departments	13,000	15,723	2,723
Miscellaneous:			
Sale of property	-	3,381	3,381
Interest on investments	-	2,106	2,106
Insurance dividends and reimbursements	-	426	426
Other	9,000	16,936	7,936
Total miscellaneous	9,000	22,849	13,849
Other financing sources:			
Transfers in:			
Expendable trust fund	-	16,499	16,499
Total revenues and other financing sources	2,023,447	\$ 2,393,105	\$ 369,658
Fund balance appropriated	236,000		
Total revenues, other financing sources and use of fund balance	\$ 2,259,447		

EXHIBIT 17
TOWN OF EFFINGHAM, NEW HAMPSHIRE
General Fund
Schedule of Appropriations, Expenditures and Encumbrances (Non-GAAP Budgetary Basis)
For the Year Ended December 31, 2019

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
General government:					
Executive	\$ -	\$ 127,700	\$ 125,028	\$ 1,398	\$ 1,274
Election and registration	-	36,465	37,275	-	(810)
Financial administration	-	55,817	49,554	-	6,263
Revaluation of property	-	57,250	23,821	27,000	6,429
Legal	-	30,000	26,445	-	3,555
Personnel administration	-	65,000	56,156	-	8,844
Planning and zoning	829	26,907	20,159	-	7,577
General government buildings	-	74,000	62,016	4,375	7,609
Cemeteries	-	2,500	1,270	-	1,230
Insurance, not otherwise allocated	-	108,800	78,436	-	30,364
Advertising and regional associations	-	3,000	3,864	-	(864)
Total general government	<u>829</u>	<u>587,439</u>	<u>484,024</u>	<u>32,773</u>	<u>71,471</u>
Public safety:					
Police	-	194,213	184,759	4,600	4,854
Ambulance	-	58,017	58,017	-	-
Fire	-	80,500	142,773	-	(62,273)
Emergency management	-	6,510	7,404	-	(894)
Total public safety	<u>-</u>	<u>339,240</u>	<u>392,953</u>	<u>4,600</u>	<u>(58,313)</u>
Highways and streets:					
Highways and streets	20,167	729,500	549,400	142,265	58,002
Bridges	-	225,001	2,800	222,500	(299)
Street lighting	-	7,750	5,739	-	2,011
Total highways and streets	<u>20,167</u>	<u>962,251</u>	<u>557,939</u>	<u>364,765</u>	<u>59,714</u>
Sanitation:					
Solid waste collection	-	67,100	67,189	-	(89)
Solid waste disposal	-	89,000	75,699	-	13,301
Solid waste clean-up	-	15,000	12,033	-	2,967
Total sanitation	<u>-</u>	<u>171,100</u>	<u>154,921</u>	<u>-</u>	<u>16,179</u>
Health:					
Pest control	-	500	-	-	500
Health agencies and hospitals	-	20,966	20,966	-	-
Total health	<u>-</u>	<u>21,466</u>	<u>20,966</u>	<u>-</u>	<u>500</u>
Welfare:					
Direct assistance	-	12,000	8,573	-	3,427
Vendor payments	-	4,500	3,785	-	715
Total welfare	<u>-</u>	<u>16,500</u>	<u>12,358</u>	<u>-</u>	<u>4,142</u>

(continued)

EXHIBIT 17 (continued)
TOWN OF EFFINGHAM, NEW HAMPSHIRE
General Fund
Schedule of Appropriations, Expenditures and Encumbrances (Non-GAAP Budgetary Basis)
For the Year Ended December 31, 2019

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Culture and recreation:					
Parks and recreation	-	20,000	20,000	-	-
Public library	-	61,435	59,628	-	1,807
Patriotic purposes	-	700	928	-	(228)
Total culture and recreation	-	82,135	80,556	-	1,579
Conservation	-	1,000	842	-	158
Debt service:					
Interest on tax anticipation note	-	1	-	-	1
Capital outlay:					
Improvements other than buildings	146,122	-	2,500	-	143,622
Other financing uses:					
Transfers out:					
Expendable trust fund	-	74,110	74,110	-	-
Nonmajor funds	-	4,205	4,205	-	-
Total other financing uses	-	78,315	78,315	-	-
Total encumbrances, appropriations, expenditures and other financing uses	\$ 167,118	\$ 2,259,447	\$ 1,785,374	\$ 402,138	\$ 239,053

EXHIBIT 18
TOWN OF EFFINGHAM, NEW HAMPSHIRE
General Fund
Schedule of Changes in Unassigned Fund Balance (Non-GAAP Budgetary Basis)
For the Year Ended December 31, 2019

Unassigned fund balance, beginning		\$ 570,033
Changes:		
Unassigned fund balance appropriated		(236,000)
Budget summary:		
Revenue surplus (Exhibit 16)	\$ 369,658	
Unexpended balance of appropriations (Exhibit 17)	<u>239,053</u>	
Budget surplus		608,711
Increase in nonspendable fund balance		<u>(2,995)</u>
Unassigned fund balance, ending		<u><u>\$ 939,749</u></u>



Roberts & Greene, PLLC

INDEPENDENT AUDITOR'S COMMUNICATION TO MANAGEMENT

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

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Effingham as of and for the year ended December 31, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered the Town's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

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

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

We do wish to communicate the following other matters:

Capital Assets and Capital Asset Policy – Repeat Finding

The Town has not recorded its capital assets and accumulated depreciation, as required by generally accepted accounting principles. The Town did initiate the process of compiling the necessary information, but has not provided a listing of all its capital assets at cost nor its related accumulated depreciation. We recommend that the Town review its capital asset policy, update it if necessary, and complete the inventorying and reporting of its capital assets.

Reconciliation of Cash Account

Reconciliation of the reconciled bank balance to the Town's general ledger was not done in a timely manner during the year. We noted several unrecorded or duplicated transactions relating to deposits. It appeared that deposit transactions were entered from bank statements, rather than from source documentation and then compared to the bank statement. We recommend that the general ledger cash balance be reconciled to the Treasurer's monthly reconciliation report and the bank statement so that all transactions are properly recorded.

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.

February 3, 2021

Roberts & Greene, PLLC