

TOWN OF TUFTONBORO, NEW HAMPSHIRE

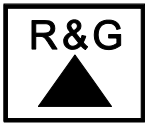
ANNUAL FINANCIAL REPORT

AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2014

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

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Roberts & Greene, PLLC

INDEPENDENT AUDITOR'S REPORT

To the Members of the Board of Selectmen
Town of Tuftonboro
Tuftonboro, 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 Tuftonboro, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Tuftonboro, as of December 31, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

The Town of Tuftonboro 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 Tuftonboro'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.

June 3, 2015

Roberts & Greene, PLLC

BASIC FINANCIAL STATEMENTS

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

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 3,693,302
Investments	1,106,174
Receivables, net of allowance for uncollectibles	848,278
Tax deeded property held for resale	19,285
Capital assets, not being depreciated:	
Land	1,016,703
Capital assets, net of accumulated depreciation:	
Buildings and building improvements	2,877,443
Machinery, vehicles and equipment	815,246
Infrastructure	2,669,110
Improvements other than buildings	32,255
Total assets	<u>13,077,796</u>
LIABILITIES	
Accounts payable	91,845
Accrued payroll and benefits	26,896
Accrued interest payable	33,398
Intergovernmental payable	2,843,167
Performance and escrow deposits	150
Noncurrent obligations:	
Due within one year:	
Note payable	153,710
Accrued landfill postclosure care costs	8,200
Due in more than one year:	
Note payable	1,844,524
Compensated absences	43,451
Accrued landfill postclosure care costs	155,800
Total liabilities	<u>5,201,141</u>
DEFERRED INFLOWS OF RESOURCES	
Unearned revenue	<u>8,387</u>
NET POSITION	
Net investment in capital assets	5,412,523
Restricted for:	
Endowments:	
Nonexpendable	14,614
Expendable	185,193
Other purposes	274,306
Unrestricted	1,981,632
Total net position	<u><u>\$ 7,868,268</u></u>

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

EXHIBIT 2
TOWN OF TUFTONBORO, NEW HAMPSHIRE
Statement of Activities
For the Year Ended December 31, 2014

		Program Revenues		Net (Expense)
		Charges	Operating	Revenue and
		for	Grants and	Changes in
	Expenses	Services	Contributions	Net Position
Governmental activities:				
General government	\$ 1,024,161	\$ 3,775	\$ 328	\$ (1,020,058)
Public safety	1,069,624	9,354	3,381	(1,056,889)
Highways and streets	556,439	-	71,606	(484,833)
Sanitation	291,525	79,282	-	(212,243)
Health	35,163	-	-	(35,163)
Welfare	29,053	-	-	(29,053)
Culture and recreation	262,345	5,458	-	(256,887)
Conservation	24,233	1,590	-	(22,643)
Interest on long-term debt	52,514	-	-	(52,514)
Capital outlay	45,158	-	-	(45,158)
Total governmental activities	<u>\$ 3,390,215</u>	<u>\$ 99,459</u>	<u>\$ 75,315</u>	<u>(3,215,441)</u>
General revenues:				
Property taxes				2,492,920
Other taxes				216,022
Licenses and permits				606,549
Grants and contributions not restricted to specific programs				114,983
Miscellaneous				100,666
Total general revenues				<u>3,531,140</u>
Change in net position				315,699
Net position, beginning, as restated, see Note III.E.				7,552,569
Net position, ending				<u>\$ 7,868,268</u>

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

EXHIBIT 3
TOWN OF TUFTONBORO, NEW HAMPSHIRE
Balance Sheet
Governmental Funds
December 31, 2014

	General	Expendable Trust	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 3,598,261	\$ 7,188	\$ 87,853	\$ 3,693,302
Investments	231,410	670,587	204,177	1,106,174
Receivables, net of allowance for uncollectibles:				
Taxes	844,944	-	-	844,944
Accounts	3,334	-	-	3,334
Interfund receivable	21,786	1,000	-	22,786
Tax deeded property held for resale	19,285	-	-	19,285
Total assets	<u>\$ 4,719,020</u>	<u>\$ 678,775</u>	<u>\$ 292,030</u>	<u>\$ 5,689,825</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 91,845	\$ -	\$ -	\$ 91,845
Accrued salaries and benefits	26,896	-	-	26,896
Intergovernmental payable	2,843,167	-	-	2,843,167
Interfund payable	1,000	15,615	6,171	22,786
Escrow and performance deposits	150	-	-	150
Total liabilities	<u>2,963,058</u>	<u>15,615</u>	<u>6,171</u>	<u>2,984,844</u>
Deferred inflows of resources:				
Deferred revenue	<u>443,785</u>	<u>-</u>	<u>-</u>	<u>443,785</u>
Fund balances:				
Nonspendable	19,285	-	185,193	204,478
Restricted	274,307	-	52,555	326,862
Committed	-	663,160	48,111	711,271
Assigned	20,615	-	-	20,615
Unassigned	997,970	-	-	997,970
Total fund balances	<u>1,312,177</u>	<u>663,160</u>	<u>285,859</u>	<u>2,261,196</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 4,719,020</u>	<u>\$ 678,775</u>	<u>\$ 292,030</u>	<u>\$ 5,689,825</u>

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

EXHIBIT 4
TOWN OF TUFTONBORO, NEW HAMPSHIRE
Reconciliation of Total Fund Balances of Governmental Funds to the Statement of Net Position
December 31, 2014

Total fund balances of governmental funds (Exhibit 3) \$ 2,261,196

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Cost	\$ 14,197,958	
Less accumulated depreciation	<u>(6,787,201)</u>	
		7,410,757

Interfund receivables and payables between governmental funds are eliminated on the statement of net position.

Receivables	\$ (22,786)	
Payables	<u>22,786</u>	
		-

Long-term revenues are not available to pay for current period expenditures and, therefore, are deferred in the funds.

Deferred tax revenue		435,398
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Interest on long-term debt is not accrued in governmental funds.

Accrued interest payable		(33,398)
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Note outstanding	\$ 1,998,234	
Compensated absences payable	43,451	
Accrued landfill postclosure care costs	<u>164,000</u>	
		<u>(2,205,685)</u>

Total net position of governmental activities (Exhibit 1) \$ 7,868,268

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

EXHIBIT 5
TOWN OF TUFTONBORO, NEW HAMPSHIRE
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2014

	General	Expendable Trust Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 2,694,207	\$ -	\$ 5,000	\$ 2,699,207
Licenses, permits and fees	606,549	-	-	606,549
Intergovernmental	190,298	-	-	190,298
Charges for services	89,594	-	9,865	99,459
Miscellaneous	74,611	23,815	25,471	123,897
Total revenues	<u>3,655,259</u>	<u>23,815</u>	<u>40,336</u>	<u>3,719,410</u>
Expenditures:				
Current:				
General government	1,004,842	-	5,758	1,010,600
Public safety	889,876	-	6,014	895,890
Highways and streets	431,672	-	-	431,672
Sanitation	289,825	-	-	289,825
Health	35,163	-	-	35,163
Welfare	29,053	-	-	29,053
Culture and recreation	246,581	-	5,911	252,492
Conservation	24,233	-	-	24,233
Debt service:				
Principal	236,473	-	-	236,473
Interest	58,903	-	-	58,903
Capital outlay	309,086	15,615	-	324,701
Total expenditures	<u>3,555,707</u>	<u>15,615</u>	<u>17,683</u>	<u>3,589,005</u>
Excess of revenues over expenditures	<u>99,552</u>	<u>8,200</u>	<u>22,653</u>	<u>130,405</u>
Other financing sources (uses):				
Transfers in	10,889	95,000	-	105,889
Transfers out	(95,000)	-	(10,889)	(105,889)
Total other financing sources and uses	<u>(84,111)</u>	<u>95,000</u>	<u>(10,889)</u>	<u>-</u>
Net change in fund balances	15,441	103,200	11,764	130,405
Fund balances, beginning, as restated, see Note III.E.	1,296,736	559,960	274,095	2,130,791
Fund balances, ending	<u>\$ 1,312,177</u>	<u>\$ 663,160</u>	<u>\$ 285,859</u>	<u>\$ 2,261,196</u>

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

EXHIBIT 6
TOWN OF TUFTONBORO, NEW HAMPSHIRE
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund
Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2014

Net change in fund balances of governmental funds (Exhibit 5)		\$ 130,405
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capitalized capital outlay in the current period.		
Capitalized capital outlay	\$ 220,266	
Depreciation expense	<u>(338,849)</u>	
		(118,583)
The net effect of disposal of capital assets is to reduce net position.		(45,487)
Transfers in and out between governmental funds are eliminated on the operating statement.		
Transfers in	\$ (105,889)	
Transfers out	<u>105,889</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		12,285
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds, but has no effect on net position.		
Repayment of note principal	\$ 153,710	
Repayment of capital lease principal	<u>168,506</u>	
		322,216
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 accrued interest expense	\$ 6,389	
Decrease in compensated absences payable	1,474	
Decrease in accrued landfill postclosure care costs	<u>7,000</u>	
		<u>14,863</u>
Change in net position of governmental activities (Exhibit 2)		<u>\$ 315,699</u>

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

EXHIBIT 7
TOWN OF TUFTONBORO, NEW HAMPSHIRE
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2014

	Private Purpose Trust	Agency
Assets:		
Cash and cash equivalents	\$ 2,871	\$ 14,055
Investments	98,704	-
Total assets	101,575	14,055
Liabilities:		
Due to developers	-	14,055
Net position:		
Held in trust for specific purposes	\$ 101,575	\$ -

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

EXHIBIT 8
TOWN OF TUFTONBORO, NEW HAMPSHIRE
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended December 31, 2014

	Private Purpose Trust
Additions:	
New funds	\$ 11,567
Investment earnings:	
Interest	8,353
Total additions	19,920
Deductions:	
Trust distributions	13,050
Change in net position	6,870
Net position, beginning	94,705
Net position, ending	\$ 101,575

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

EXHIBIT 9
TOWN OF TUFTONBORO, NEW HAMPSHIRE
General Fund
Schedule of Revenues, Expenditures and Changes in
Unassigned Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
For the Year Ended December 31, 2014

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Taxes	\$ 2,604,819	\$ 2,706,492	\$ 101,673
Licenses, permits and fees	577,500	606,549	29,049
Intergovernmental	191,660	190,298	(1,362)
Charges for services	80,000	86,861	6,861
Miscellaneous	9,000	11,921	2,921
Total revenues	<u>3,462,979</u>	<u>3,602,121</u>	<u>139,142</u>
EXPENDITURES			
Current:			
General government	1,019,159	1,004,842	14,317
Public safety	901,606	889,876	11,730
Highways and streets	426,700	431,672	(4,972)
Sanitation	287,628	289,825	(2,197)
Health	35,951	35,163	788
Welfare	45,000	29,053	15,947
Culture and recreation	210,600	192,284	18,316
Conservation	46,720	24,233	22,487
Debt service:			
Principal	236,473	236,473	-
Interest	58,903	58,903	-
Capital outlay	313,957	314,017	(60)
Total expenditures	<u>3,582,697</u>	<u>3,506,341</u>	<u>76,356</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(119,718)</u>	<u>95,780</u>	<u>215,498</u>
Other financing sources (uses):			
Transfers in	4,718	4,718	-
Transfers out	(96,000)	(95,000)	1,000
Total other financing sources and uses	<u>(91,282)</u>	<u>(90,282)</u>	<u>1,000</u>
Net change in fund balance	<u>\$ (211,000)</u>	5,498	<u>\$ 216,498</u>
Increase in nonspendable fund balance		(3,969)	
Decrease in restricted fund balance		5,064	
Unassigned fund balance, beginning, as restated, see Note III.E.		1,426,775	
Unassigned fund balance, ending		<u>\$ 1,433,368</u>	

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

NOTES TO THE FINANCIAL STATEMENTS

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

I. Summary of Significant Accounting Principles

I.A. Introduction

The accounting and reporting framework and the more significant accounting principles and practices of the Town of Tuftonboro (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 fiscal year ended December 31, 2014.

I.B. Financial Reporting Entity – Basis of Presentation

I.B.1. *Entity Defined*

The Town of Tuftonboro 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 TUFTONBORO, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2014

Fund Financial Statements

Fund financial statements are provided for governmental and fiduciary funds. Major 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.

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.

The agency funds are custodial in nature and do not measure results of operations.

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 purposes of setting the tax rate, property taxes are not deferred in accordance with the directions 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.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as needed.

TOWN OF TUFTONBORO, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
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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.

Expendable Trust Fund – Reports as a Capital Project Fund and is used to account for the financial resources of funds in the custody of the trustees of trust funds, which were established by Town Meeting for future capital outlay purposes.

The Town also reports six nonmajor governmental funds.

Fiduciary Funds

The Town reports the following fiduciary funds:

Private Purpose Trust Funds – Account for financial resources of the Town used only for the benefit of other entities or individuals.

Agency Funds – Account for fiduciary assets held by the Town in a custodial capacity as an agent on behalf of others. The Town's agency funds are used to account for performance bonds held in escrow.

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

I.C.1. *Cash and Investments*

The laws of the State of New Hampshire require that the Town's treasurer have custody of all monies belonging to the Town, other than those held by the trustees of trust funds and library trustees, 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

TOWN OF TUFTONBORO, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
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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.

I.C.2. *Capital Assets and Depreciation*

Generally, the Town's property, plant and equipment with useful lives of more than one year are stated at historical cost and reported in the government-wide financial statements. Donated assets are stated at fair value on the date donated. The Town generally capitalizes assets with cost of \$5,000 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed of, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. Estimated useful lives, in years, for depreciable assets are as follow:

	<u>Years</u>
Buildings and building improvements	25-50
Machinery, vehicles and equipment	5-20
Infrastructure	20-50
Improvements other than buildings	25

I.C.3. *Long-Term Debt*

In the government-wide financial statements, outstanding debt is reported as liabilities. The balance of long-term debt is not reported in the governmental funds.

I.C.4 *Compensated Absences*

Eligible employees are granted vacation benefits in varying amounts based on the number of years in employment, and can carry up to ten days accrual. Employees are entitled to their vacation leave upon termination.

Eligible employees are granted sick leave benefits in varying amounts depending on the date of hire, and can accrue up to thirty (30) days. Employees who have a minimum of five years of service time are entitled to 50% of their unused sick leave upon termination.

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

I.C.5. *Equity*

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

- Net investment in capital assets, which is computed as the total capital assets less accumulated depreciation, net of outstanding debt used to acquire those assets.
- Restricted for endowments, nonexpendable, which consists of the principal of endowments in the permanent funds that must be permanently invested for perpetual care and other purposes.
- Restricted for endowments, expendable, which consists of the income earned on nonexpendable endowments that is reported in the permanent funds for perpetual care and other purposes.
- Restricted for other purposes, which consists of the balance of note proceeds and the library's resources, whose use is restricted by State law, and the milfoil fund, whose resources are restricted by grantors and contributors.
- Unrestricted, which consists of the remaining balance of net position.

The governmental funds report the following components of fund balance:

- Nonspendable, which consists of endowments in the permanent funds, and the tax deeded property, held for resale.
- Restricted, which represents the expendable income from permanent funds, the library fund, and the unspent proceeds of the note drawdowns, whose use is restricted 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, and would require an equally formal action to remove those commitments.
- Unassigned, which represents the total fund balance in the general fund in excess of the nonspendable, restricted, committed and assigned balances.

I.C.6 *Estimates*

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**TOWN OF TUFTONBORO, NEW HAMPSHIRE
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II. Stewardship, Compliance and Accountability

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund. Unless encumbered, all appropriations lapse at year-end. The Town is allowed to use beginning fund balance to balance the budget. In 2014, \$211,000 of the fund balance from 2013 was used.

Encumbrance accounting is employed by the governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as assignments of fund balances and do not constitute expenditures or liabilities because the amounts will be added to the appropriations voted in the subsequent year.

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, conservation, debt service and capital outlay. Management can transfer appropriations among budget line items as necessary, but the total expenditures cannot exceed the total appropriations unless permission is received from the Commissioner of Revenue Administration.

This note continues on the following page.

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Reconciliation of General Fund Budgetary Basis to GAAP

Revenues and other financing sources:	
Per Exhibit 9 (budgetary basis)	\$ 3,606,839
Adjustments:	
Basis difference:	
Tax revenue deferred in the prior year	423,113
Tax revenue deferred in the current year	(435,398)
Perspective difference:	
Revenue from library fund	71,594
Per Exhibit 5 (GAAP basis)	<u>\$ 3,666,148</u>
Expenditures and other financing uses:	
Per Exhibit 9 (budgetary basis)	\$ 3,601,341
Adjustments:	
Basis difference:	
Encumbrances, ending	(20,615)
Perspective difference:	
Expenditures of library fund	69,981
Per Exhibit 5 (GAAP basis)	<u>\$ 3,650,707</u>
Unassigned fund balance:	
Per Exhibit 9 (budgetary basis)	\$ 1,433,368
Adjustment:	
Basis difference:	
Deferred tax revenue, GAAP basis	(435,398)
Per Exhibit 3 (GAAP basis)	<u>\$ 997,970</u>

A project-length budget was adopted for the Fire Station Capital Project Fund.

III. Detailed Notes on Funds and Government-Wide Statements

III.A. Assets

III.A.1. Investments

As of December 31, 2014, the Town's reporting entity had the following investments:

Certificates of Deposit	\$ 157,663
Mutual Funds	1,026,301
Common Stock	20,914
	<u>\$ 1,204,878</u>

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The investments appear in the financial statements as follow:

Fund reporting level:

Governmental funds - balance sheet (Exhibit 3)	\$ 1,106,174
Fiduciary funds - statement of fiduciary net position (Exhibit 7)	98,704
Total	<u>\$ 1,204,878</u>

Investment Risks

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. New Hampshire law limits investments to those described in Note I.C.1. The Town does not have an investment policy that places any further restrictions on its investment choices.

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The Town does not have an investment policy that addresses limiting interest rate risk.

Concentration of Credit Risk is the risk of loss attributed to the magnitude of the Town's investment in a single issuer. The Town does not have an investment policy that addresses concentration of credit risk. As of December 31, 2014, the Town had \$332,993 in the Vanguard Fixed Income Securities, \$200,337 invested in the Fidelity Concord STR S/T Fund, and \$157,663 in a People's United Bank certificate of deposit (CD), representing 27.64%, 16.63% and 13.09%, respectively, of the total investments.

III.A.2. Receivables, Uncollectible Accounts and Deferred Revenue

Property Taxes Receivable and Property Tax Calendar

Property taxes are levied and collected by the Town on a semi-annual basis. Tax bills are due on or around July 1 and December 1, with interest of 12% per annum on all taxes not received by the due date. The first billing is an estimate only based on half of the previous year's billing. The final billing is levied based on an inventory taken in April of each year (the tax year runs from April 1 to March 31), and is assessed after the tax rate has been calculated and set by the New Hampshire Department of Revenue Administration. A lien is executed on any unpaid property taxes in the following year and this lien takes priority over any others. Interest of 18% per annum is charged upon redemption of lien taxes. Properties not redeemed within two years of the date of the tax lien are deeded to the Town. During the current year, the tax collector executed a lien for uncollected 2013 property taxes on May 7th.

The property taxes levied and collected by the Town include amounts for the State of New Hampshire, the Governor Wentworth Regional School District, Carroll County, and the Lower Beech Pond Dam Village District. The Town is responsible for the collection of all these taxes. During the annual tax rate

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setting process, the Town sets an amount for potential abatements and tax deeding, known as overlay. Overlay is raised through taxation and is reported as a reduction in tax revenue.

The net assessed valuation as of April 1, 2014, upon which the 2014 property tax levy was based was:

For the New Hampshire education tax	\$ 953,709,644
For all other taxes	\$ 966,641,444

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

	Per \$1,000 of Assessed Valuation	
Municipal portion	\$2.70	\$ 2,615,866
School portion:		
State of New Hampshire	\$2.64	2,516,532
Local	\$3.43	3,314,124
County portion	\$1.22	1,176,086
Total property taxes assessed		<u>\$ 9,622,608</u>

The following details the taxes receivable at year-end:

Property:	
Levy of 2013	\$ 703,342
Unredeemed (under tax lien):	
Levy of 2014	96,861
Levy of 2013	49,741
Levy of 2012	2,127
Timber	2,873
Total taxes receivable	<u>\$ 844,944</u>

Other Receivables and Uncollectible Accounts

Significant receivables include amounts for police detail, an insurance reimbursement, and elderly and welfare liens. Governmental funds report accounts receivable net of any allowance for uncollectible amounts and revenues net of uncollectibles. The allowance amount consists of liens that are not expected to be collected in time to be considered available at year-end. Related amounts are shown in the following table:

Accounts	\$ 3,334
Liens	46,343
Less: allowance for uncollectible amounts	<u>(46,343)</u>
Net total receivables	<u>\$ 3,334</u>

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Deferred Revenue

Deferred revenue of \$443,785 at December 31, 2014, represents \$435,398 in taxes that were not collected within 60 days from year-end, and therefore, are deferred in accordance with generally accepted accounting principles, and \$8,387 in prepayments of 2015 property taxes.

III.A.3. Capital Assets

Changes in Capital Assets

The following table provides a summary of changes in capital assets:

	Balance, beginning	Additions	Deletions	Balance, ending
Governmental activities:				
At cost:				
Not being depreciated:				
Land	\$ 1,019,253	\$ -	\$ (2,550)	\$ 1,016,703
Being depreciated:				
Buildings and building improvements	3,319,879	-	-	3,319,879
Machinery, vehicles and equipment	2,965,246	26,466	(463,987)	2,527,725
Infrastructure	7,113,974	185,000	-	7,298,974
Improvements other than buildings	25,877	8,800	-	34,677
Total capital assets being depreciated	<u>13,424,976</u>	<u>220,266</u>	<u>(463,987)</u>	<u>13,181,255</u>
Total all capital assets	<u>14,444,229</u>	<u>220,266</u>	<u>(466,537)</u>	<u>14,197,958</u>
Less accumulated depreciation:				
Buildings and building improvements	(378,066)	(64,370)	-	(442,436)
Machinery, vehicles and equipment	(1,984,148)	(149,381)	421,050	(1,712,479)
Infrastructure	(4,506,153)	(123,711)	-	(4,629,864)
Improvements other than buildings	(1,035)	(1,387)	-	(2,422)
Total accumulated depreciation	<u>(6,869,402)</u>	<u>(338,849)</u>	<u>421,050</u>	<u>(6,787,201)</u>
Net book value, capital assets being depreciated	<u>6,555,574</u>	<u>(118,583)</u>	<u>(42,937)</u>	<u>6,394,054</u>
Net book value, all capital assets	<u><u>\$ 7,574,827</u></u>	<u><u>\$ (118,583)</u></u>	<u><u>\$ (45,487)</u></u>	<u><u>\$ 7,410,757</u></u>

Depreciation Expense

Depreciation expense was charged to functions of the Town as follows:

Governmental activities:	
General government	\$ 17,106
Public safety	177,568
Highways and streets	124,767
Sanitation	11,544
Culture and recreation	7,864
Total depreciation expense	<u><u>\$ 338,849</u></u>

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III.A.4. Restricted Net Position

The government-wide statement of net position includes restricted net position totaling \$474,113, which represents \$199,807 for public trust funds reported as restricted to reflect purpose restrictions contained in trust indentures, and \$274,306 for general government, culture and recreation, and capital outlay purposes restricted through State of New Hampshire law or enabling legislation.

III.B. Liabilities

III.B.1 Intergovernmental Payable

The amount due to other governments of \$2,843,167 at December 31, 2014 consists of \$2,815,179 due to the Governor Wentworth Regional School District for the balance of the 2014-2015 district assessment and \$27,988 due to the Lower Beech Pond Dam Village District for the 2014 assessment.

III.B.2 Long-Term Debt

General obligation notes and capital leases are approved by the voters and repaid with general revenues (property taxes). Long-term liabilities currently outstanding are as follow:

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at 12/31/2014	Current Portion
General obligation note payable:						
Fire Station	\$ 2,151,944	2012	2027	2.49	\$ 1,998,234	\$ 153,710
Compensated absences payable:						
Vested sick leave					22,148	-
Accrued vacation leave					21,303	-
					<u>43,451</u>	<u>-</u>
Accrued landfill postclosure care costs					164,000	8,200
					<u>\$ 2,205,685</u>	<u>\$ 161,910</u>

Changes in Long-Term Liabilities

The following is a summary of changes in long-term liabilities for the year ended December 31, 2014:

	General Obligation Note Payable	Capital Leases Payable	Compensated Absences Payable	Accrued Landfill Postclosure Care Costs	Total
Balance, beginning	\$ 2,151,944	\$ 168,506	\$ 44,925	\$ 171,000	\$ 2,536,375
Reductions	<u>(153,710)</u>	<u>(168,506)</u>	<u>(1,474)</u>	<u>(7,000)</u>	<u>(330,690)</u>
Balance, ending	<u>\$ 1,998,234</u>	<u>\$ -</u>	<u>\$ 43,451</u>	<u>\$ 164,000</u>	<u>\$ 2,205,685</u>

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Debt Service Requirements to Maturity

The annual debt service requirements to maturity for the Town's note payable as of year-end are as follow:

Fiscal Year Ending December 31,	Governmental Activities		
	Principal	Interest	Total
2015	\$ 153,710	\$ 49,756	\$ 203,466
2016	153,710	45,929	199,639
2017	153,710	42,101	195,811
2018	153,710	38,274	191,984
2019	153,710	34,446	188,156
2020-2024	768,551	114,822	883,373
2025-2027	461,133	22,964	484,097
Totals	<u>\$ 1,998,234</u>	<u>\$ 348,292</u>	<u>\$ 2,346,526</u>

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 receivables and payables within the reporting entity at fiscal year-end:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Expendable trust	\$ 15,615
General	Nonmajor	6,171
Expendable	General	1,000
		<u>\$ 22,786</u>

The amount due to the General Fund from the Expendable Trust Fund represents a reimbursement of expenditures. The amount due to the General Fund from the nonmajor funds represents distributions of income earned in the Permanent Fund for culture and recreation purposes. The amount due to the nonmajor funds from the General Fund represents a voted appropriation to the Milfoil Trust Fund that has not yet been transferred.

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III.C.2. Transfers

Transfers within the reporting entity are substantially for the purposes of voted amounts, and distributing trust income to the applicable funds. 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:		
	General Fund	Expendable Trust Fund	Total
Transfers out:			
General fund	\$ -	\$ 95,000	\$ 95,000
Nonmajor funds	10,889	-	10,889
	<u>\$ 10,889</u>	<u>\$ 95,000</u>	<u>\$ 105,889</u>

The amount transferred to the Expendable Trust Fund from the General Fund represents voted appropriations, and the amount transferred from the nonmajor funds to the General Fund represents distributions of earned income from the permanent funds.

III.D. Fund Equity

The components of fund balance, as described in Note I.C.5, are reported for the following purposes:

	General Fund	Expendable Trust Fund	Nonmajor Funds
Nonspendable:			
Endowments	\$ -	\$ -	\$ 185,193
Tax deeded property	19,285	-	-
Total nonspendable	<u>19,285</u>	<u>-</u>	<u>185,193</u>
Restricted:			
General government	-	-	14,614
Culture and recreation	290,390	-	-
Conservation	4,532	-	-
Capital outlay	-	-	37,941
Total restricted	<u>294,922</u>	<u>-</u>	<u>52,555</u>
Committed:			
General government	-	-	48,111
Capital outlay	-	663,160	-
Total committed	<u>-</u>	<u>663,160</u>	<u>48,111</u>
Assigned:			
Capital outlay	20,615	-	-
Unassigned	997,970	-	-
Total fund balance	<u>\$ 1,332,792</u>	<u>\$ 663,160</u>	<u>\$ 285,859</u>

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III.E. Restatement

Equity balances at January 1, 2014 were restated to reflect the following adjustment:

	Governmental Activities	General Fund GAAP Basis	General Fund Unassigned Budgetary Basis
To record accrued payroll	\$ (20,026)	\$ (20,026)	\$ (20,026)
Net position/fund balance, as previously reported	7,572,595	1,316,762	1,446,801
Net position/fund balance, as restated	<u>\$ 7,552,569</u>	<u>\$ 1,296,736</u>	<u>\$ 1,426,775</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) Workers' Compensation and Property/Liability Programs, which are considered public entity risk pools, currently operating as common risk management and insurance programs for member governmental entities.

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 are provided from January 1 through December 31. Primex retained \$1,000,000 of each workers' compensation loss, \$500,000 of each liability loss, and \$200,000 of each property loss.

Contributions paid in 2014 to be recorded as an insurance expenditure/expense totaled \$44,379, which includes \$7,903 paid for workers' compensation. The membership agreement permits Primex to make additional assessments to members should there be a deficiency in contributions for any member year, not to exceed the member's annual contribution. At this time, Primex foresees no likelihood of any additional assessments for past years.

IV.B. Retirement Pensions

The New Hampshire Retirement System (NHRS) is a multiple-employer, cost-sharing, contributory public employee defined benefit plan qualified under section 401(a) of the Internal Revenue Code, and funded through a trust which is exempt from tax under Internal Revenue Code section 501(a). The NHRS provides service, disability, death and vested retirement benefits for the members and their beneficiaries. The New Hampshire Legislature establishes the provisions for benefits and

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contributions. The NHRS issues a separate financial report that is available by contacting the NHRS at 54 Regional Drive, Concord, NH 03301.

Both the members and the Town make contributions to the NHRS. Member rates of contribution are set by the Legislature. Employer rates are determined by the NHRS trustees based on an actuarial valuation. Both member and employer rates are applied to gross earnings. For the year 2014, the member rates of contribution were 11.55% for police, 11.80% for fire personnel and 7.00% for other employees. The rates of contribution from the Town for pension and medical subsidy were 25.30% for police, 27.74% for fire personnel, and 10.77% for other employees. Employer contributions from the Town during the years 2012, 2013 and 2014 were \$86,640, \$102,285 and \$119,115, respectively. The amounts are paid on a monthly basis as due.

IV.C. Contingent Liabilities

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

There are various legal claims pending against the Town which arose in the normal course of the Town's activities. In the opinion of management, the ultimate disposition of these various claims will not have a material effect on the financial position of the Town.

COMBINING NONMAJOR AND INDIVIDUAL GENERAL FUND SCHEDULES

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

	Special Revenue Funds				Capital Project Fund		
	Christmas	Recreation Revolving	Conservation Commission	Police Special Detail Revolving	Fire Station	Permanent Fund	Total
ASSETS							
Cash and cash equivalents	\$ 4,191	\$ 8,696	\$ 31,320	\$ 3,904	\$ 37,941	\$ 1,801	\$ 87,853
Investments	-	-	-	-	-	204,177	204,177
Total assets	<u>\$ 4,191</u>	<u>\$ 8,696</u>	<u>\$ 31,320</u>	<u>\$ 3,904</u>	<u>\$ 37,941</u>	<u>\$ 205,978</u>	<u>\$ 292,030</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Interfund payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,171</u>	<u>\$ 6,171</u>
Fund balances:							
Nonspendable	-	-	-	-	-	185,193	185,193
Restricted	-	-	-	-	37,941	14,614	52,555
Committed	<u>4,191</u>	<u>8,696</u>	<u>31,320</u>	<u>3,904</u>	<u>-</u>	<u>-</u>	<u>48,111</u>
Total fund balances	<u>4,191</u>	<u>8,696</u>	<u>31,320</u>	<u>3,904</u>	<u>37,941</u>	<u>199,807</u>	<u>285,859</u>
Total liabilities and fund balances	<u>\$ 4,191</u>	<u>\$ 8,696</u>	<u>\$ 31,320</u>	<u>\$ 3,904</u>	<u>\$ 37,941</u>	<u>\$ 205,978</u>	<u>\$ 292,030</u>

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

	Special Revenue Funds				Capital Project Fund		
	Christmas	Recreation Revolving	Conservation Commission	Police Special Detail Revolving	Fire Station	Permanent Fund	Total
REVENUES							
Taxes	\$ -	\$ -	\$ 5,000	\$ -	\$ -	\$ -	\$ 5,000
Charges for services	-	2,725	-	7,140	-	-	9,865
Miscellaneous	6,677	4,411	3	-	-	14,380	25,471
Total revenues	6,677	7,136	5,003	7,140	-	14,380	40,336
EXPENDITURES							
Current:							
General government	5,758	-	-	-	-	-	5,758
Public safety	-	-	-	6,014	-	-	6,014
Culture and recreation	-	5,499	-	-	-	412	5,911
Total expenditures	5,758	5,499	-	6,014	-	412	17,683
Excess of revenues over expenditures	919	1,637	5,003	1,126	-	13,968	22,653
Other financing uses:							
Transfers out	-	-	-	-	-	(10,889)	(10,889)
Net change in fund balances	919	1,637	5,003	1,126	-	3,079	11,764
Fund balances, beginning	3,272	7,059	26,317	2,778	37,941	196,728	274,095
Fund balances, ending	\$ 4,191	\$ 8,696	\$ 31,320	\$ 3,904	\$ 37,941	\$ 199,807	\$ 285,859

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

	Estimated	Actual	Variance Positive (Negative)
Taxes:			
Property	\$ 2,407,468	\$ 2,495,470	\$ 88,002
Land use change	94,630	94,630	-
Timber	20,140	30,832	10,692
Excavation	614	631	17
Boat registration	22,200	23,158	958
Payments in lieu of taxes	9,767	9,750	(17)
Interest and penalties on delinquent taxes	50,000	52,021	2,021
Total taxes	<u>2,604,819</u>	<u>2,706,492</u>	<u>101,673</u>
Licenses, permits and fees:			
Business licenses and permits	45,000	40,586	(4,414)
Motor vehicle permits	500,000	527,542	27,542
Building permits	25,000	30,794	5,794
Other	7,500	7,627	127
Total licenses, permits and fees	<u>577,500</u>	<u>606,549</u>	<u>29,049</u>
Intergovernmental:			
State sources:			
Meals and rooms distributions	114,983	114,983	-
Highway block grant	71,350	71,606	256
Railroad and other grants	327	328	1
Other governmental revenue	5,000	3,381	(1,619)
Total intergovernmental	<u>191,660</u>	<u>190,298</u>	<u>(1,362)</u>
Charges for services:			
Income from departments	<u>80,000</u>	<u>86,861</u>	<u>6,861</u>
Miscellaneous:			
Interest on investments	4,000	3,600	(400)
Fines and forfeits	-	25	25
Insurance dividends and reimbursements	-	2,609	2,609
Contributions and donations	-	400	400
Other	5,000	5,287	287
Total miscellaneous	<u>9,000</u>	<u>11,921</u>	<u>2,921</u>
Other financing sources:			
Transfers in:			
Expendable trust fund	<u>4,718</u>	<u>4,718</u>	<u>-</u>
Total revenues and other financing sources	3,467,697	<u>\$ 3,606,839</u>	<u>\$ 139,142</u>
Use of fund balance to reduce taxes	211,000		
Total revenues, other financing sources and use of fund balance	<u>\$ 3,678,697</u>		

EXHIBIT 13
TOWN OF TUFTONBORO, NEW HAMPSHIRE
General Fund

Schedule of Appropriations, Expenditures and Encumbrances (Non-GAAP Budgetary Basis)
For the Year Ended December 31, 2014

	<u>Appropriations</u>	<u>Expenditures</u>	<u>Encumbered to Subsequent Year</u>	<u>Variance Positive (Negative)</u>
Current:				
General government:				
Executive	\$ 82,780	\$ 76,688	\$ -	\$ 6,092
Election and registration	71,064	69,453	-	1,611
Financial administration	112,405	109,941	-	2,464
Revaluation of property	66,000	65,288	-	712
Legal	38,500	46,341	-	(7,841)
Personnel administration	457,101	456,897	-	204
Planning and zoning	18,884	14,922	-	3,962
General government buildings	104,660	102,396	-	2,264
Cemeteries	14,900	16,230	-	(1,330)
Insurance, not otherwise allocated	47,015	44,379	-	2,636
Other	5,850	2,307	-	3,543
Total general government	<u>1,019,159</u>	<u>1,004,842</u>	<u>-</u>	<u>14,317</u>
Public safety:				
Police	337,133	330,568	-	6,565
Ambulance	180,000	180,000	-	-
Fire	319,890	316,280	-	3,610
Building inspection	55,033	53,480	-	1,553
Emergency management	9,550	9,548	-	2
Total public safety	<u>901,606</u>	<u>889,876</u>	<u>-</u>	<u>11,730</u>
Highways and streets:				
Highways and streets	418,700	423,362	-	(4,662)
Bridges	8,000	8,310	-	(310)
Total highways and streets	<u>426,700</u>	<u>431,672</u>	<u>-</u>	<u>(4,972)</u>
Sanitation:				
Solid waste disposal	<u>287,628</u>	<u>289,825</u>	<u>-</u>	<u>(2,197)</u>
Health:				
Pest control	2,000	1,212	-	788
Health agencies and hospitals	33,951	33,951	-	-
Total health	<u>35,951</u>	<u>35,163</u>	<u>-</u>	<u>788</u>
Welfare	<u>45,000</u>	<u>29,053</u>	<u>-</u>	<u>15,947</u>

(continued)

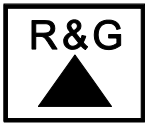
EXHIBIT 13 (continued)
TOWN OF TUFTONBORO, NEW HAMPSHIRE
General Fund

Schedule of Appropriations, Expenditures and Encumbrances (Non-GAAP Budgetary Basis)
For the Year Ended December 31, 2014

	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Culture and recreation:				
Parks and recreation	34,211	31,920	-	2,291
Public library	174,589	158,864	-	15,725
Patriotic purposes	1,800	1,500	-	300
Total culture and recreation	<u>210,600</u>	<u>192,284</u>	<u>-</u>	<u>18,316</u>
Conservation:				
Administration	13,720	7,642	-	6,078
Other	<u>33,000</u>	<u>16,591</u>	<u>-</u>	<u>16,409</u>
Total conservation	<u>46,720</u>	<u>24,233</u>	<u>-</u>	<u>22,487</u>
Debt service:				
Principal	236,473	236,473	-	-
Interest	<u>58,903</u>	<u>58,903</u>	<u>-</u>	<u>-</u>
Total debt service	<u>295,376</u>	<u>295,376</u>	<u>-</u>	<u>-</u>
Capital outlay:				
Improvements other than buildings	<u>313,957</u>	<u>293,402</u>	<u>20,615</u>	<u>(60)</u>
Other financing uses:				
Transfers out:				
Expendable trust fund	95,000	95,000	-	-
Nonmajor funds	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>1,000</u>
Total other financing uses	<u>96,000</u>	<u>95,000</u>	<u>-</u>	<u>1,000</u>
Total encumbrances, appropriations, expenditures and other financing uses	<u>\$ 3,678,697</u>	<u>\$ 3,580,726</u>	<u>\$ 20,615</u>	<u>\$ 77,356</u>

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

Unassigned fund balance, beginning, as restated, see Note III.E.		\$ 1,426,775
Changes:		
Unassigned fund balance used to reduce tax rate		(211,000)
Budget summary:		
Revenue surplus (Exhibit 12)	\$ 139,142	
Unexpended balance of appropriations (Exhibit 13)	<u>77,356</u>	
Budget surplus		216,498
Increase in nonspendable fund balance		(3,969)
Decrease in restricted fund balance		<u>5,064</u>
Unassigned fund balance, ending		<u><u>\$ 1,433,368</u></u>



Roberts & Greene, PLLC

INDEPENDENT AUDITOR'S COMMUNICATION TO MANAGEMENT

To the Members of the Board of Selectmen
Town of Tuftonboro
Tuftonboro, 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 Tuftonboro as of and for the year ended December 31, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered the Town's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

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

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, we consider the following deficiency in internal control to be a significant deficiency.

Recreation Department Expenditures

We noted that the Town reimburses the Recreation Director for expenditures related to the recreation department operations. We also noted reimbursements as part of the capital outlay activity for the Recreation Department. Purchases should be handled through the Town's normal purchasing procedures. Allowing employees to purchase items and then be reimbursed, removes some key control elements, including monitoring and approval, and increases the opportunity for misappropriation of assets. We recommend that the Recreation Director make all purchases by ordering items and having the vendors invoice the Town for them.

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

June 3, 2015

Roberts & Greene, PLLC