

TOWN OF TUFTONBORO, NEW HAMPSHIRE

FINANCIAL REPORT

AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2017

**TOWN OF TUFTONBORO, NEW HAMPSHIRE
FINANCIAL REPORT
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2017**

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
Fiduciary Funds – Statement of Fiduciary Net Position (Exhibit 8)	10
Fiduciary Funds – Statement of Changes in Fiduciary Net Position (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)	29
Schedule of the Town's Pension Contributions (Exhibit 11)	30
Note to the Required Supplementary Information	31
COMBINING NONMAJOR AND INDIVIDUAL GENERAL FUND SCHEDULES	
Nonmajor Governmental Funds	
Combining Balance Sheet (Exhibit 12)	32
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Exhibit 13)	33
Major General Fund	
Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis) (Exhibit 14)	34
Schedule of Appropriations, Expenditures and Encumbrances (Non-GAAP Budgetary Basis) (Exhibit 15)	35
Schedule of Changes in Unassigned Fund Balance (Non-GAAP Budgetary Basis) (Exhibit 16)	37
INDEPENDENT AUDITOR'S COMMUNICATION TO MANAGEMENT	38

BASIC FINANCIAL STATEMENTS

DRAFT

EXHIBIT 1
TOWN OF TUFTONBORO, NEW HAMPSHIRE
Statement of Net Position
December 31, 2017

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 4,647,453
Investments	1,570,288
Receivables, net of allowance for uncollectibles	592,491
Tax deeded property held for resale	20,945
Capital assets, not being depreciated:	
Land	1,053,874
Construction in progress	99,863
Capital assets, net of accumulated depreciation:	
Buildings and building improvements	2,686,185
Machinery, vehicles and equipment	1,161,516
Infrastructure	2,846,152
Other improvements	62,777
Total assets	<u>14,741,544</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred amounts related to pensions	<u>507,644</u>
LIABILITIES	
Accounts payable	129,022
Accrued payroll and benefits	30,526
Accrued interest payable	30,605
Intergovernmental payable	3,235,278
Performance and escrow deposits	887
Noncurrent obligations:	
Due within one year:	
Note payable	153,710
Capital lease payable	82,842
Accrued landfill postclosure care costs	8,400
Due in more than one year:	
Note payable	1,383,394
Capital lease payable	172,051
Compensated absences payable	62,172
Accrued landfill postclosure care costs	117,600
Net pension liability	1,906,688
Total liabilities	<u>7,313,175</u>
DEFERRED INFLOWS OF RESOURCES	
Unearned revenue	421,810
Deferred amounts related to pensions	48,550
Total deferred inflows of resources	<u>470,360</u>
NET POSITION	
Net investment in capital assets	6,101,648
Restricted for:	
Endowments:	
Nonexpendable	202,015
Expendable	16,032
Other purposes	366,177
Unrestricted	779,781
Total net position	<u>\$ 7,465,653</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, 2017

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental activities:				
General government	\$ 1,339,202	\$ 3,129	\$ 70,710	\$ (1,265,363)
Public safety	1,190,222	3,932	-	(1,186,290)
Highways and streets	619,201	-	82,854	(536,347)
Sanitation	325,771	98,986	-	(226,785)
Health	38,485	-	-	(38,485)
Welfare	3,699	-	-	(3,699)
Culture and recreation	264,390	14,929	-	(249,461)
Conservation	21,016	2,430	908	(17,678)
Interest on long-term debt	46,793	-	-	(46,793)
Capital outlay	67,627	-	-	(67,627)
Total primary government	<u>\$ 3,916,406</u>	<u>\$ 123,406</u>	<u>\$ 154,472</u>	<u>(3,638,528)</u>
General revenues:				
Property taxes				2,572,569
Other taxes				185,373
Licenses and permits				723,664
Grants and contributions not restricted to specific programs				122,940
Miscellaneous				131,084
Total general revenues				<u>3,735,630</u>
Change in net position				97,102
Net position, beginning				<u>7,368,551</u>
Net position, ending				<u>\$ 7,465,653</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, 2017

	General	Expendable Trust	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 4,604,587	\$ 10,835	\$ 32,031	\$ 4,647,453
Investments	303,725	1,049,030	217,533	1,570,288
Taxes receivable, net of allowance for uncollectible	548,063	-	-	548,063
Interfund receivable	965	350	-	1,315
Tax deeded property held for resale	20,945	-	-	20,945
Total assets	<u>\$ 5,478,285</u>	<u>\$ 1,060,215</u>	<u>\$ 249,564</u>	<u>\$ 6,788,064</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 129,022	\$ -	\$ -	\$ 129,022
Accrued salaries and benefits	30,526	-	-	30,526
Intergovernmental payable	3,235,278	-	-	3,235,278
Interfund payable	350	-	965	1,315
Escrow and performance deposits	887	-	-	887
Total liabilities	<u>3,396,063</u>	<u>-</u>	<u>965</u>	<u>3,397,028</u>
Deferred inflows of resources:				
Deferred revenue	743,466	-	-	743,466
Fund balances:				
Nonspendable	20,945	-	202,015	222,960
Restricted	436,887	-	16,032	452,919
Committed	21,822	1,060,215	30,552	1,112,589
Assigned	20,048	-	-	20,048
Unassigned	839,054	-	-	839,054
Total fund balances	<u>1,338,756</u>	<u>1,060,215</u>	<u>248,599</u>	<u>2,647,570</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 5,478,285</u>	<u>\$ 1,060,215</u>	<u>\$ 249,564</u>	<u>\$ 6,788,064</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, 2017

Total fund balances of governmental funds (Exhibit 3)		\$ 2,647,570
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	\$ 14,734,169	
Less accumulated depreciation	<u>(6,823,802)</u>	7,910,367
Interfund receivables and payables between governmental funds are eliminated on the statement of net position.		
Receivables	\$ (1,315)	
Payables	<u>1,315</u>	-
Revenues that are not available to pay for current period expenditures are deferred in the funds.		
Unavailable tax revenue	\$ 321,656	
Welfare liens receivable	<u>44,428</u>	366,084
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(30,605)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Note outstanding	\$ 1,537,104	
Capital lease outstanding	254,893	
Compensated absences payable	62,172	
Accrued landfill postclosure care costs	126,000	
Net pension liability	<u>1,906,688</u>	(3,886,857)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows of resources related to pensions	\$ 507,644	
Deferred inflows of resources related to pensions	<u>(48,550)</u>	459,094
Total net position of governmental activities (Exhibit 1)		<u><u>\$ 7,465,653</u></u>

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, 2017

	General	Expendable Trust	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 2,816,444	\$ -	\$ 5,000	\$ 2,821,444
Licenses, permits and fees	723,664	-	-	723,664
Intergovernmental	277,412	-	-	277,412
Charges for services	108,728	-	14,678	123,406
Miscellaneous	75,108	41,980	23,801	140,889
Total revenues	<u>4,001,356</u>	<u>41,980</u>	<u>43,479</u>	<u>4,086,815</u>
Expenditures:				
Current:				
General government	1,207,987	-	6,920	1,214,907
Public safety	1,012,918	-	2,705	1,015,623
Highways and streets	450,641	-	-	450,641
Sanitation	355,996	-	-	355,996
Health	38,485	-	-	38,485
Welfare	3,699	-	-	3,699
Culture and recreation	241,699	-	14,164	255,863
Conservation	21,016	-	-	21,016
Debt service:				
Principal	234,500	-	-	234,500
Interest	50,522	-	-	50,522
Capital outlay	387,189	-	-	387,189
Total expenditures	<u>4,004,652</u>	<u>-</u>	<u>23,789</u>	<u>4,028,441</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,296)</u>	<u>41,980</u>	<u>19,690</u>	<u>58,374</u>
Other financing sources (uses):				
Transfers in	965	192,000	-	192,965
Transfers out	(192,000)	-	(965)	(192,965)
Total other financing sources and uses	<u>(191,035)</u>	<u>192,000</u>	<u>(965)</u>	<u>-</u>
Net change in fund balances	(194,331)	233,980	18,725	58,374
Fund balances, beginning	1,533,087	826,235	229,874	2,589,196
Fund balances, ending	<u>\$ 1,338,756</u>	<u>\$ 1,060,215</u>	<u>\$ 248,599</u>	<u>\$ 2,647,570</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, 2017

Net change in fund balances of governmental funds (Exhibit 5)		\$ 58,374
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	\$ 336,284	
Depreciation expense	<u>(369,458)</u>	(33,174)
The net effect of the disposal of capital assets is to decrease net position.		
		(9,805)
Transfers in and out between governmental funds are eliminated on the operating statement.		
Transfers in	\$ (192,965)	
Transfers out	<u>192,965</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		(63,502)
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>80,790</u>	234,500
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	\$ 3,729	
Increase in compensated absences payable	(8,940)	
Decrease in accrued landfill postclosure care costs	<u>42,000</u>	36,789
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	\$ 170,762	
Cost of benefits earned, net of employee contributions	<u>(296,842)</u>	(126,080)
Change in net position of governmental activities (Exhibit 2)		<u><u>\$ 97,102</u></u>

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

EXHIBIT 7
TOWN OF TUFTONBORO, 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, 2017

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Taxes	\$ 2,736,170	\$ 2,736,170	\$ 2,752,942	\$ 16,772
Licenses, permits and fees	633,250	633,250	723,664	90,414
Intergovernmental	206,703	277,413	277,412	(1)
Charges for services	103,500	103,500	105,327	1,827
Miscellaneous	19,106	19,106	19,798	692
Total revenues	<u>3,698,729</u>	<u>3,769,439</u>	<u>3,879,143</u>	<u>109,704</u>
EXPENDITURES				
Current:				
General government	1,226,059	1,226,059	1,204,058	22,001
Public safety	1,070,220	1,070,220	1,012,918	57,302
Highways and streets	414,700	414,700	450,641	(35,941)
Sanitation	351,508	351,508	355,996	(4,488)
Health	39,289	39,289	38,485	804
Welfare	30,000	30,000	3,699	26,301
Culture and recreation	246,413	246,413	227,194	19,219
Conservation	41,598	41,598	36,016	5,582
Debt service:				
Principal	234,501	234,501	234,500	1
Interest	18,467	18,467	18,359	108
Capital outlay	380,974	451,684	438,812	12,872
Total expenditures	<u>4,053,729</u>	<u>4,124,439</u>	<u>4,020,678</u>	<u>103,761</u>
Deficiency of revenues under expenditures	(355,000)	(355,000)	(141,535)	213,465
Other financing uses:				
Transfers out	(192,000)	(192,000)	(192,000)	-
Net change in fund balance	<u>\$ (547,000)</u>	<u>\$ (547,000)</u>	(333,535)	<u>\$ 213,465</u>
Unassigned fund balance, beginning			1,494,245	
Unassigned fund balance, ending			<u>\$ 1,160,710</u>	

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

EXHIBIT 8
TOWN OF TUFTONBORO, NEW HAMPSHIRE
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2017

	Private Purpose Trust	Agency
Assets:		
Cash and cash equivalents	\$ 906	\$ 19,294
Investments	<u>118,606</u>	<u>-</u>
Total assets	<u>119,512</u>	<u>19,294</u>
Liabilities:		
Due to developers	<u>-</u>	<u>19,294</u>
Net position:		
Held in trust for specific purposes	<u><u>\$ 119,512</u></u>	<u><u>\$ -</u></u>

DRAFT

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

EXHIBIT 9
TOWN OF TUFTONBORO, NEW HAMPSHIRE
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended December 31, 2017

	Private Purpose Trust
Additions:	
New funds	\$ 22,550
Investment earnings:	
Interest and dividends	3,592
Net change in fair value of investments	4,772
Total additions	30,914
Deductions:	
Trust distributions	28,300
Change in net position	2,614
Net position, beginning	116,898
Net position, ending	\$ 119,512

DRAFT

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

NOTES TO THE FINANCIAL STATEMENTS

DRAFT

TOWN OF TUFTONBORO, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2017

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, 2017.

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, 2017

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
DECEMBER 31, 2017**

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 five 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
 DECEMBER 31, 2017**

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 acquisition cost 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:

	Years
Buildings and building improvements	25-50
Machinery, vehicles and equipment	5-20
Infrastructure	20-50
Other improvements	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, 2017**

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 fund 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 fund for perpetual care and other purposes.
- Restricted for other purposes, which consists of the library's resources, 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 endowments in the permanent fund, and the tax deeded property held for resale.
- Restricted, which represents the balance of highway block grant funds, the expendable income of the permanent fund, and the library fund, 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.
- Assigned, which consists of balances for which the intended use has been established by the Board of Selectmen in the form of encumbrances.
- Unassigned, which represents the total fund balance in the general fund in excess of the nonspendable, restricted, committed and assigned balances.

**TOWN OF TUFTONBORO, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2017**

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.

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 2017, \$350,000 of the fund balance from 2016 was so used, and \$197,000 was appropriated from fund balance.

Encumbrance accounting is employed by the governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as restrictions, commitments or 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.

II.B. Reconciliation of General Fund Budgetary Basis to GAAP

Revenues and other financing sources:	
Per Exhibit 7 (budgetary basis)	\$ 3,879,143
Adjustments:	
Basis difference:	
Tax revenue deferred in the prior year	385,158
Tax revenue deferred in the current year	(321,656)
Perspective difference:	
Revenue from Library fund	58,711
Transfers from Permanent fund	965
Per Exhibit 5 (GAAP basis)	<u><u>\$ 4,002,321</u></u>

**TOWN OF TUFTONBORO, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2017**

Expenditures and other financing uses:	
Per Exhibit 7 (budgetary basis)	\$ 4,212,678
Adjustments:	
Basis difference:	
Encumbrances, beginning	65,327
Encumbrances, ending	(112,580)
Perspective difference:	
Expenditures from Library fund	31,227
Per Exhibit 5 (GAAP basis)	<u>\$ 4,196,652</u>
Unassigned fund balance:	
Per Exhibit 7 (budgetary basis)	\$ 1,160,710
Adjustment:	
Basis difference:	
Deferred tax revenue, GAAP basis	(321,656)
Per Exhibit 3 (GAAP basis)	<u>\$ 839,054</u>

The major Expendable Trust Fund is not budgeted.

III. Detailed Notes on Funds and Government-Wide Statements

III.A. Assets

III.A.1. Custodial Credit Risks for Deposits

Custodial credit risk is the risk that in the event of a bank failure, a government's deposit may not be returned to it. The Town does not have a policy for custodial credit risk. As of December 31, 2017, \$528,098 of the Town of Tuftonboro's bank balances of \$4,650,950 was exposed to custodial credit risk as uninsured and uncollateralized.

III.A.2. Investments

As of December 31, 2017, the Town's reporting entity had the following investments:

Certificates of Deposit	\$ 209,411
Mutual Funds	1,194,766
Equity Funds	281,678
Common Stock	3,039
	<u>\$ 1,688,894</u>

**TOWN OF TUFTONBORO, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2017**

The investments appear in the financial statements as follow:

Fund reporting level:	
Governmental funds - balance sheet (Exhibit 3)	\$ 1,570,288
Fiduciary funds - statement of fiduciary net position (Exhibit 8)	118,606
Total	<u><u>\$ 1,688,894</u></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, 2017, the Town had \$525,312 in the Vanguard Short-Term Investment Grade Fund Admiral Shares, \$364,060 invested in the Fidelity Short-Term Treasury Bond Index Fund Investor Class, \$153,444 in the Fidelity 500 Index Fund Premium Class, and \$102,309 in the TCW Total Return Bond Fund Class I, representing 31.10%, 21.56%, 9.09%, and 6.06%, respectively, of the total investments.

III.A.3. 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 liened taxes. Properties not redeemed within two years of the date of the tax lien are deeded to the Town. During the current year, the tax collector executed a lien for uncollected 2016 property taxes on May 3rd.

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

**TOWN OF TUFTONBORO, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2017**

Village District. 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 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, 2017, upon which the 2017 property tax levy was based was:

For the New Hampshire education tax	\$ 967,424,533
For all other taxes	\$ 982,334,533

The tax rates and amounts assessed for the year ended December 31, 2017 were as follow:

	<u>Per \$1,000 of Assessed Valuation</u>	
Municipal portion	\$2.73	\$ 2,675,428
School portion:		
State of New Hampshire	\$2.43	2,352,061
Local	\$4.23	4,158,761
County portion	\$1.38	1,357,262
Precinct portion:		
Lower Beech Pond	\$0.87	<u>27,126</u>
Total property taxes assessed		<u><u>\$ 10,570,638</u></u>

The following details the taxes receivable at year-end:

Property:		
Levy of 2017		\$ 448,665
Unredeemed (under tax lien):		
Levy of 2016		66,240
Levy of 2015		31,579
Levy of 2014		2,907
Levies of 2013 and prior		521
Betterment		285
Timber		7,866
Less: allowance for estimated uncollectible taxes		<u>(10,000)</u>
Net taxes receivable		<u><u>\$ 548,063</u></u>

TOWN OF TUFTONBORO, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2017

Other Receivables and Uncollectible Accounts

Other receivables consist of welfare liens of \$44,428, which are offset by an equal amount of allowance as the timing of the collection is uncertain, and they do not meet the revenue recognition criteria for governmental funds.

Deferred Revenue

Deferred revenue in the General Fund of \$743,466 at December 31, 2017, represents \$321,656 in taxes that were not collected within 60 days from year-end, and therefore, are deferred in accordance with generally accepted accounting principles, and \$421,810 in prepayments of 2018 property taxes. In the Governmental Activities, only the prepayments are recognized as unearned.

III.A.4. 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	\$ 1,053,874	\$ -	\$ -	\$ 1,053,874
Construction in progress	83,141	16,722	-	99,863
Total capital assets not being depreciated	<u>1,137,015</u>	<u>16,722</u>	<u>-</u>	<u>1,153,737</u>
Being depreciated:				
Buildings and building improvements	3,319,879			3,319,879
Machinery, vehicles and equipment	3,113,994	99,141	(195,682)	3,017,453
Infrastructure	7,073,680	195,421	(98,051)	7,171,050
Other improvements	47,050	25,000	-	72,050
Total capital assets being depreciated	<u>13,554,603</u>	<u>319,562</u>	<u>(293,733)</u>	<u>13,580,432</u>
Total all capital assets	<u>14,691,618</u>	<u>336,284</u>	<u>(293,733)</u>	<u>14,734,169</u>
Less accumulated depreciation:				
Buildings and building improvements	(570,000)	(63,694)	-	(633,694)
Machinery, vehicles and equipment	(1,899,743)	(151,876)	195,682	(1,855,937)
Infrastructure	(4,262,095)	(151,049)	88,246	(4,324,898)
Other improvements	(6,434)	(2,839)	-	(9,273)
Total accumulated depreciation	<u>(6,738,272)</u>	<u>(369,458)</u>	<u>283,928</u>	<u>(6,823,802)</u>
Net book value, capital assets being depreciated	6,816,331	(49,896)	(9,805)	6,756,630
Net book value, all capital assets	<u>\$ 7,953,346</u>	<u>\$ (33,174)</u>	<u>\$ (9,805)</u>	<u>\$ 7,910,367</u>

**TOWN OF TUFTONBORO, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2017**

Depreciation Expense

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

Governmental activities:	
General government	\$ 12,988
Public safety	168,881
Highways and streets	168,560
Sanitation	11,494
Culture and recreation	7,535
Total depreciation expense	<u>\$ 369,458</u>

III.B. Liabilities

III.B.1. Intergovernmental Payable

The amount due to other governments at December 31, 2017 consists of \$3,206,069 due to the Governor Wentworth Regional School District for the balance of the 2017-2018 district assessment, \$27,126 due to the Lower Beech Pond Village District for its tax assessment, and \$2,083 due to the State of New Hampshire for various fees.

III.B.2. Long-Term Liabilities

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 12/31/2017	Current Portion
Governmental activities:						
General obligation note payable:						
Fire station	\$ 2,151,944	2012	2027	2.49	<u>\$ 1,537,104</u>	<u>\$ 153,710</u>
Capital lease payable:						
Ambulance/rescue vehicle	\$ 425,000	2016	2020	2.54	<u>254,893</u>	<u>82,842</u>
Compensated absences payable:						
Vested sick leave					34,063	-
Accrued vacation leave					28,109	-
					<u>62,172</u>	<u>-</u>
Accrued landfill postclosure care costs					<u>126,000</u>	<u>8,400</u>
Net pension liability					<u>1,906,688</u>	<u>-</u>
					<u>\$ 3,886,857</u>	<u>\$ 244,952</u>

TOWN OF TUFTONBORO, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2017

Changes in Long-Term Liabilities

The following is a summary of changes in long-term liabilities for the year ended December 31, 2017:

	General Obligation Note Payable	Capital Lease Payable	Compensated Absences Payable	Accrued Landfill Postclosure Care Costs	Net Pension Liability	Total
Balance, beginning	\$ 1,690,814	\$ 335,683	\$ 53,232	\$ 168,000	\$ 1,993,390	\$ 4,241,119
Additions	-	-	8,940	-	-	8,940
Reductions	(153,710)	(80,790)	-	(42,000)	(86,702)	(363,202)
Balance, ending	<u>\$ 1,537,104</u>	<u>\$ 254,893</u>	<u>\$ 62,172</u>	<u>\$ 126,000</u>	<u>\$ 1,906,688</u>	<u>\$ 3,886,857</u>

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:

Year Ending December 31,	Principal	Interest	Total
2018	\$ 153,710	\$ 38,274	\$ 191,984
2019	153,710	34,446	188,156
2020	153,710	30,619	184,329
2021	153,710	26,792	180,502
2022	153,710	22,964	176,674
2023-2027	768,554	57,411	825,965
Totals	<u>\$ 1,537,104</u>	<u>\$ 210,506</u>	<u>\$ 1,747,610</u>

The future minimum lease obligations for the capital lease are as follow:

Year Ending December 31,	Principal	Interest	Total
2018	\$ 82,842	\$ 6,475	\$ 89,317
2019	84,947	4,370	89,317
2020	87,104	2,213	89,317
Totals	<u>\$ 254,893</u>	<u>\$ 13,058</u>	<u>\$ 267,951</u>

Landfill Postclosure Care Costs

State and federal laws and regulations require that the Town perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. The Town's landfill was closed in 2002. An estimated liability has been recorded based on the future postclosure care costs that will be incurred. The estimated liability for landfill postclosure care costs has a balance of \$126,000 as of December 31, 2017. The estimated total current cost of the landfill postclosure care is based on the

**TOWN OF TUFTONBORO, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2017**

amount that would be paid if all equipment, facilities, and services required to monitor and maintain the landfill were acquired as of December 31, 2017. However, the actual cost of postclosure care may be higher or lower due to inflation, changes in technology, or changes in landfill laws and regulations. The remaining postclosure care costs are expected to be financed through annual appropriation.

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 amount due to the General Fund from the nonmajor funds of \$965 represents distributions of income earned in the Permanent Fund for library purposes. The amount due to the Expendable Trust Fund from the General Fund of \$350 represents cemetery lot sales.

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:

	General Fund	Transfers In: Expendable Trust Fund	Total
Transfers out:			
General fund	\$ -	\$ 192,000	\$ 192,000
Nonmajor funds	965	-	965
	\$ 965	\$ 192,000	\$ 192,965

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

TOWN OF TUFTONBORO, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2017

III.D. Fund Equity

III.D.1. Components of Fund Balance

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	\$ -	\$ -	\$ 202,015
Tax deeded property	20,945	-	-
Total nonspendable	<u>20,945</u>	<u>-</u>	<u>202,015</u>
Restricted:			
General government	-	-	16,032
Highways and streets	70,710	-	-
Culture and recreation	366,177	-	-
Total restricted	<u>436,887</u>	<u>-</u>	<u>16,032</u>
Committed:			
General government	-	-	4,427
Public safety	-	-	5,123
Water distribution and treatment	15,000	-	-
Culture and recreation	6,822	-	6,848
Conservation	-	-	14,154
Capital outlay	-	1,060,215	-
Total committed	<u>21,822</u>	<u>1,060,215</u>	<u>30,552</u>
Assigned for general government	20,048	-	-
Unassigned	839,054	-	-
Total fund balance	<u>\$ 1,338,756</u>	<u>\$ 1,060,215</u>	<u>\$ 248,599</u>

III.D.2. Restricted Net Position

The government-wide statement of net position includes restricted net position totaling \$584,224, which represents \$202,015 for public trust funds reported as restricted to reflect purpose restrictions contained in trust indentures, and \$382,209 for the public library whose use is restricted through State of New Hampshire law.

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

TOWN OF TUFTONBORO, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2017

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. Contributions paid in 2017 to be recorded as an insurance expenditure/expense totaled \$34,183 for property/liability and \$26,733 for workers' compensation. The Town also paid \$6,685 for unemployment 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

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 at www.nhrs.org or 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. The rates of contribution for police officers, firefighters, and other employees are 11.55%, 11.8%, and 7%, respectively, of gross earnings. The rates of contribution from the Town for the period of January 1st to June 30th were 26.38% for police officers, 29.16% for firefighters, and 11.17% for other employees increasing on July 1st to 29.43% for police, 31.89% for firefighters and 11.38% for other employees. The rates are actuarially determined to generate an amount, that when combined with employee contributions, is expected to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employer contributions from the Town during the years 2015, 2016 and 2017 were \$138,840, \$158,052 and \$170,762, respectively. The amounts are paid on a monthly basis as due.

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

At December 31, 2017, the Town reported a liability of \$1,906,688 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that

TOWN OF TUFTONBORO, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2017

date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating municipalities and school districts, actuarially determined. As of June 30, 2017, the Town's proportion was 0.0388%, which was an increase of 0.0013% from its proportion measured as of June 30, 2016.

For 2017, the Town recognized pension expense of \$296,842. At year-end, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions 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	\$ 218,245	\$ -
Net differences between projected and actual earnings on pension plan investments	-	24,283
Changes in assumptions	191,457	-
Differences between expected and actual experience	4,323	24,267
Town contributions subsequent to the measurement date	93,619	-
	<u>\$ 507,644</u>	<u>\$ 48,550</u>

The Town reported \$93,619 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:

<u>Year Ended December 31,</u>	
2018	\$ 111,697
2019	155,447
2020	115,936
2021	(17,605)
	<u>\$ 365,475</u>

**TOWN OF TUFTONBORO, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2017**

Actuarial Assumptions

The total pension liability in the June 30, 2017 actuarial valuation was determined using the actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017, using the following actuarial assumptions:

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

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.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2010 – June 30, 2015.

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	\$ 2,511,966	\$ 1,906,688	\$ 1,410,687

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

IV.C. Contingent Liabilities

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.

REQUIRED SUPPLEMENTARY INFORMATION

DRAFT

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

For the Year Ended December 31,	Town's Proportion of Net Pension Liability	Town's Proportionate Share of the Net Pension Liability	Town's Covered- Employee Payroll	Town's Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll	Plan Fiduciary Net Postion as a Percentage of the Total Pension Liability
2014	0.0303%	\$ 1,135,470	\$ 582,200	195.03%	66.32%
2015	0.0334%	\$ 1,324,708	\$ 687,229	192.76%	65.47%
2016	0.0375%	\$ 1,993,390	\$ 787,095	253.26%	58.30%
2017	0.0388%	\$ 1,906,688	\$ 815,287	233.87%	62.66%

DRAFT

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

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

For the Year Ended December 31,	Contractually Required Contribution	Contribution in Relation to the Contractually Required Contribution	Contribution Deficiency	Town's Covered Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
2014	\$ 119,115	\$ (119,115)	\$ -	\$ 582,200	20.46%
2015	\$ 138,840	\$ (138,840)	\$ -	\$ 687,229	20.20%
2016	\$ 158,052	\$ (158,052)	\$ -	\$ 787,095	20.08%
2017	\$ 170,762	\$ (170,762)	\$ -	\$ 815,287	20.95%

DRAFT

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

**TOWN OF TUFTONBORO, NEW HAMPSHIRE
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2017**

The Schedule of the Town's Proportionate Share of the New Pension Liability and the Schedule of the Town's Pension Contributions are meant to present related information for ten years. Because this is the third year that the Town has presented the pension schedules, only four years are presented. An additional year's information will be added each year until there are ten years shown.

DRAFT

COMBINING NONMAJOR AND INDIVIDUAL GENERAL FUND SCHEDULES

DRAFT

EXHIBIT 12
TOWN OF TUFTONBORO, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2017

	Special Revenue Funds					Total
	Christmas	Recreation Revolving	Conservation Commission	Police Special Detail Revolving	Permanent Fund	
ASSETS						
Cash and cash equivalents	\$ 4,427	\$ 6,848	\$ 14,154	\$ 5,123	\$ 1,479	\$ 32,031
Investments	-	-	-	-	217,533	217,533
Total assets	<u>\$ 4,427</u>	<u>\$ 6,848</u>	<u>\$ 14,154</u>	<u>\$ 5,123</u>	<u>\$ 219,012</u>	<u>\$ 249,564</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Interfund payable	\$ -	\$ -	\$ -	\$ -	\$ 965	\$ 965
Fund balances:						
Nonspendable	-	-	-	-	202,015	202,015
Restricted	-	-	-	-	16,032	16,032
Committed	4,427	6,848	14,154	5,123	-	30,552
Total fund balances	<u>4,427</u>	<u>6,848</u>	<u>14,154</u>	<u>5,123</u>	<u>218,047</u>	<u>248,599</u>
Total liabilities and fund balances	<u>\$ 4,427</u>	<u>\$ 6,848</u>	<u>\$ 14,154</u>	<u>\$ 5,123</u>	<u>\$ 219,012</u>	<u>\$ 249,564</u>

EXHIBIT 13
TOWN OF TUFTONBORO, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended December 31, 2017

	Special Revenue Funds					Total
	Christmas	Recreation Revolving	Conservation Commission	Police Special Detail Revolving	Permanent Fund	
REVENUES						
Taxes	\$ -	\$ -	\$ 5,000	\$ -	\$ -	\$ 5,000
Charges for services	-	11,528	-	3,150	-	14,678
Miscellaneous	7,507	-	-	-	16,294	23,801
Total revenues	<u>7,507</u>	<u>11,528</u>	<u>5,000</u>	<u>3,150</u>	<u>16,294</u>	<u>43,479</u>
EXPENDITURES						
Current:						
General government	6,920	-	-	-	-	6,920
Public safety	-	-	-	2,705	-	2,705
Culture and recreation	-	14,164	-	-	-	14,164
Total expenditures	<u>6,920</u>	<u>14,164</u>	<u>-</u>	<u>2,705</u>	<u>-</u>	<u>23,789</u>
Excess (deficiency) of revenues over (under) expenditures	587	(2,636)	5,000	445	16,294	19,690
Other financing uses:						
Transfers out	-	-	-	-	(965)	(965)
Net change in fund balances	587	(2,636)	5,000	445	15,329	18,725
Fund balances, beginning	3,840	9,484	9,154	4,678	202,718	229,874
Fund balances, ending	<u>\$ 4,427</u>	<u>\$ 6,848</u>	<u>\$ 14,154</u>	<u>\$ 5,123</u>	<u>\$ 218,047</u>	<u>\$ 248,599</u>

EXHIBIT 14
TOWN OF TUFTONBORO, NEW HAMPSHIRE
General Fund
Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)
For the Year Ended December 31, 2017

	Estimated	Actual	Variance Positive (Negative)
Taxes:			
Property	\$ 2,569,700	\$ 2,572,569	\$ 2,869
Land use change	53,030	58,030	5,000
Betterment	4,275	4,560	285
Timber	25,000	28,658	3,658
Excavation	-	233	233
Boat registration	25,965	25,695	(270)
Payments in lieu of taxes	8,200	12,200	4,000
Interest and penalties on delinquent taxes	50,000	50,997	997
Total taxes	<u>2,736,170</u>	<u>2,752,942</u>	<u>16,772</u>
Licenses, permits and fees:			
Business licenses and permits	42,000	47,816	5,816
Motor vehicle permits	550,000	630,021	80,021
Building permits	33,600	37,824	4,224
Other	7,650	8,003	353
Total licenses, permits and fees	<u>633,250</u>	<u>723,664</u>	<u>90,414</u>
Intergovernmental:			
State sources:			
Meals and rooms distributions	122,940	122,940	-
Highway block grant	82,855	82,854	(1)
Additional highway grant	70,710	70,710	-
Other grants	908	908	-
Total intergovernmental	<u>277,413</u>	<u>277,412</u>	<u>(1)</u>
Charges for services:			
Income from departments	103,500	105,327	1,827
Miscellaneous:			
Sale of property	13,966	14,093	127
Interest on investments	5,000	4,965	(35)
Other	140	740	600
Total miscellaneous	<u>19,106</u>	<u>19,798</u>	<u>692</u>
Total revenues and other financing sources	3,769,439	<u>\$ 3,879,143</u>	<u>\$ 109,704</u>
Use of fund balance to reduce taxes	547,000		
Total revenues, other financing sources and use of fund balance	<u>\$ 4,316,439</u>		

EXHIBIT 15
TOWN OF TUFTONBORO, NEW HAMPSHIRE
General Fund
Schedule of Appropriations, Expenditures and Encumbrances (Non-GAAP Budgetary Basis)
For the Year Ended December 31, 2017

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
General government:					
Executive	\$ -	\$ 95,819	\$ 93,206	\$ -	\$ 2,613
Election and registration	-	78,973	75,209	-	3,764
Financial administration	-	126,084	118,237	-	7,847
Revaluation of property	-	45,664	45,664	-	-
Legal	-	42,800	57,279	-	(14,479)
Personnel administration	-	594,274	584,528	-	9,746
Planning and zoning	-	23,222	14,549	-	8,673
General government buildings	7,255	132,657	125,942	20,048	(6,078)
Cemeteries	-	19,800	15,532	-	4,268
Insurance, not otherwise allocated	-	60,916	60,916	-	-
Other	-	5,850	203	-	5,647
Total general government	<u>7,255</u>	<u>1,226,059</u>	<u>1,191,265</u>	<u>20,048</u>	<u>22,001</u>
Public safety:					
Police	-	379,452	366,114	-	13,338
Ambulance	-	185,074	185,014	-	60
Fire	-	433,001	393,934	-	39,067
Building inspection	-	60,013	58,105	-	1,908
Emergency management	-	12,680	9,751	-	2,929
Total public safety	<u>-</u>	<u>1,070,220</u>	<u>1,012,918</u>	<u>-</u>	<u>57,302</u>
Highways and streets:					
Highways and streets	-	409,200	438,499	-	(29,299)
Bridges	-	5,500	12,142	-	(6,642)
Total highways and streets	<u>-</u>	<u>414,700</u>	<u>450,641</u>	<u>-</u>	<u>(35,941)</u>
Sanitation:					
Solid waste disposal	-	351,508	355,996	-	(4,488)
Health:					
Pest control	-	2,000	1,196	-	804
Health agencies and hospitals	-	37,289	37,289	-	-
Total health	<u>-</u>	<u>39,289</u>	<u>38,485</u>	<u>-</u>	<u>804</u>
Welfare:					
Administration and direct assistance	-	30,000	3,699	-	26,301

(continued)

EXHIBIT 15 (continued)
TOWN OF TUFTONBORO, NEW HAMPSHIRE
General Fund
Schedule of Appropriations, Expenditures and Encumbrances (Non-GAAP Budgetary Basis)
For the Year Ended December 31, 2017

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Culture and recreation:					
Parks and recreation	-	39,911	38,189	-	1,722
Public library	-	204,502	187,370	-	17,132
Patriotic purposes	-	1,500	1,500	-	-
Other	-	500	135	-	365
Total culture and recreation	-	<u>246,413</u>	<u>227,194</u>	-	<u>19,219</u>
Conservation:					
Administration	-	33,098	12,294	15,000	5,804
Other	-	8,500	8,722	-	(222)
Total conservation	-	<u>41,598</u>	<u>21,016</u>	<u>15,000</u>	<u>5,582</u>
Debt service:					
Principal	-	234,501	234,500	-	1
Interest	32,163	18,467	50,522	-	108
Total debt service	<u>32,163</u>	<u>252,968</u>	<u>285,022</u>	-	<u>109</u>
Capital outlay:					
Machinery, vehicles and equipment	-	96,268	86,372	-	9,896
Buildings	-	13,000	12,769	-	231
Improvements other than buildings	25,909	342,416	288,048	77,532	2,745
Total capital outlay	<u>25,909</u>	<u>451,684</u>	<u>387,189</u>	<u>77,532</u>	<u>12,872</u>
Other financing uses:					
Transfers out:					
Expendable trust fund	-	192,000	192,000	-	-
Total encumbrances, appropriations, expenditures and other financing uses	<u>\$ 65,327</u>	<u>\$ 4,316,439</u>	<u>\$ 4,165,425</u>	<u>\$ 112,580</u>	<u>\$ 103,761</u>

EXHIBIT 16
TOWN OF TUFTONBORO, NEW HAMPSHIRE
General Fund
Schedule of Changes in Unassigned Fund Balance (Non-GAAP Budgetary Basis)
For the Year Ended December 31, 2017

Unassigned fund balance, beginning		\$ 1,494,245
Changes:		
Unassigned fund balance voted from surplus		(197,000)
Unassigned fund balance used to reduce tax rate		(350,000)
Budget summary:		
Revenue surplus (Exhibit 14)	\$ 109,704	
Unexpended balance of appropriations (Exhibit 15)	103,761	
Budget surplus		<u>213,465</u>
Unassigned fund balance, ending		<u><u>\$ 1,160,710</u></u>

DRAFT



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, 2017, 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, as discussed below, we identified a certain deficiency in internal control that we consider to be a significant deficiency.

Cash Reconciliation

We noted that online credit card payments for motor vehicle permits had not been deposited into the Town's bank account from July 2017 through the date of the audit fieldwork in February 2018. Further investigation determined that the payments from the credit card processing company were being rejected by the bank for unknown reasons, and were still being held by the processing company. The Town was not aware of this. The monthly reconciliation process should have disclosed this, but the Treasurer's reconciliation did not balance to the general ledger, as credit card and ACH payments were not reconciled. We recommend that the general ledger be balanced to the cash accounts, and any variance be investigated and resolved immediately.

We again communicate the following:

Other Postemployment Benefits (OPEB) – Repeat Finding

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

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

the financial statements. We recommend that the Town investigate the benefits and costs associated with obtaining a measurement valuation in order to determine the Town's unfunded accrued liability and comply with GASB Statement No. 75.

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.

Concord, New Hampshire
April XX, 2018

DRAFT