

# TOWN OF TUFTONBORO, NEW HAMPSHIRE

FINANCIAL REPORT

AS OF AND FOR THE YEAR ENDED  
DECEMBER 31, 2015

**TOWN OF TUFTONBORO, NEW HAMPSHIRE  
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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, New Hampshire as of and for the year ended December 31, 2015, which collectively comprise the Town's basic financial statements as listed in the table of contents, and the related notes to the financial statements.

### ***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, New Hampshire, as of and for the year ended December 31, 2015, and the respective changes in financial position thereof, and the budgetary comparisons for the major governmental fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Change in Accounting Principle**

As described in Note I.B.5. to the financial statements, the Town adopted the provisions of the Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to that matter.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the schedule of funding progress and pension information on pages 31-32 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational and economic context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The Town of 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 a 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. They are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

July 5, 2016

*Roberts & Heene, PLLC*

## **BASIC FINANCIAL STATEMENTS**

**EXHIBIT 1**  
**TOWN OF TUFTONBORO, NEW HAMPSHIRE**  
**Statement of Net Position**  
**December 31, 2015**

	Governmental Activities
<b>ASSETS</b>	
Cash and cash equivalents	\$ 3,702,027
Investments	1,117,495
Receivables, net of allowance for uncollectibles	1,073,991
Prepaid items	13,554
Tax deeded property held for resale	19,285
Capital assets, not being depreciated:	
Land	1,016,703
Construction in progress	83,141
Capital assets, net of accumulated depreciation:	
Buildings and building improvements	2,813,573
Machinery, vehicles and equipment	949,159
Infrastructure	2,653,679
Improvements other than buildings	42,622
Total assets	13,485,229
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred amounts related to pensions	297,022
 <b>LIABILITIES</b>	
Accounts payable	104,784
Accrued payroll and benefits	27,932
Accrued interest payable	30,829
Intergovernmental payable	2,892,309
Performance and escrow deposits	1,707
Noncurrent obligations:	
Due within one year:	
Bond payable	153,710
Accrued landfill postclosure care costs	7,900
Due in more than one year:	
Bond payable	1,690,814
Compensated absences	51,681
Accrued landfill postclosure care costs	150,100
Net pension	1,324,708
Total liabilities	6,436,474
 <b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred amounts related to pensions	149,519
Unearned revenue	6,099
Total deferred inflows of resources	155,618
 <b>NET POSITION</b>	
Net investment in capital assets	5,714,353
Restricted for:	
Endowments:	
Nonexpendable	190,960
Expendable	4,855
Other purposes	339,644
Unrestricted	940,347
Total net position	\$ 7,190,159

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, 2015**

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental activities:				
General government	\$ 1,032,601	\$ 1,066	\$ 1,311	\$ (1,030,224)
Public safety	1,076,891	1,228	3,065	(1,072,598)
Highways and streets	609,100	-	77,274	(531,826)
Sanitation	325,369	59,723	-	(265,646)
Health	37,405	-	-	(37,405)
Welfare	4,890	-	-	(4,890)
Culture and recreation	216,502	2,208	-	(214,294)
Conservation	22,363	1,950	-	(20,413)
Interest on long-term debt	47,261	-	-	(47,261)
Capital outlay	66,503	-	-	(66,503)
Total primary government	<u>\$ 3,438,885</u>	<u>\$ 66,175</u>	<u>\$ 81,650</u>	<u>(3,291,060)</u>
General revenues:				
Property taxes				2,695,757
Other taxes				231,852
Licenses and permits				609,015
Grants and contributions not restricted to specific programs				114,356
Miscellaneous				103,890
Total general revenues				<u>3,754,870</u>
Change in net position				463,810
Net position, beginning, as restated, see Note III.E.				6,726,349
Net position, ending				<u>\$ 7,190,159</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, 2015**

	General	Expendable Trust	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 3,592,772	\$ 12,934	\$ 96,321	\$ 3,702,027
Investments	236,290	694,957	186,248	1,117,495
Receivables, net of allowance for uncollectibles:				
Taxes	1,028,844	-	-	1,028,844
Accounts	2,696	-	-	2,696
Interfund receivable	559	-	150	709
Prepaid items	13,554	-	-	13,554
Tax deeded property held for resale	19,285	-	-	19,285
Total assets	<u>\$ 4,894,000</u>	<u>\$ 707,891</u>	<u>\$ 282,719</u>	<u>\$ 5,884,610</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 104,784	\$ -	\$ -	\$ 104,784
Accrued salaries and benefits	27,932	-	-	27,932
Intergovernmental payable	2,892,309	-	-	2,892,309
Interfund payable	150	-	559	709
Escrow and performance deposits	1,707	-	-	1,707
Total liabilities	<u>3,026,882</u>	<u>-</u>	<u>559</u>	<u>3,027,441</u>
Deferred inflows of resources:				
Deferred revenue	436,539	-	-	436,539
Fund balances:				
Nonspendable	32,839	-	190,960	223,799
Restricted	301,704	-	42,796	344,500
Committed	-	707,891	48,404	756,295
Assigned	14,653	-	-	14,653
Unassigned	1,081,383	-	-	1,081,383
Total fund balances	<u>1,430,579</u>	<u>707,891</u>	<u>282,160</u>	<u>2,420,630</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 4,894,000</u>	<u>\$ 707,891</u>	<u>\$ 282,719</u>	<u>\$ 5,884,610</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, 2015**

Total fund balances of governmental funds (Exhibit 3)		\$	2,420,630
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		\$	14,022,296
Less accumulated depreciation		(6,463,419)	
			7,558,877
Interfund receivables and payables between governmental funds are eliminated on the statement of net position.			
Receivables		\$	(709)
Payables		709	
			-
Revenues not received in time to be available to pay for current period expenditures are deferred in the funds.			
Tax revenue		\$	430,440
Welfare liens		42,451	
			472,891
Interest on long-term debt is not accrued in governmental funds.			
Accrued interest payable			(30,829)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.			
Bond outstanding		\$	1,844,524
Compensated absences payable			51,681
Accrued landfill postclosure care costs			158,000
Net pension liability		1,324,708	
			(3,378,913)
Deferred outflows and inflows of resources related to pensionis are applicable to future periods and, therefore, are not reported in the funds.			
Deferred outflows of resources related to pensions		\$	297,022
Deferred inflows of resources related to pensions		(149,519)	
			147,503
Total net position of governmental activities (Exhibit 1)		\$	7,190,159

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, 2015**

	General	Expendable Trust	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Taxes	\$ 2,932,567	\$ -	\$ -	\$ 2,932,567
Licenses, permits and fees	609,015	-	-	609,015
Intergovernmental	195,308	-	-	195,308
Charges for services	67,259	-	2,808	70,067
Miscellaneous	65,750	3,626	10,094	79,470
Total revenues	<u>3,869,899</u>	<u>3,626</u>	<u>12,902</u>	<u>3,886,427</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	1,023,816	27	6,311	1,030,154
Public safety	919,692	-	506	920,198
Highways and streets	410,117	-	-	410,117
Sanitation	313,182	-	-	313,182
Health	37,405	-	-	37,405
Welfare	4,890	-	-	4,890
Culture and recreation	204,602	-	5,646	210,248
Conservation	22,363	-	-	22,363
<b>Debt service:</b>				
Principal	153,710	-	-	153,710
Interest	49,830	-	-	49,830
Capital outlay	341,497	233,399	-	574,896
Total expenditures	<u>3,481,104</u>	<u>233,426</u>	<u>12,463</u>	<u>3,726,993</u>
Excess (deficiency) of revenues over (under) expenditures	<u>388,795</u>	<u>(229,800)</u>	<u>439</u>	<u>159,434</u>
<b>Other financing sources (uses):</b>				
Transfers in	9,608	280,001	-	289,609
Transfers out	(280,001)	(5,470)	(4,138)	(289,609)
Total other financing sources and uses	<u>(270,393)</u>	<u>274,531</u>	<u>(4,138)</u>	<u>-</u>
Net change in fund balances	118,402	44,731	(3,699)	159,434
Fund balances, beginning	1,312,177	663,160	285,859	2,261,196
Fund balances, ending	<u>\$ 1,430,579</u>	<u>\$ 707,891</u>	<u>\$ 282,160</u>	<u>\$ 2,420,630</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, 2015**

Net change in fund balances of governmental funds (Exhibit 5)	\$	159,434
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 capitalized capital outlay exceeded depreciation expense in the current period.		
Capitalized capital outlay	\$	548,253
Depreciation expense		<u>(334,268)</u>
		213,985
The net effect of various miscellaneous transactions involving capital assets is to decrease net position.		(65,865)
Transfers in and out between governmental funds are eliminated on the operating statement.		
Transfers in	\$	(289,609)
Transfers out		<u>289,609</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	\$	(4,958)
Change in welfare liens receivable		<u>(3,892)</u>
		(8,850)
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 bond principal		153,710
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	\$	2,569
Increase in compensated absences payable		(8,230)
Decrease in accrued landfill postclosure care costs		<u>6,000</u>
		339
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	\$	138,840
Cost of benefits earned, net of employee contributions		<u>(127,783)</u>
		11,057
Change in net position of governmental activities (Exhibit 2)	\$	<u><u>463,810</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**  
**Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)**  
**For the Year Ended December 31, 2015**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 2,786,942	\$ 2,786,942	\$ 2,927,609	\$ 140,667
Licenses, permits and fees	569,400	569,400	609,015	39,615
Intergovernmental	191,579	191,579	195,308	3,729
Charges for services	80,200	80,200	64,999	(15,201)
Miscellaneous	36,500	36,500	29,182	(7,318)
Total revenues	<u>3,664,621</u>	<u>3,664,621</u>	<u>3,826,113</u>	<u>161,492</u>
<b>EXPENDITURES</b>				
Current:				
General government	1,061,700	1,061,700	1,023,816	37,884
Public safety	970,525	970,525	919,692	50,833
Highways and streets	402,200	402,200	410,117	(7,917)
Sanitation	292,937	292,937	313,182	(20,245)
Health	38,194	38,194	37,405	789
Welfare	45,000	45,000	4,890	40,110
Culture and recreation	220,048	220,048	198,343	21,705
Conservation	29,600	29,600	24,363	5,237
Debt service:				
Principal	153,711	153,711	153,710	1
Interest	49,756	49,756	49,830	(74)
Capital outlay	489,000	339,000	332,335	6,665
Total expenditures	<u>3,752,671</u>	<u>3,602,671</u>	<u>3,467,683</u>	<u>134,988</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(88,050)</u>	<u>61,950</u>	<u>358,430</u>	<u>296,480</u>
Other financing sources (uses):				
Transfers in	8,050	8,050	9,049	999
Transfers out	(120,000)	(270,000)	(280,001)	(10,001)
Total other financing sources and uses	<u>(111,950)</u>	<u>(261,950)</u>	<u>(270,952)</u>	<u>(9,002)</u>
Net change in fund balance	<u>\$ (200,000)</u>	<u>\$ (200,000)</u>	87,478	<u>\$ 287,478</u>
Increase in nonspendable fund balance			(13,554)	
Decrease in restricted fund balance			4,531	
Unassigned fund balance, beginning			<u>1,433,368</u>	
Unassigned fund balance, ending			<u>\$ 1,511,823</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, 2015**

	Private Purpose Trust	Agency
Assets:		
Cash and cash equivalents	\$ 5,447	\$ 15,512
Investments	101,677	-
Total assets	<u>107,124</u>	<u>15,512</u>
Liabilities:		
Due to developers	-	<u>15,512</u>
Net position:		
Held in trust for specific purposes	<u>\$ 107,124</u>	<u>\$ -</u>

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, 2015**

	Private Purpose Trust
<b>Additions:</b>	
New funds	\$ 12,880
Investment earnings:	
Interest	2,235
Net change in fair value of investments	(3,386)
Total additions	11,729
<b>Deductions:</b>	
Trust distributions	6,180
Change in net position	5,549
Net position, beginning	101,575
Net position, ending	\$ 107,124

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, 2015**

**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, 2015.

**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, 2015**

*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, 2015**

**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.B.5 Change in Accounting Principle**

The Town adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, for the year ended December 31, 2015. This resulted in the inclusion of pension related liability and deferred inflows and outflows of resources in governmental activities. The prior year's net position was restated as shown in Note III.E.

**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,

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United States government or government agency obligations, or obligations of the State of New Hampshire in value at least equal to the amount of the deposit in each case.

Investments are stated at fair value based on quoted market prices.

New Hampshire law authorizes the Town to invest in obligations of the United States government; the public deposit investment pool established pursuant to RSA 383:22; savings bank deposits; prime bankers' acceptances; or certificates of deposit and repurchase agreements of banks incorporated under the laws of the State of New Hampshire or in banks recognized by the state treasurer.

Any person who directly or indirectly receives any such funds or monies for deposit or for investment in securities of any kind shall, prior to acceptance of such funds, make available at the time of such deposit or investment an option to have such funds secured by collateral having a value at least equal to the amount of such funds. Such collateral shall be segregated for the exclusive benefit of the Town. Only securities defined by the bank commissioner as provided by rules adopted pursuant to RSA 386:57 shall be eligible to be pledged as collateral.

**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.

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**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.

**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 balance of note proceeds and 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 and prepaid items in the general fund.
- 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.

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- Assigned, which consists of balances for which the intended use is 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.

**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 2015, \$200,000 of the fund balance from 2014 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.

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

Revenues and other financing sources:	
Per Exhibit 7 (budgetary basis)	\$ 3,835,162
Adjustments:	
Basis difference:	
Tax revenue deferred in the prior year	435,398
Tax revenue deferred in the current year	(430,440)
Perspective difference:	
Revenue from library fund	38,828
Transfer from permanent fund	559
Per Exhibit 5 (GAAP basis)	<u>\$ 3,879,507</u>
Expenditures and other financing uses:	
Per Exhibit 7 (budgetary basis)	\$ 3,747,684
Adjustments:	
Basis difference:	
Encumbrances, beginning	20,615
Encumbrances, ending	(14,653)
Perspective difference:	
Expenditures from library fund	7,459
Per Exhibit 5 (GAAP basis)	<u>\$ 3,761,105</u>
Unassigned fund balance:	
Per Exhibit 7 (budgetary basis)	\$ 1,511,823
Adjustment:	
Basis difference:	
Deferred tax revenue, GAAP basis	(430,440)
Per Exhibit 3 (GAAP basis)	<u>\$ 1,081,383</u>

**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, 2015, \$28,226 of the Town of Tuftonboro's bank balances of \$3,722,983 was exposed to custodial credit risk as uninsured and uncollateralized.

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**III.A.2. Investments**

As of December 31, 2015, the Town’s reporting entity had the following investments:

Certificates of Deposit	\$ 160,452
Mutual Funds	843,064
Equity Funds	215,656
	\$ 1,219,172

The investments appear in the financial statements as follow:

Fund reporting level:	
Governmental funds - balance sheet (Exhibit 3)	\$ 1,117,495
Fiduciary funds - statement of fiduciary net position (Exhibit 8)	101,677
Total	\$ 1,219,172

*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, 2015, the Town had \$341,069 in the Vanguard Fixed Income Securities, \$241,529 invested in the Fidelity Concord STR S/T Fund, \$120,890 in the TCW Galileo FDS Inc Total Return Fund, \$107,178 in the SPDR Dow Jones Industrial Average, and \$160,452 in a People’s United Bank certificate of deposit (CD), representing 27.98%, 19.81%, 9.92%, 8.79% and 13.16%, 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

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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 2014 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 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, 2015, upon which the 2015 property tax levy was based was:

For the New Hampshire education tax	\$ 956,271,515
For all other taxes	\$ 970,190,115

The tax rates and amounts assessed for the year ended December 31, 2015 were as follow:

	<u>Per \$1,000 of Assessed Valuation</u>	
Municipal portion	\$2.89	\$ 2,801,977
School portion:		
State of New Hampshire	\$2.57	2,456,410
Local	\$3.41	3,313,105
County portion	\$1.52	1,473,012
Precinct portion:		
Lower Beech Pond Dam Village District	\$0.93	<u>27,696</u>
Total property taxes assessed		<u><u>\$ 10,072,200</u></u>

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The following details the taxes receivable at year-end:

Property:	
Levy of 2015	\$ 824,866
Unredeemed (under tax lien):	
Levy of 2014	76,652
Levy of 2013	49,297
Levy of 2012	2,536
Levy of 2011	390
Land use change	84,220
Timber	313
Betterment	570
Less: allowance for estimated uncollectible taxes	(10,000)
Net taxes receivable	<u>\$ 1,028,844</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	\$ 2,696
Liens	42,451
Less: allowance for uncollectible amounts	(42,451)
Net total receivables	<u>\$ 2,696</u>

*Deferred Revenue*

Deferred revenue of \$436,539 at December 31, 2015, represents \$430,440 in taxes that were not collected within 60 days from year-end, and therefore, are deferred in accordance with generally accepted accounting principles, and \$6,099 in prepayments of 2016 property taxes.

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**III.A.4. Capital Assets**

*Changes in Capital Assets*

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

	<u>Balance, beginning</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance, ending</u>
At cost:				
Not being depreciated:				
Land	\$ 1,016,703	\$ -	\$ -	\$ 1,016,703
Construction in progress	-	83,141	-	83,141
Total capital assets not being depreciated	<u>1,016,703</u>	<u>83,141</u>	<u>-</u>	<u>1,099,844</u>
Being depreciated:				
Buildings and building improvements	3,319,879	-	-	3,319,879
Machinery, vehicles and equipment	2,527,725	270,877	(60,847)	2,737,755
Infrastructure	7,298,974	181,862	(663,068)	6,817,768
Other improvements	34,677	12,373	-	47,050
Total capital assets being depreciated	<u>13,181,255</u>	<u>465,112</u>	<u>(723,915)</u>	<u>12,922,452</u>
Total all capital assets	<u>14,197,958</u>	<u>548,253</u>	<u>(723,915)</u>	<u>14,022,296</u>
Less accumulated depreciation:				
Buildings and building improvements	(442,436)	(63,870)	-	(506,306)
Machinery, vehicles and equipment	(1,712,479)	(137,406)	61,289	(1,788,596)
Infrastructure	(4,629,864)	(130,986)	596,761	(4,164,089)
Other improvements	<u>(2,422)</u>	<u>(2,006)</u>	<u>-</u>	<u>(4,428)</u>
Total accumulated depreciation	<u>(6,787,201)</u>	<u>(334,268)</u>	<u>658,050</u>	<u>(6,463,419)</u>
Net book value, capital assets being depreciated	<u>6,394,054</u>	<u>130,844</u>	<u>(65,865)</u>	<u>6,459,033</u>
Net book value, all capital assets	<u>\$ 7,410,757</u>	<u>\$ 213,985</u>	<u>\$ (65,865)</u>	<u>\$ 7,558,877</u>

*Depreciation Expense*

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

Governmental activities:	
General government	\$ 12,988
Public safety	155,224
Highways and streets	147,860
Sanitation	11,494
Culture and recreation	6,702
Total depreciation expense	<u>\$ 334,268</u>

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**III.A.5. Restricted Net Position**

The government-wide statement of net position includes restricted net position totaling \$535,459, which represents \$195,815 for public trust funds reported as restricted to reflect purpose restrictions contained in trust indentures, and \$339,644 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 \$2,892,309 at December 31, 2015 consists of \$2,864,613 due to the Governor Wentworth Regional School District for the balance of the 2015-2016 district assessment and \$27,696 due to the Lower Beech Pond Dam Village District for the 2015 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 12/31/2015	Current Portion
General obligation bond payable:						
Fire station	\$ 2,151,944	2012	2027	2.49	\$ 1,844,524	\$ 153,710
Compensated absences payable:						
Vested sick leave					27,774	-
Accrued vacation leave					23,907	-
					<u>51,681</u>	<u>-</u>
Accrued landfill postclosure care costs					<u>158,000</u>	<u>7,900</u>
Net pension liability					<u>1,324,708</u>	<u>-</u>
					<u>\$ 3,378,913</u>	<u>\$ 161,610</u>

*Accrued Landfill Postclosure Care Costs*

Federal and State laws and regulations require that the Town continue to perform certain maintenance and monitoring functions at the landfill site. A liability is being recognized based on the postclosure care costs that will be incurred. The estimated liability for landfill postclosure care costs has a balance of \$158,000 as of December 31, 2015. The estimated total current cost of the landfill postclosure care is based on the amount that would be paid if all equipment, facilities, and services required to monitor and maintain the landfill were acquired as of December 31, 2015. 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 Town annually appropriates an amount for postclosure care costs.

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*Changes in Long-Term Liabilities*

The following is a summary of changes in long-term liabilities for the year ended December 31, 2015:

	General Obligation Bond Payable	Compensated Absences Payable	Accrued Landfill Postclosure Care Costs	Net Pension Liability	Total
Balance, beginning	\$ 1,998,234	\$ 43,451	\$ 164,000	\$ 1,135,470	\$ 3,341,155
Additions	-	8,230	-	189,238	197,468
Reductions	(153,710)	-	(6,000)	-	(159,710)
Balance, ending	<u>\$ 1,844,524</u>	<u>\$ 51,681</u>	<u>\$ 158,000</u>	<u>\$ 1,324,708</u>	<u>\$ 3,378,913</u>

*Debt Service Requirements to Maturity*

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

Year Ending December 31,	Principal	Interest	Total
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	153,710	30,619	184,329
2021-2025	768,552	95,685	864,237
2026-2027	307,422	11,482	318,904
Totals	<u>\$ 1,844,524</u>	<u>\$ 298,536</u>	<u>\$ 2,143,060</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.”

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The following schedule reports receivables and payables within the reporting entity at year-end:

Receivable Fund	Payable Fund	Amount
General	Nonmajor	\$ 559
Nonmajor	General	150
		\$ 709

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 receipts not yet transferred to the Permanent Fund.

**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	\$ -	\$ 280,001	\$ 280,001
Expendable trust fund	5,470	-	5,470
Nonmajor funds	4,138	-	4,138
	\$ 9,608	\$ 280,001	\$ 289,609

The amount transferred to the Expendable Trust Fund from the General Fund represents voted appropriations. The amount transferred from the Expendable Trust Fund to the General Fund represents reimbursement of expenditures paid in a prior year. The amount transferred from the nonmajor funds to the General Fund represents distributions of earned income from the Permanent Fund.

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**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	\$ -	\$ -	\$ 190,960
Prepaid items	13,554	-	-
Tax deeded property	19,285	-	-
Total nonspendable	<u>32,839</u>	<u>-</u>	<u>190,960</u>
Restricted:			
General government	-	-	4,855
Culture and recreation	301,704	-	-
Capital outlay	-	-	37,941
Total restricted	<u>301,704</u>	<u>-</u>	<u>42,796</u>
Committed:			
General government	-	-	3,419
Public safety	-	-	3,998
Culture and recreation	-	-	9,664
Conservation	-	-	31,323
Capital outlay	-	707,891	-
Total committed	<u>-</u>	<u>707,891</u>	<u>48,404</u>
Assigned:			
Conservation	2,000	-	-
Capital outlay	12,653	-	-
Total assigned	<u>14,653</u>	<u>-</u>	<u>-</u>
Unassigned	1,081,383	-	-
Total fund balance	<u>\$ 1,430,579</u>	<u>\$ 707,891</u>	<u>\$ 282,160</u>

**III.E. Restatement**

Net position of the Governmental Activities at January 1, 2015 was restated to reflect the following adjustment:

To record net pension liability	\$ (1,188,262)
To record revenue for liens	46,343
Net position, as previously reported	<u>7,868,268</u>
Net position, as restated	<u>\$ 6,726,349</u>

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**IV. Other Information**

**IV.A. Risk Management**

The Town's risk management activities are reported with governmental activities and recorded in the general fund. During the fiscal year, the Town was a member of the New Hampshire Public Risk Management Exchange (Primex) 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. Property and liability coverage are subject to the limits of NH RSA 507-B, and the workers' compensation coverage meets statutory requirements.

Contributions paid in 2015 to be recorded as an insurance expenditure/expense totaled \$28,772 for property/liability and \$22,094 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**

*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](http://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%, 11.80%, and 7%, respectively, of gross earnings. The rates of contribution from the Town for the period January 1 to June 30<sup>th</sup> were 25.30% for police officers, 27.74% for firefighters, and 10.77% for other employees. The rates of contribution from the Town for the period July 1 to December 31<sup>st</sup> were 26.38% for police officers, 29.16% for firefighters, and 11.17% 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

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amount to finance any unfunded accrued liability. Employer contributions from the Town during the years 2013, 2014 and 2015 were \$102,285, \$119,115 and \$138,840, 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, 2015, the Town reported a liability of \$1,324,708 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that 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, 2015, the Town's proportion was 0.0334%, which was an increase of 0.0031% from its proportion measured as of June 30, 2014.

For 2015, the Town recognized pension expense of \$127,783. At year-end, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion and differences between employer contributions and proportionate share of contributions	\$ 135,755	\$ -
Net differences between projected and actual earnings on pension plan investments	85,046	120,450
Differences between expected and actual experience	-	29,069
Town contributions subsequent to the measurement date	76,221	-
	\$ 297,022	\$ 149,519

The Town reported \$76,221 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.

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

Year Ended June 30,	
2016	\$ 6,670
2017	6,670
2018	6,670
2019	44,014
2020	7,258
	\$ 71,282

*Actuarial Assumptions*

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

Inflation	3.75%
Salary increases	5.8% average, including inflation
Investment rate of return	7.75% per year

Mortality rates were based on the RP-2000 Mortality Table, projected to 2020 with Scale AA. The table includes a margin of 15% for men and 17% for women for mortality improvements.

*Sensitivity of the Town's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.75%, 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 (6.75%) or one percentage point higher (8.75%) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Town's proportionate share of net pension liability	\$ 1,743,806	\$ 1,324,708	\$ 967,425

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

**TOWN OF TUFTONBORO, NEW HAMPSHIRE  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED  
DECEMBER 31, 2015**

**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**

**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, 2015*

	<u>2015</u>	<u>2014</u>
Town's proportion of net pension liability	0.0334%	0.0303%
Town's proportionate share of the net pension liability	\$ 1,324,708	\$ 1,135,470
Town's covered-employee payroll	\$ 687,229	\$ 582,200
Town's proportionate share of the net pension liability as a percentage of covered-employee payroll	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	65.47%	66.32%

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

**EXHIBIT 11**  
**TOWN OF TUFTONBORO, NEW HAMPSHIRE**  
*Schedule of Town Contributions*  
*New Hampshire Retirement System*  
**For the Year Ended December 31, 2015**

	2015	2014
Contractually required contribution	\$ 138,840	\$ 119,115
Contribution in relation to the contractually required contribution	(138,840)	(119,115)
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll	\$ 687,229	\$ 582,200
Contributions as a percentage of covered-employee payroll	20.20%	20.46%

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, 2015**

The Schedule of the Town's Proportionate Share of the Net Pension Liability and the Schedule of Town Pension Contributions are meant to present related information for ten years. Because this is the first year that the Town has adopted GASB Statement No. 68 and presented the pension schedules, only two years are presented. An additional year's information will be added each year until there are ten years shown.

**COMBINING NONMAJOR AND INDIVIDUAL GENERAL FUND SCHEDULES**

**EXHIBIT 12**  
**TOWN OF TUFTONBORO, NEW HAMPSHIRE**  
**Nonmajor Governmental Funds**  
**Combining Balance Sheet**  
**December 31, 2015**

	Special Revenue Funds				Capital Project Fund	Permanent Fund	Total
	Christmas	Recreation Revolving	Conservation Commission	Police Special Detail Revolving	Fire Station		
<b>ASSETS</b>							
Cash and cash equivalents	\$ 3,419	\$ 9,664	\$ 31,323	\$ 3,998	\$ 37,941	\$ 9,976	\$ 96,321
Investments	-	-	-	-	-	186,248	186,248
Interfund receivable	-	-	-	-	-	150	150
Total assets	<u>\$ 3,419</u>	<u>\$ 9,664</u>	<u>\$ 31,323</u>	<u>\$ 3,998</u>	<u>\$ 37,941</u>	<u>\$ 196,374</u>	<u>\$ 282,719</u>
<b>LIABILITIES AND FUND BALANCES</b>							
Liabilities:							
Interfund payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 559	\$ 559
Fund balances:							
Nonspendable	-	-	-	-	-	190,960	190,960
Restricted	-	-	-	-	37,941	4,855	42,796
Committed	3,419	9,664	31,323	3,998	-	-	48,404
Total fund balances	<u>3,419</u>	<u>9,664</u>	<u>31,323</u>	<u>3,998</u>	<u>37,941</u>	<u>195,815</u>	<u>282,160</u>
Total liabilities and fund balances	<u>\$ 3,419</u>	<u>\$ 9,664</u>	<u>\$ 31,323</u>	<u>\$ 3,998</u>	<u>\$ 37,941</u>	<u>\$ 196,374</u>	<u>\$ 282,719</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, 2015**

	Special Revenue Funds				Capital Project Fund	Permanent Fund	Total
	Christmas	Recreation Revolving	Conservation Commission	Police Special Detail Revolving	Fire Station		
<b>REVENUES</b>							
Charges for services	\$ -	\$ 2,208	\$ -	\$ 600	\$ -	\$ -	\$ 2,808
Miscellaneous	5,539	3,854	3	-	-	698	10,094
Total revenues	<u>5,539</u>	<u>6,062</u>	<u>3</u>	<u>600</u>	<u>-</u>	<u>698</u>	<u>12,902</u>
<b>EXPENDITURES</b>							
Current:							
General government	6,311	-	-	-	-	-	6,311
Public safety	-	-	-	506	-	-	506
Culture and recreation	-	5,094	-	-	-	552	5,646
Total expenditures	<u>6,311</u>	<u>5,094</u>	<u>-</u>	<u>506</u>	<u>-</u>	<u>552</u>	<u>12,463</u>
Excess (deficiency) of revenues over (under) expenditures	(772)	968	3	94	-	146	439
Other financing uses:							
Transfers out	-	-	-	-	-	(4,138)	(4,138)
Net change in fund balances	(772)	968	3	94	-	(3,992)	(3,699)
Fund balances, beginning	4,191	8,696	31,320	3,904	37,941	199,807	285,859
Fund balances, ending	<u>\$ 3,419</u>	<u>\$ 9,664</u>	<u>\$ 31,323</u>	<u>\$ 3,998</u>	<u>\$ 37,941</u>	<u>\$ 195,815</u>	<u>\$ 282,160</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, 2015**

	Estimated	Actual	Variance Positive (Negative)
<b>Taxes:</b>			
Property	\$ 2,654,950	\$ 2,695,757	\$ 40,807
Land use change	-	84,220	84,220
Timber	40,000	49,068	9,068
Excavation	373	373	-
Boat registration	27,400	27,976	576
Payments in lieu of taxes	8,219	11,719	3,500
Interest and penalties on delinquent taxes	56,000	58,496	2,496
<b>Total taxes</b>	<b>2,786,942</b>	<b>2,927,609</b>	<b>140,667</b>
<b>Licenses, permits and fees:</b>			
Business licenses and permits	40,400	42,958	2,558
Motor vehicle permits	500,000	535,195	35,195
Building permits	22,000	23,530	1,530
Other	7,000	7,332	332
<b>Total licenses, permits and fees</b>	<b>569,400</b>	<b>609,015</b>	<b>39,615</b>
<b>Intergovernmental:</b>			
State sources:			
Meals and rooms distributions	114,356	114,356	-
Highway block grant	76,610	77,274	664
Railroad tax and other grants	613	613	-
Other governmental revenue	-	3,065	3,065
<b>Total intergovernmental</b>	<b>191,579</b>	<b>195,308</b>	<b>3,729</b>
<b>Charges for services:</b>			
Income from departments	80,200	64,999	(15,201)
<b>Miscellaneous:</b>			
Sale of property	8,000	-	(8,000)
Interest on investments	3,500	3,870	370
Other	25,000	25,312	312
<b>Total miscellaneous</b>	<b>36,500</b>	<b>29,182</b>	<b>(7,318)</b>
<b>Other financing sources:</b>			
Transfers in:			
Expendable trust fund	-	5,470	5,470
Nonmajor funds	8,050	3,579	(4,471)
<b>Total other financing sources</b>	<b>8,050</b>	<b>9,049</b>	<b>999</b>
<b>Total revenues and other financing sources</b>	<b>3,672,671</b>	<b>\$ 3,835,162</b>	<b>\$ 162,491</b>
Use of fund balance to reduce taxes	200,000		
<b>Total revenues, other financing sources and use of fund balance</b>	<b>\$ 3,872,671</b>		

**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, 2015**

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
<b>Current:</b>					
<b>General government:</b>					
Executive	\$ -	\$ 77,472	\$ 82,643	\$ -	\$ (5,171)
Election and registration	-	70,522	67,885	-	2,637
Financial administration	-	114,208	110,912	-	3,296
Revaluation of property	-	43,948	43,948	-	-
Legal	-	51,200	42,489	-	8,711
Personnel administration	-	495,050	484,312	-	10,738
Planning and zoning	-	17,318	14,042	-	3,276
General government buildings	-	123,897	117,936	-	5,961
Cemeteries	-	15,900	17,511	-	(1,611)
Insurance, not otherwise allocated	-	46,335	41,942	-	4,393
Other	-	5,850	196	-	5,654
Total general government	-	1,061,700	1,023,816	-	37,884
<b>Public safety:</b>					
Police	-	340,461	331,492	-	8,969
Ambulance	-	183,060	183,001	-	59
Fire	-	379,590	341,861	-	37,729
Building inspection	-	56,044	55,090	-	954
Emergency management	-	11,370	8,248	-	3,122
Total public safety	-	970,525	919,692	-	50,833
<b>Highways and streets:</b>					
Highways and streets	-	390,200	391,364	-	(1,164)
Bridges	-	12,000	18,753	-	(6,753)
Total highways and streets	-	402,200	410,117	-	(7,917)
<b>Sanitation:</b>					
Solid waste disposal	-	292,937	313,182	-	(20,245)
<b>Health:</b>					
Pest control	-	2,000	1,211	-	789
Health agencies and hospitals	-	36,194	36,194	-	-
Total health	-	38,194	37,405	-	789
<b>Welfare:</b>					
Administration & direct assistance	-	45,000	4,890	-	40,110

(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, 2015**

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
<b>Culture and recreation:</b>					
Parks and recreation	-	33,461	29,702	-	3,759
Public library	-	183,787	167,021	-	16,766
Patriotic purposes	-	1,800	1,500	-	300
Other	-	1,000	120	-	880
Total culture and recreation	-	220,048	198,343	-	21,705
<b>Conservation:</b>					
Administration	-	12,500	11,783	-	717
Other	-	17,100	10,580	2,000	4,520
Total conservation	-	29,600	22,363	2,000	5,237
<b>Debt service:</b>					
Principal	-	153,711	153,710	-	1
Interest	-	49,756	49,830	-	(74)
Total debt service	-	203,467	203,540	-	(73)
<b>Capital outlay:</b>					
Machinery, vehicles and equipment	-	94,000	84,476	-	9,524
Improvements other than buildings	20,615	245,000	255,821	12,653	(2,859)
Total capital outlay	20,615	339,000	340,297	12,653	6,665
<b>Other financing uses:</b>					
Transfers out:					
Expendable trust fund	-	270,000	280,001	-	(10,001)
<b>Total encumbrances, appropriations, expenditures and other financing uses</b>	<b>\$ 20,615</b>	<b>\$ 3,872,671</b>	<b>\$ 3,753,646</b>	<b>\$ 14,653</b>	<b>\$ 124,987</b>

**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, 2015**

Unassigned fund balance, beginning		\$ 1,433,368
Changes:		
Unassigned fund balance used to reduce tax rate		(200,000)
Budget summary:		
Revenue surplus (Exhibit 14)	\$ 162,491	
Unexpended balance of appropriations (Exhibit 15)	<u>124,987</u>	
Budget surplus		287,478
Increase in nonspendable fund balance		(13,554)
Decrease in restricted fund balance		<u>4,531</u>
Unassigned fund balance, ending		<u><u>\$ 1,511,823</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, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered the Town's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

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

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

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.

July 5, 2016

*Roberts & Greene, PLLC*