

TOWN OF TUFTONBORO, NEW HAMPSHIRE

FINANCIAL REPORT

AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2018

**TOWN OF TUFTONBORO, NEW HAMPSHIRE
FINANCIAL REPORT
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2018**

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)	32
Schedule of the Town’s Pension Contributions (Exhibit 11)	33
Schedule of Changes in the Town’s Total OPEB Liability and Related Ratios (Exhibit 12)	34
Schedule of the Town’s OPEB Contributions (Exhibit 13)	35
Note to the Required Supplementary Information	36
COMBINING NONMAJOR AND INDIVIDUAL GENERAL FUND SCHEDULES	
Nonmajor Governmental Funds	
Combining Balance Sheet (Exhibit 14)	37
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Exhibit 15)	38
Major General Fund	
Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis) (Exhibit 16)	39
Schedule of Appropriations, Expenditures and Encumbrances (Non-GAAP Budgetary Basis) (Exhibit 17)	40
Schedule of Changes in Unassigned Fund Balance (Non-GAAP Budgetary Basis) (Exhibit 18)	42
INDEPENDENT AUDITOR’S COMMUNICATION TO MANAGEMENT	43



Roberts & Greene, PLLC

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Tuftonboro as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Tuftonboro, as of December 31, 2018, and the respective changes in financial position thereof, and the budgetary comparison for the General Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

As discussed in Note I.B.5. to the financial statements, in the year 2018, the Town adopted new accounting guidance regarding the accounting and reporting for postemployment benefits other than pensions (OPEB). Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the pension and OPEB schedules on pages 32 - 35 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 inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Tuftonboro's basic financial statements. The combining nonmajor and individual general fund schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Roberts & Heune, PLLC

Concord, New Hampshire
June 5, 2019

BASIC FINANCIAL STATEMENTS

EXHIBIT 1
TOWN OF TUFTONBORO, NEW HAMPSHIRE
Statement of Net Position
December 31, 2018

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 4,459,394
Investments	2,174,820
Receivables, net of allowance for uncollectibles	628,780
Tax deeded property held for resale	12,240
Capital assets, not being depreciated:	
Land	1,052,174
Construction in progress	99,863
Capital assets, net of accumulated depreciation:	
Buildings and building improvements	2,640,304
Machinery, vehicles and equipment	1,593,083
Infrastructure	2,913,420
Improvements other than buildings	73,363
Total assets	<u>15,647,441</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred amounts related to pensions	375,510
Deferred amounts related to OPEB	15,543
Total deferred outflows of resources	<u>391,053</u>
LIABILITIES	
Accounts payable	161,266
Accrued payroll and benefits	45,638
Accrued interest payable	34,905
Intergovernmental payable	3,458,158
Noncurrent obligations:	
Due within one year:	
Note payable	153,710
Capital leases payable	192,828
Accrued landfill postclosure care costs	12,300
Due in more than one year:	
Note payable	1,229,684
Capital leases payable	435,108
Compensated absences payable	52,546
Other postemployment benefits liability	206,374
Accrued landfill postclosure care costs	159,900
Net pension liability	1,837,001
Total liabilities	<u>7,979,418</u>
DEFERRED INFLOWS OF RESOURCES	
Unearned revenue	8,557
Deferred amounts related to pensions	79,606
Deferred amounts related to OPEB	656
Total deferred inflows of resources	<u>88,819</u>
NET POSITION	
Net investment in capital assets	6,360,877
Restricted for:	
Endowments:	
Nonexpendable	9,050
Expendable	200,979
Other purposes	1,055,576
Unrestricted	343,775
Total net position	<u>\$ 7,970,257</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, 2018

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General government	\$ 1,431,485	\$ 13,149	\$ (8,018)	\$ -	\$ (1,426,354)
Public safety	1,232,519	15,545	-	-	(1,216,974)
Highways and streets	672,097	-	-	84,267	(587,830)
Sanitation	455,844	95,147	-	-	(360,697)
Health	41,044	-	-	-	(41,044)
Welfare	10,858	-	-	-	(10,858)
Culture and recreation	275,919	17,978	1,193	-	(256,748)
Conservation	41,053	2,190	3,957	-	(34,906)
Interest on long-term debt	42,531	-	-	-	(42,531)
Capital outlay	147,188	-	-	-	(147,188)
Total primary government	<u>\$ 4,350,538</u>	<u>\$ 144,009</u>	<u>\$ (2,868)</u>	<u>\$ 84,267</u>	<u>(4,125,130)</u>
General revenues:					
Property taxes					2,806,715
Other taxes					155,488
Licenses and permits					740,590
Grants and contributions not restricted to specific programs					122,669
Miscellaneous					943,031
Total general revenues					<u>4,768,493</u>
Change in net position					643,363
Net position, beginning, as restated, see Note III.D.1					7,326,894
Net position, ending					<u>\$ 7,970,257</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, 2018

	General	Expendable Trust	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 4,404,179	\$ 16,776	\$ 38,439	\$ 4,459,394
Investments	846,748	1,119,801	208,271	2,174,820
Receivables, net of allowance for uncollectibles:				
Taxes	577,007	-	-	577,007
Accounts	-	-	480	480
Interfund receivable	1,193	-	-	1,193
Tax deeded property held for resale	12,240	-	-	12,240
Total assets	<u>\$ 5,841,367</u>	<u>\$ 1,136,577</u>	<u>\$ 247,190</u>	<u>\$ 7,225,134</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 161,266	\$ -	\$ -	\$ 161,266
Accrued salaries and benefits	45,638	-	-	45,638
Intergovernmental payable	3,458,158	-	-	3,458,158
Interfund payable	-	-	1,193	1,193
Total liabilities	<u>3,665,062</u>	<u>-</u>	<u>1,193</u>	<u>3,666,255</u>
Deferred inflows of resources:				
Deferred revenue	<u>406,025</u>	<u>-</u>	<u>-</u>	<u>406,025</u>
Fund balances:				
Nonspendable	12,240	-	200,979	213,219
Restricted	1,085,185	-	9,050	1,094,235
Committed	33,200	1,136,577	35,968	1,205,745
Assigned	64,569	-	-	64,569
Unassigned	575,086	-	-	575,086
Total fund balances	<u>1,770,280</u>	<u>1,136,577</u>	<u>245,997</u>	<u>3,152,854</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 5,841,367</u>	<u>\$ 1,136,577</u>	<u>\$ 247,190</u>	<u>\$ 7,225,134</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, 2018

Total fund balances of governmental funds (Exhibit 3)		\$ 3,152,854
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	\$ 15,493,850	
Less accumulated depreciation	<u>(7,121,643)</u>	8,372,207
Interfund receivables and payables between governmental funds are eliminated on the statement of net position.		
Receivables	\$ (1,193)	
Payables	<u>1,193</u>	-
Revenues that are not available to pay for current period expenditures are deferred in the funds.		
Unavailable tax revenue	\$ 397,468	
Welfare liens receivable	<u>51,293</u>	448,761
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(34,905)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Note outstanding	\$ 1,383,394	
Capital leases outstanding	627,936	
Compensated absences payable	52,546	
Other postemployment benefits liability	206,374	
Accrued landfill postclosure care costs	172,200	
Net pension liability	<u>1,837,001</u>	(4,279,451)
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	\$ 375,510	
Deferred outflows of resources related to OPEB	15,543	
Deferred inflows of resources related to pensions	(79,606)	
Deferred inflows of resources related to OPEB	<u>(656)</u>	
		<u>310,791</u>
Total net position of governmental activities (Exhibit 1)		<u><u>\$ 7,970,257</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, 2018

	General	Expendable Trust	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 2,881,391	\$ -	\$ 5,000	\$ 2,886,391
Licenses, permits and fees	740,590	-	-	740,590
Intergovernmental	210,893	-	-	210,893
Charges for services	121,965	-	15,179	137,144
Miscellaneous	861,708	76,489	1,255	939,452
Total revenues	<u>4,816,547</u>	<u>76,489</u>	<u>21,434</u>	<u>4,914,470</u>
Expenditures:				
Current:				
General government	1,217,677	43,127	7,395	1,268,199
Public safety	1,042,615	-	1,139	1,043,754
Highways and streets	493,981	-	-	493,981
Sanitation	398,025	-	-	398,025
Health	41,044	-	-	41,044
Welfare	10,858	-	-	10,858
Culture and recreation	253,797	-	14,309	268,106
Conservation	41,053	-	-	41,053
Debt service:				
Principal	153,710	-	-	153,710
Interest	38,231	-	-	38,231
Capital outlay	1,108,110	-	-	1,108,110
Total expenditures	<u>4,799,101</u>	<u>43,127</u>	<u>22,843</u>	<u>4,865,071</u>
Excess (deficiency) of revenues over (under) expenditures	<u>17,446</u>	<u>33,362</u>	<u>(1,409)</u>	<u>49,399</u>
Other financing sources (uses):				
Transfers in	1,193	43,000	-	44,193
Transfers out	(43,000)	-	(1,193)	(44,193)
Inception of capital leases	455,885	-	-	455,885
Total other financing sources and uses	<u>414,078</u>	<u>43,000</u>	<u>(1,193)</u>	<u>455,885</u>
Net change in fund balances	431,524	76,362	(2,602)	505,284
Fund balances, beginning	1,338,756	1,060,215	248,599	2,647,570
Fund balances, ending	<u>\$ 1,770,280</u>	<u>\$ 1,136,577</u>	<u>\$ 245,997</u>	<u>\$ 3,152,854</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, 2018

Net change in fund balances of governmental funds (Exhibit 5)		\$ 505,284
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	\$ 887,565	
Depreciation expense	<u>(412,994)</u>	474,571
The net effect of the disposal of capital assets is to decrease net position.		
		(12,731)
Transfers in and out between governmental funds are eliminated on the operating statement.		
Transfers in	\$ (44,193)	
Transfers out	<u>44,193</u>	-
Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in governmental funds.		
Change in unavailable tax revenue	\$ 75,812	
Change in welfare lien receivable	<u>6,865</u>	82,677
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.		
Inception of capital lease	\$ (455,885)	
Repayment of note principal	153,710	
Repayment of capital lease principal	<u>82,842</u>	(219,333)
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.		
Increase in accrued interest expense	\$ (4,300)	
Decrease in compensated absences payable	9,626	
Increase in other postemployment benefits related balances	(52,728)	
Increase in accrued landfill postclosure care costs	<u>(46,200)</u>	(93,602)
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	\$ 179,615	
Cost of benefits earned, net of employee contributions	<u>(273,118)</u>	(93,503)
Change in net position of governmental activities (Exhibit 2)		<u>\$ 643,363</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, 2018

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Taxes	\$ 2,956,720	\$ 2,957,203	\$ 483
Licenses, permits and fees	697,000	740,590	43,590
Intergovernmental	210,205	210,893	688
Charges for services	100,000	117,756	17,756
Miscellaneous	177,813	164,978	(12,835)
Total revenues	<u>4,141,738</u>	<u>4,191,420</u>	<u>49,682</u>
EXPENDITURES			
Current:			
General government	1,244,599	1,219,803	24,796
Public safety	1,095,724	1,057,615	38,109
Highways and streets	465,600	505,181	(39,581)
Sanitation	375,522	398,025	(22,503)
Health	41,456	41,044	412
Welfare	25,000	20,858	4,142
Culture and recreation	258,089	241,064	17,025
Conservation	49,330	32,248	17,082
Debt service:			
Principal	153,711	153,710	1
Interest	38,274	38,231	43
Capital outlay	649,433	637,502	11,931
Total expenditures	<u>4,396,738</u>	<u>4,345,281</u>	<u>51,457</u>
Deficiency of revenues under expenditures	(255,000)	(153,861)	101,139
Other financing uses:			
Transfers out	(43,000)	(43,000)	-
Net change in fund balance	<u>\$ (298,000)</u>	(196,861)	<u>\$ 101,139</u>
Decrease in nonspendable fund balance		8,705	
Unassigned fund balance, beginning		1,160,710	
Unassigned fund balance, ending		<u>\$ 972,554</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, 2018

	Private Purpose Trust	Agency
Assets:		
Cash and cash equivalents	\$ 1,613	\$ 19,294
Investments	113,875	-
Total assets	<u>115,488</u>	<u>19,294</u>
Liabilities:		
Due to developers	<u>-</u>	<u>19,294</u>
Net position:		
Held in trust for specific purposes	<u>\$ 115,488</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, 2018

	Private Purpose Trust
Additions:	
New funds	\$ 13,380
Investment earnings:	
Interest and dividends	3,115
Net change in fair value of investments	(6,919)
Total additions	9,576
Deductions:	
Trust distributions	13,600
Change in net position	(4,024)
Net position, beginning	119,512
Net position, ending	\$ 115,488

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, 2018

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, 2018.

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; (2) operating grants and contributions, which finance annual operating activities including restricted investment income; and (3) capital grants and contributions, which finance the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. Taxes and revenue from other sources not properly included with program revenues are reported as general revenues.

TOWN OF TUFTONBORO, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2018

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, 2018**

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.B.5. *Change in Accounting Principle*

During the year, the Town adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. This results in a change in the measurement and presentation of the Town's OPEB liability reported in the Statement of Net Position. The prior year's net position was restated as shown in Note III.D.1. to reflect this change.

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,

**TOWN OF TUFTONBORO, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2018**

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 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.

TOWN OF TUFTONBORO, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2018

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 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.

TOWN OF TUFTONBORO, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2018

- 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.

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 2018, \$250,000 of the fund balance from 2017 was so used, and \$48,000 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 legally exceed the total appropriations unless permission is received from the Commissioner of Revenue Administration.

TOWN OF TUFTONBORO, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2018

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

Revenues and other financing sources:	
Per Exhibit 7 (budgetary basis)	\$ 4,191,420
Adjustments:	
Basis difference:	
Capital lease inception	455,885
Tax revenue deferred in the prior year	321,656
Tax revenue deferred in the current year	(397,468)
Perspective difference:	
Revenue from library fund	700,939
Transfer from permanent fund	1,193
Per Exhibit 5 (GAAP basis)	<u>\$ 5,273,625</u>
Expenditures and other financing uses:	
Per Exhibit 7 (budgetary basis)	\$ 4,388,281
Adjustments:	
Basis difference:	
Encumbrances, beginning	112,580
Encumbrances, ending	(127,378)
Capital lease inception	455,885
Perspective difference:	
Expenditures from library fund	12,733
Per Exhibit 5 (GAAP basis)	<u>\$ 4,842,101</u>
Unassigned fund balance:	
Per Exhibit 7 (budgetary basis)	\$ 972,554
Adjustment:	
Basis difference:	
Deferred tax revenue, GAAP basis	(397,468)
Per Exhibit 3 (GAAP basis)	<u>\$ 575,086</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, 2018, \$23,094 of the Town of Tuftonboro's bank balances of \$4,468,457 was exposed to custodial credit risk as uninsured and uncollateralized.

**TOWN OF TUFTONBORO, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2018**

III.A.2. Investments

As of December 31, 2018, the Town’s reporting entity had the following investments:

Certificates of Deposit	\$ 222,614
Mutual Funds	1,793,567
Equity Funds	272,514
	<u>\$ 2,288,695</u>

The investments appear in the financial statements as follow:

Fund reporting level:	
Governmental funds - balance sheet (Exhibit 3)	\$ 2,174,820
Fiduciary funds - statement of fiduciary net position (Exhibit 8)	113,875
Total	<u>\$ 2,288,695</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, 2018, the Town had \$604,457 in the Fidelity Treasury Only Money Market Fund, \$550,381 in the Vanguard Short-Term Investment-Grade Fund, \$385,838 in the Fidelity Short-Term Treasury Bond Index Fund, and \$143,019 in the Fidelity 500 Index Fund, representing 26.41%, 24.05%, 16.86%, and 6.25%, 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

**TOWN OF TUFTONBORO, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2018**

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 2017 property taxes on May 21st.

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, 2018, upon which the 2018 property tax levy was based was:

For the New Hampshire education tax	\$ 970,672,254
For all other taxes	\$ 985,714,954

The tax rates and amounts assessed for the year ended December 31, 2018 were as follow:

	<u>Per \$1,000 of Assessed Valuation</u>	
Municipal portion	\$2.95	\$ 2,917,354
School portion:		
State of New Hampshire	\$2.25	2,182,014
Local	\$4.65	4,580,337
County portion	\$1.33	1,306,743
Precinct portion:		
Lower Beech Pond	\$0.87	27,342
Total property taxes assessed		<u>\$ 11,013,790</u>

The following details the taxes receivable at year-end:

Property:	
Levy of 2018	\$ 454,489
Unredeemed (under tax lien):	
Levy of 2017	82,011
Levy of 2016	41,473
Levy of 2015	8,354
Land use change	680
Less: allowance for estimated uncollectible taxes	(10,000)
Net taxes receivable	<u>\$ 577,007</u>

TOWN OF TUFTONBORO, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2018

Other Receivables and Uncollectible Accounts

Other receivables consist of police details of \$480 and welfare liens of \$51,293, 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 \$406,025 at December 31, 2018, represents \$397,468 in taxes that were not collected within 60 days from year-end, and therefore, are deferred in accordance with generally accepted accounting principles, and \$8,557 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	\$ -	\$ (1,700)	\$ 1,052,174
Construction in progress	99,863	-	-	99,863
Total capital assets not being depreciated	<u>1,153,737</u>	<u>-</u>	<u>(1,700)</u>	<u>1,152,037</u>
Being depreciated:				
Buildings and building improvements	3,319,879	18,750	-	3,338,629
Machinery, vehicles and equipment	3,017,453	615,779	(15,877)	3,617,355
Infrastructure	7,171,050	238,904	(110,307)	7,299,647
Other improvements	72,050	14,132	-	86,182
Total capital assets being depreciated	<u>13,580,432</u>	<u>887,565</u>	<u>(126,184)</u>	<u>14,341,813</u>
Total all capital assets	<u>14,734,169</u>	<u>887,565</u>	<u>(127,884)</u>	<u>15,493,850</u>
Less accumulated depreciation:				
Buildings and building improvements	(633,694)	(64,631)	-	(698,325)
Machinery, vehicles and equipment	(1,855,937)	(184,212)	15,877	(2,024,272)
Infrastructure	(4,324,898)	(160,605)	99,276	(4,386,227)
Other improvements	(9,273)	(3,546)	-	(12,819)
Total accumulated depreciation	<u>(6,823,802)</u>	<u>(412,994)</u>	<u>115,153</u>	<u>(7,121,643)</u>
Net book value, capital assets being depreciated	6,756,630	474,571	(11,031)	7,220,170
Net book value, all capital assets	<u>\$ 7,910,367</u>	<u>\$ 474,571</u>	<u>\$ (12,731)</u>	<u>\$ 8,372,207</u>

TOWN OF TUFTONBORO, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2018

Depreciation Expense

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

General government	\$ 17,544
Public safety	197,598
Highways and streets	178,116
Sanitation	11,494
Culture and recreation	8,242
Total depreciation expense	<u>\$ 412,994</u>

III.B. Liabilities

III.B.1. Intergovernmental Payable

The amount due to other governments at December 31, 2018 consists of \$3,426,621 due to the Governor Wentworth Regional School District for the balance of the 2018-2019 district assessment, \$27,342 due to the Lower Beech Pond Village District for its tax assessment, and \$4,195 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 12/31/2018	Current Portion
Governmental activities:						
General obligation note payable:						
Fire station	\$ 2,151,944	2012	2027	2.49	\$ 1,383,394	\$ 153,710
Capital leases payable:						
Ambulance/rescue vehicle	\$ 425,000	2016	2020	2.54	172,051	84,947
Pumper truck	\$ 455,885	2018	2022	3.67	455,885	107,881
					<u>627,936</u>	<u>192,828</u>
Compensated absences payable:						
Vested sick leave					27,944	-
Accrued vacation leave					24,602	-
					<u>52,546</u>	<u>-</u>
Other postemployment benefits liability					206,374	-
Accrued landfill postclosure care costs					172,200	12,300
Net pension liability					1,837,001	-
					<u>\$ 4,279,451</u>	<u>\$ 358,838</u>

TOWN OF TUFTONBORO, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2018

Changes in Long-Term Liabilities

The following is a summary of changes in long-term liabilities for the year ended December 31, 2018:

	General Obligation Note Payable	Capital Leases Payable	Compensated Absences Payable	OPEB Liability	Accrued Landfill Postclosure Care Costs	Net Pension Liability	Total
Balance, beginning	\$ 1,537,104	\$ 254,893	\$ 62,172	\$ 138,759	\$ 126,000	\$ 1,906,688	\$ 4,025,616
Additions	-	455,885	-	67,615	46,200	-	569,700
Reductions	(153,710)	(82,842)	(9,626)	-	-	(69,687)	(315,865)
Balance, ending	<u>\$ 1,383,394</u>	<u>\$ 627,936</u>	<u>\$ 52,546</u>	<u>\$ 206,374</u>	<u>\$ 172,200</u>	<u>\$ 1,837,001</u>	<u>\$ 4,279,451</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
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	153,710	19,137	172,847
2024-2027	614,844	38,274	653,118
Totals	<u>\$ 1,383,394</u>	<u>\$ 172,232</u>	<u>\$ 1,555,626</u>

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

Year Ending December 31,	Principal	Interest	Total
2019	\$ 192,828	\$ 21,114	\$ 213,942
2020	198,947	14,995	213,942
2021	115,951	8,674	124,625
2022	120,210	4,415	124,625
Totals	<u>\$ 627,936</u>	<u>\$ 49,198</u>	<u>\$ 677,134</u>

Accrued 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 \$172,200 as of

**TOWN OF TUFTONBORO, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2018**

December 31, 2018. 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, 2018. 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 \$1,193 represents distributions of income earned in the Permanent Fund for library purposes.

III.C.2. Transfers

Transfers within the reporting entity are substantially for the purposes of moving 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	\$ -	\$ 43,000	\$ 43,000
Nonmajor funds	1,193	-	1,193
	\$ 1,193	\$ 43,000	\$ 44,193

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, 2018

III.D. Fund Equity

III.D.1. Restatement of Beginning Net Equity

The beginning net position of the Governmental Activities was restated as follows:

To adjust OPEB liability for change in accounting standard	\$ (138,759)
Net position, as previously reported	<u>7,465,653</u>
Net position, as restated	<u><u>\$ 7,326,894</u></u>

III.D.2. 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	\$ -	\$ -	\$ 200,979
Tax deeded property	12,240	-	-
Total nonspendable	<u>12,240</u>	<u>-</u>	<u>200,979</u>
Restricted:			
General government	-	-	9,050
Culture and recreation	1,055,576	-	-
Capital outlay	29,609	-	-
Total restricted	<u>1,085,185</u>	<u>-</u>	<u>9,050</u>
Committed:			
General government	-	-	5,112
Public safety	-	-	5,394
Culture and recreation	-	-	6,308
Conservation	-	-	19,154
Capital outlay	<u>33,200</u>	<u>1,136,577</u>	<u>-</u>
Total committed	<u>33,200</u>	<u>1,136,577</u>	<u>35,968</u>
Assigned:			
General government	22,174	-	-
Public safety	15,000	-	-
Highways and streets	11,200	-	-
Welfare	10,000	-	-
Conservation	<u>6,195</u>	<u>-</u>	<u>-</u>
Total assigned	<u>64,569</u>	<u>-</u>	<u>-</u>
Unassigned	<u>575,086</u>	<u>-</u>	<u>-</u>
Total fund balance	<u><u>\$ 1,770,280</u></u>	<u><u>\$ 1,136,577</u></u>	<u><u>\$ 245,997</u></u>

III.D.3. Restricted Net Position

The government-wide statement of net position includes restricted net position totaling \$1,265,605, which represents \$210,029 for public trust funds reported as restricted to reflect purpose restrictions

TOWN OF TUFTONBORO, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2018

contained in trust indentures, and \$1,055,576 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 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 2018 to be recorded as an insurance expenditure/expense totaled \$33,702 for property/liability and \$29,006 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 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 were 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

**TOWN OF TUFTONBORO, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2018**

any unfunded accrued liability. Employer contributions from the Town during the years 2015, 2016 and 2018 were \$158,052, \$170,762, and \$179,615, 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, 2018, the Town reported a liability of \$1,837,001 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, 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, 2018, the Town's proportion was 0.0382%, which was a decrease of 0.0006% from its proportion measured as of June 30, 2017.

For 2018, the Town recognized pension expense of \$273,118. At year-end, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Changes in proportion and differences between employer contributions and proportionate share of contributions	\$ 141,666	\$ 22,222
Net differences between projected and actual earnings on pension plan investments	-	42,510
Changes in assumptions	127,130	-
Differences between expected and actual experience	14,663	14,874
Town contributions subsequent to the measurement date	92,051	-
	<u>\$ 375,510</u>	<u>\$ 79,606</u>

The Town reported \$92,051 as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date, which will be recognized as a reduction of the net pension liability in the following year.

**TOWN OF TUFTONBORO, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2018**

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

Year Ending December 31,	
2019	\$ 141,947
2020	102,755
2021	(29,300)
2022	(11,549)
	<u>\$ 203,853</u>

Actuarial Assumptions

The total pension liability in the June 30, 2018 actuarial valuation was determined using the actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018, using the following actuarial assumptions:

Actuarial Cost Method	Entry-Age Normal
Amortization Method	Level Percentage-of-Payroll, Closed
Remaining Amortization Period	21 years beginning July 1, 2018
Asset Valuation Method	5-year smoothed market for funding purposes; 20% corridor
Price Inflation	2.5% per year
Wage Inflation	3.25% per year
Salary Increases	5.6% average, including inflation
Municipal Bond Rate	3.62% per year
Investment Rate of Return	7.25%, net of pension plan investment expense, including inflation

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, 2017 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.

**TOWN OF TUFTONBORO, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2018**

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
	<u> </u>	<u> </u>	<u> </u>
Town's proportionate share of net pension liability	\$ 2,444,144	\$ 1,837,001	\$ 1,328,196

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.

IV.D. Other Postemployment Benefits

Plan Description

In addition to providing pension benefits, the Town provides implicit postretirement medical benefits to its retired employees and their spouses, as required by NH RSA 100-A:50, *New Hampshire Retirement System: Medical Benefits*. The pre-65 benefits are the only benefits included in this valuation. Retirees under the age of 65 have a medical insurance plan with either Anthem Blue Cross and Blue Shield or Matthew Thornton. Both Group I and Group II retirees, as categorized by the New Hampshire Retirement System, qualify for this benefit. Group I employees are required to reach age 55 with a minimum service requirement of 30 years or age 60 with 20 years of service. Group II employees hired before July 1, 2003 are eligible at age 45 with 20 years of service and employees hired after July 1, 2003 are eligible at any age with 20 years of service. Retirees contribute 100% for individual, two person or family medical coverage. Surviving beneficiaries continue to receive access to the Town medical coverage after the death of the retired employee as long as they pay the required premium. As of June 30, 2018, the actuarial valuation date, participants of the postretirement plan that meet eligibility requirements are comprised of 14 active employees. The plan does not issue a separate financial report.

Medical Insurance Subsidy

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

TOWN OF TUFTONBORO, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2018

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

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

Total OPEB Liability

The Town's total OPEB liability of \$206,374 for the medical insurance subsidy was determined by an actuarial valuation as of June 30, 2017 with roll-forward procedures used to determine the total OPEB liability as of June 30, 2018. The roll-forward of the total OPEB liability from June 30, 2017 to June 30, 2018 reflects expected service cost and interest reduced by actual benefit payments and refunds for the plan year.

Methods and Assumptions

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

Medical Insurance Subsidy

Payroll Growth	3.25%
Discount Rate	3.62%
Inflation	2.5%
Investment Rate of Return	7.25% per year, net of OPEB plan investment expense, including inflation
Mortality	RP-2014 Healthy Annuitant and Employee Generational Mortality Tables for males and females with credibility adjustments, adjusted for fully generational mortality improvements using Scale MP-2015 based on the last experience study
Healthcare Cost Trend Rates	N/A, given that the benefits are fixed stipends

**TOWN OF TUFTONBORO, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2018**

Sensitivity of Total OPEB Liability

Assumptions and methods used to determine the total OPEB liability are sensitive to changes in the discount rate and healthcare trend rates. The following presents the total OPEB liability calculated using the current discount rates, as well as what the total OPEB liability would be if it were calculated using a discount rate 1-percentage point lower or 1-percentage point higher:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Decrease (8.25%)
Town's total OPEB liability	\$ 214,795	\$ 206,374	\$ 182,785

Healthcare trend rates are not applicable for the medical insurance subsidy given that the benefits are fixed stipends.

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

For the year ended December 31, 2018 the Town recognized OPEB expense of \$52,728; and reported deferred outflows of resources of \$15,543 and deferred inflows of resources related to OPEB of \$656, due to changes in actuarial experience and actuarial assumptions. The net amount recognized as deferred inflows and outflows of resources will be recognized in OPEB expense as follows:

Year Ending December 31,	
2019	\$ 15,339
2020	(205)
2021	(205)
2022	(42)
	\$ 14,887

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

	2018	2017	2016	2015	2014
Town's proportion of net pension liability	0.0382%	0.0388%	0.0375%	0.0334%	0.0303%
Town's proportionate share of the net pension liability	\$ 1,837,001	\$ 1,906,688	\$ 1,993,390	\$ 1,324,708	\$ 1,135,470
Town's covered-employee payroll	\$ 829,755	\$ 815,287	\$ 787,095	\$ 687,229	\$ 582,200
Town's proportionate share of the net pension liability as a percentage of covered-employee payroll	221.39%	233.87%	253.26%	192.76%	195.03%
Plan fiduciary position as a percentage of the total pension liability	64.73%	62.66%	58.30%	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 the Town's Pension Contributions
New Hampshire Retirement System

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 179,615	\$ 170,762	\$ 158,052	\$ 138,840	\$ 119,115
Contribution in relation to the contractually required contribution	<u>\$ (179,615)</u>	<u>\$ (170,762)</u>	<u>\$ (158,052)</u>	<u>\$ (138,840)</u>	<u>\$ (119,115)</u>
Contribution deficiency	<u>\$ -</u>				
Town's covered-employee payroll	\$ 829,755	\$ 815,287	\$ 787,095	\$ 687,229	\$ 582,200
Contributions as a percentage of covered-employee payroll	21.65%	20.95%	20.08%	20.20%	20.46%

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

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

	2018	2017
Total OPEB liability:		
Service cost	\$ 1,714	
Interest	59,672	
Projected earnings on plan investments	(4,639)	
OPEB plan administrative expense and other non-contribution items	132	
Difference between expected and actual earnings on OPEB investments	(791)	
Difference between expected and actual experience	17,388	
Benefit payments	(5,861)	
Net change in total OPEB liability	67,615	
Total OPEB liability, beginning	138,759	
Total OPEB liability, ending	<u>\$ 206,374</u>	<u>\$ 138,759</u>
Covered-employee payroll	\$ 829,755	\$ 815,287
Total OPEB liability as a percentage of covered-employee payroll	24.87%	17.02%

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

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

	2018	2017
Actuarially determined contribution	\$ 19,938	\$ 17,987
Contributions in relation to the actuarially determined contribution	(19,938)	(17,987)
Contribution deficiency	\$ -	\$ -
Covered-employee payroll	\$ 829,755	\$ 815,287
Contributions as a percentage of covered-employee payroll	2.40%	2.21%

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, 2018

The Schedule of the Town's Proportionate Share of the Net Pension Liability, the Schedule of the Town's Pension Contributions, the Schedule of Changes in the Town's Total OPEB Liability and Related Ratios, and the Schedule of the Town's OPEB Contributions are meant to present related information for ten years. Because this is the fourth year that the Town has presented the pension schedules, and the first year for the OPEB schedules, only five and two years, respectively, are presented. An additional year's information will be added each year until there are ten years shown.

COMBINING NONMAJOR AND INDIVIDUAL GENERAL FUND SCHEDULES

EXHIBIT 14
TOWN OF TUFTONBORO, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2018

	Special Revenue Funds					Total
	Police Special Detail Revolving	Christmas	Recreation Revolving	Conservation Commission	Permanent Fund	
ASSETS						
Cash and cash equivalents	\$ 4,914	\$ 5,112	\$ 6,308	\$ 19,154	\$ 2,951	\$ 38,439
Investments	-	-	-	-	208,271	208,271
Accounts receivable	480	-	-	-	-	480
Total assets	<u>\$ 5,394</u>	<u>\$ 5,112</u>	<u>\$ 6,308</u>	<u>\$ 19,154</u>	<u>\$ 211,222</u>	<u>\$ 247,190</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Interfund payable	\$ -	\$ -	\$ -	\$ -	\$ 1,193	\$ 1,193
Fund balances:						
Nonspendable	-	-	-	-	200,979	200,979
Restricted	-	-	-	-	9,050	9,050
Committed	5,394	5,112	6,308	19,154	-	35,968
Total fund balances	<u>5,394</u>	<u>5,112</u>	<u>6,308</u>	<u>19,154</u>	<u>210,029</u>	<u>245,997</u>
Total liabilities and fund balances	<u>\$ 5,394</u>	<u>\$ 5,112</u>	<u>\$ 6,308</u>	<u>\$ 19,154</u>	<u>\$ 211,222</u>	<u>\$ 247,190</u>

EXHIBIT 15
TOWN OF TUFTONBORO, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended December 31, 2018

	Special Revenue Funds					Total
	Police Special Detail Revolving	Christmas	Recreation Revolving	Conservation Commission	Permanent Fund	
REVENUES						
Taxes	\$ -	\$ -	\$ -	\$ 5,000	\$ -	\$ 5,000
Charges for services	1,410	-	13,769	-	-	15,179
Miscellaneous	-	8,080	-	-	(6,825)	1,255
Total revenues	<u>1,410</u>	<u>8,080</u>	<u>13,769</u>	<u>5,000</u>	<u>(6,825)</u>	<u>21,434</u>
EXPENDITURES						
Current:						
General government	-	7,395	-	-	-	7,395
Public safety	1,139	-	-	-	-	1,139
Culture and recreation	-	-	14,309	-	-	14,309
Total expenditures	<u>1,139</u>	<u>7,395</u>	<u>14,309</u>	<u>-</u>	<u>-</u>	<u>22,843</u>
Excess (deficiency) of revenues over (under) expenditures	271	685	(540)	5,000	(6,825)	(1,409)
Other financing uses:						
Transfers out	-	-	-	-	(1,193)	(1,193)
Net change in fund balances	271	685	(540)	5,000	(8,018)	(2,602)
Fund balances, beginning	5,123	4,427	6,848	14,154	218,047	248,599
Fund balances, ending	<u>\$ 5,394</u>	<u>\$ 5,112</u>	<u>\$ 6,308</u>	<u>\$ 19,154</u>	<u>\$ 210,029</u>	<u>\$ 245,997</u>

EXHIBIT 16
TOWN OF TUFTONBORO, NEW HAMPSHIRE
General Fund
Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)
For the Year Ended December 31, 2018

	Estimated	Actual	Variance Positive (Negative)
Taxes:			
Property	\$ 2,792,768	\$ 2,806,715	\$ 13,947
Land use change	50,030	50,710	680
Betterment	-	4,560	4,560
Timber	25,000	12,046	(12,954)
Excavation	427	427	-
Boat registration	29,275	25,264	(4,011)
Payments in lieu of taxes	9,220	13,220	4,000
Interest and penalties on delinquent taxes	50,000	44,261	(5,739)
Total taxes	<u>2,956,720</u>	<u>2,957,203</u>	<u>483</u>
Licenses, permits and fees:			
Business licenses and permits	45,000	49,347	4,347
Motor vehicle permits	610,000	643,888	33,888
Building permits	35,000	40,862	5,862
Other	7,000	6,493	(507)
Total licenses, permits and fees	<u>697,000</u>	<u>740,590</u>	<u>43,590</u>
Intergovernmental:			
State sources:			
Meals and rooms distributions	122,669	122,669	-
Highway block grant	84,236	84,188	(48)
Other grants	3,300	3,957	657
Federal sources:			
FEMA	-	79	79
Total intergovernmental	<u>210,205</u>	<u>210,893</u>	<u>688</u>
Charges for services:			
Income from departments	<u>100,000</u>	<u>117,756</u>	<u>17,756</u>
Miscellaneous:			
Sale of property	167,075	151,101	(15,974)
Interest on investments	5,000	8,157	3,157
Other	5,738	5,720	(18)
Total miscellaneous	<u>177,813</u>	<u>164,978</u>	<u>(12,835)</u>
Total revenues	4,141,738	<u>\$ 4,191,420</u>	<u>\$ 49,682</u>
Use of fund balance	298,000		
Total revenues and use of fund balance	<u>\$ 4,439,738</u>		

EXHIBIT 17
TOWN OF TUFTONBORO, NEW HAMPSHIRE
General Fund
Schedule of Appropriations, Expenditures and Encumbrances (Non-GAAP Budgetary Basis)
For the Year Ended December 31, 2018

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
General government:					
Executive	\$ -	\$ 104,630	\$ 97,102	\$ -	\$ 7,528
Election and registration	-	84,528	81,341	-	3,187
Financial administration	-	137,015	125,607	-	11,408
Revaluation of property	-	46,372	46,372	4,174	(4,174)
Legal	-	42,800	53,353	-	(10,553)
Personnel administration	-	588,545	574,532	-	14,013
Planning and zoning	-	23,188	19,179	-	4,009
General government buildings	20,048	133,013	137,503	18,000	(2,442)
Cemeteries	-	21,300	19,793	-	1,507
Insurance, not otherwise allocated	-	62,708	62,708	-	-
Other	-	500	187	-	313
Total general government	<u>20,048</u>	<u>1,244,599</u>	<u>1,217,677</u>	<u>22,174</u>	<u>24,796</u>
Public safety:					
Police	-	391,844	369,217	5,000	17,627
Ambulance	-	188,036	187,419	-	617
Fire	-	437,617	410,829	-	26,788
Building inspection	-	62,597	61,536	-	1,061
Emergency management	-	15,630	13,614	10,000	(7,984)
Total public safety	<u>-</u>	<u>1,095,724</u>	<u>1,042,615</u>	<u>15,000</u>	<u>38,109</u>
Highways and streets:					
Highways and streets	-	452,600	492,162	-	(39,562)
Bridges	-	13,000	1,819	11,200	(19)
Total highways and streets	<u>-</u>	<u>465,600</u>	<u>493,981</u>	<u>11,200</u>	<u>(39,581)</u>
Sanitation:					
Solid waste disposal	-	375,522	398,025	-	(22,503)
Health:					
Pest control	-	1,750	1,338	-	412
Health agencies and hospitals	-	39,706	39,706	-	-
Total health	<u>-</u>	<u>41,456</u>	<u>41,044</u>	<u>-</u>	<u>412</u>
Welfare:					
Administration and direct assistance	-	25,000	10,858	10,000	4,142

(continued)

EXHIBIT 17 (continued)
TOWN OF TUFTONBORO, NEW HAMPSHIRE
General Fund

Schedule of Appropriations, Expenditures and Encumbrances (Non-GAAP Budgetary Basis)
For the Year Ended December 31, 2018

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Culture and recreation:					
Parks and recreation	-	43,761	43,774	-	(13)
Public library	-	212,328	195,340	-	16,988
Patriotic purposes	-	1,500	1,500	-	-
Other	-	500	450	-	50
Total culture and recreation	-	<u>258,089</u>	<u>241,064</u>	-	<u>17,025</u>
Conservation:					
Administration	15,000	20,580	22,093	-	13,487
Other	-	28,750	18,960	6,195	3,595
Total conservation	<u>15,000</u>	<u>49,330</u>	<u>41,053</u>	<u>6,195</u>	<u>17,082</u>
Debt service:					
Principal	-	153,711	153,710	-	1
Interest	-	38,274	38,231	-	43
Total debt service	-	<u>191,985</u>	<u>191,941</u>	-	<u>44</u>
Capital outlay:					
Machinery, vehicles and equipment	-	235,958	235,905	-	53
Buildings	-	73,475	42,004	19,500	11,971
Improvements other than buildings	77,532	340,000	374,316	43,309	(93)
Total capital outlay	<u>77,532</u>	<u>649,433</u>	<u>652,225</u>	<u>62,809</u>	<u>11,931</u>
Other financing uses:					
Transfers out:					
Expendable trust fund	-	43,000	43,000	-	-
Total encumbrances, appropriations, expenditures and other financing uses	<u>\$ 112,580</u>	<u>\$ 4,439,738</u>	<u>\$ 4,373,483</u>	<u>\$ 127,378</u>	<u>\$ 51,457</u>

EXHIBIT 18
TOWN OF TUFTONBORO, NEW HAMPSHIRE
General Fund
Schedule of Changes in Unassigned Fund Balance (Non-GAAP Budgetary Basis)
For the Year Ended December 31, 2018

Unassigned fund balance, beginning		\$ 1,160,710
Changes:		
Unassigned fund balance used to reduce tax rate		(250,000)
Unassigned fund balance appropriated		(48,000)
Budget summary:		
Revenue surplus (Exhibit 16)	\$ 49,682	
Unexpended balance of appropriations (Exhibit 17)	<u>51,457</u>	
Budget surplus		101,139
Decrease in nonspendable fund balance		<u>8,705</u>
Unassigned fund balance, ending		<u><u>\$ 972,554</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, 2018, 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 first paragraph above 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 – Repeat Finding

We noted a variance between the reconciled bank balance and the general ledger, resulting from a duplicate deposit posting and unposted deposits for rescue services. 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.

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.

Roberts & Greene, PLLC

Concord, New Hampshire
June 5, 2019