

TOWN OF TUFTONBORO, NEW HAMPSHIRE

FINANCIAL REPORT

AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2017

**TOWN OF TUFTONBORO, NEW HAMPSHIRE
FINANCIAL REPORT
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DECEMBER 31, 2017**

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BASIC FINANCIAL STATEMENTS

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

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

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

EXHIBIT 2
TOWN OF TUFTONBORO, NEW HAMPSHIRE
Statement of Activities
For the Year Ended December 31, 2017

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

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

EXHIBIT 3
TOWN OF TUFTONBORO, NEW HAMPSHIRE
Balance Sheet
Governmental Funds
December 31, 2017

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

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

EXHIBIT 4
TOWN OF TUFTONBORO, NEW HAMPSHIRE
Reconciliation of Total Fund Balances of Governmental Funds to the Statement of Net Position
December 31, 2017

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

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

EXHIBIT 5
TOWN OF TUFTONBORO, NEW HAMPSHIRE
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2017

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

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

EXHIBIT 6
TOWN OF TUFTONBORO, NEW HAMPSHIRE
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund
Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2017

| | | |
|---|------------------|-------------------------|
| Net change in fund balances of governmental funds (Exhibit 5) | | \$ 58,374 |
| Amounts reported for governmental activities in the statement of activities are different because: | | |
| Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capitalized capital outlay in the current period. | | |
| Capitalized capital outlay | \$ 336,284 | |
| Depreciation expense | <u>(369,458)</u> | |
| | | (33,174) |
| The net effect of the disposal of capital assets is to decrease net position. | | (9,805) |
| Transfers in and out between governmental funds are eliminated on the operating statement. | | |
| Transfers in | \$ (192,965) | |
| Transfers out | <u>192,965</u> | |
| | | - |
| Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in governmental funds. | | |
| Change in deferred tax revenue | | (63,502) |
| The repayment of the principal of long-term debt consumes the current financial resources of governmental funds, but has no effect on net position. | | |
| Repayment of note principal | \$ 153,710 | |
| Repayment of capital lease principal | <u>80,790</u> | |
| | | 234,500 |
| Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. | | |
| Decrease in accrued interest expense | \$ 3,729 | |
| Increase in compensated absences payable | (8,940) | |
| Decrease in accrued landfill postclosure care costs | <u>42,000</u> | |
| | | 36,789 |
| Governmental funds report pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned, net of employee contributions, is reported as pension expense. | | |
| Town pension contributions | \$ 170,762 | |
| Cost of benefits earned, net of employee contributions | <u>(296,842)</u> | |
| | | (126,080) |
| Change in net position of governmental activities (Exhibit 2) | | <u><u>\$ 97,102</u></u> |

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

EXHIBIT 7
TOWN OF TUFTONBORO, NEW HAMPSHIRE
General Fund
Statement of Revenues, Expenditures and Changes in Unassigned Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Year Ended December 31, 2017

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

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

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

| | Private Purpose Trust | Agency |
|-------------------------------------|-----------------------------|---------------|
| Assets: | | |
| Cash and cash equivalents | \$ 906 | \$ 19,294 |
| Investments | <u>118,606</u> | <u>-</u> |
| Total assets | 119,512 | 19,294 |
| Liabilities: | | |
| Due to developers | <u>-</u> | <u>19,294</u> |
| Net position: | | |
| Held in trust for specific purposes | <u>\$ 119,512</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, 2017

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

I. Summary of Significant Accounting Principles

I.A. Introduction

The accounting and reporting framework and the more significant accounting principles and practices of the Town of Tuftonboro (the Town) are discussed in subsequent sections of this note. The remainder of the notes is organized to provide explanations, including required disclosures, of the Town's financial activities for the fiscal year ended December 31, 2017.

I.B. Financial Reporting Entity – Basis of Presentation

I.B.1. Entity Defined

The Town of Tuftonboro is a municipal corporation governed by a board of selectmen consisting of three members elected by the voters. These financial statements present the financial position and activity of the primary government. Component units are organizations for which the primary government is financially accountable, or other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete. Based on the stated criteria, the Town's financial statements do not include any component units.

I.B.2. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the Town as a whole, excluding fiduciary activities. Individual funds are not displayed.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges for the Town's services; and (2) operating grants and contributions, which finance annual operating activities including restricted investment income. These revenues are subject to externally imposed restrictions to these program uses. Taxes and revenue from other sources not properly included with program revenues are reported as general revenues.

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

Fund Financial Statements

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

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

The financial statements of the Town are prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Town's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

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

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

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

Expenditures are recorded when the related fund liability is incurred, except for general obligation debt principal and interest which are reported as expenditures in the year due.

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

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

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

I.B.4. Fund Types and Major Funds

Governmental Funds

The Town reports the following major governmental funds:

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

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

The Town also reports five nonmajor governmental funds.

Fiduciary Funds

The Town reports the following fiduciary funds:

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

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

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

I.C.1. Cash and Investments

The laws of the State of New Hampshire require that the Town's treasurer have custody of all monies belonging to the Town, other than those held by the trustees of trust funds and library trustees, and pay out the same only upon orders of the Board of Selectmen. The treasurer shall deposit all monies in participation units in the public deposit investment pool established pursuant to N.H. RSA 383.22 or in solvent banks in the state. Funds may be deposited in banks outside the state if such banks pledge or deliver to a third party custodial bank or the Federal Reserve Bank, collateral security for such deposits, United States government or government agency obligations, or obligations of the State of New Hampshire in value at least equal to the amount of the deposit in each case.

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

New Hampshire law authorizes the Town to invest in obligations of the United States government; the public deposit investment pool established pursuant to RSA 383:22; savings bank deposits; prime

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

bankers' acceptances; or certificates of deposit and repurchase agreements of banks incorporated under the laws of the State of New Hampshire or in banks recognized by the state treasurer.

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

I.C.2. Capital Assets and Depreciation

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

| | <u>Years</u> |
|-------------------------------------|--------------|
| Buildings and building improvements | 25-50 |
| Machinery, vehicles and equipment | 5-20 |
| Infrastructure | 20-50 |
| Other improvements | 25 |

I.C.3. Long-Term Debt

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

I.C.4. Compensated Absences

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

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

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I.C.5. *Equity*

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

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

The governmental funds report the following components of fund balance:

- Nonspendable, which consists of endowments in the permanent fund, and the tax deeded property held for resale.
- Restricted, which represents the balance of highway block grant funds, the expendable income of the permanent fund, and the library fund, whose use is restricted by law.
- Committed, which consists of balances for which the intended use has been established by Town Meeting vote, or by the Board of Selectmen, and would require an equally formal action to remove those commitments.
- Assigned, which consists of balances for which the intended use has been established by the Board of Selectmen in the form of encumbrances.
- Unassigned, which represents the total fund balance in the general fund in excess of the nonspendable, restricted, committed and assigned balances.

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I.C.6. Estimates

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

II. Stewardship, Compliance and Accountability

II.A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund. Unless encumbered, all appropriations lapse at year-end. The Town is allowed to use beginning fund balance to balance the budget. In 2017, \$350,000 of the fund balance from 2016 was so used, and \$197,000 was appropriated from fund balance.

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

Revenues are budgeted by source. Expenditures are budgeted by functions as follow: general government, public safety, highways and streets, sanitation, health, welfare, culture and recreation, conservation, debt service and capital outlay. Management can transfer appropriations among budget line items as necessary, but the total expenditures cannot exceed the total appropriations unless permission is received from the Commissioner of Revenue Administration.

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

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

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

The major Expendable Trust Fund is not budgeted.

III. Detailed Notes on Funds and Government-Wide Statements

III.A. Assets

III.A.1. Custodial Credit Risks for Deposits

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

III.A.2. Investments

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

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

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The investments appear in the financial statements as follow:

Fund reporting level:

| | |
|---|----------------------------|
| Governmental funds - balance sheet (Exhibit 3) | \$ 1,570,288 |
| Fiduciary funds - statement of fiduciary net position (Exhibit 8) | 118,606 |
| Total | <u><u>\$ 1,688,894</u></u> |

Investment Risks

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

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

Concentration of Credit Risk is the risk of loss attributed to the magnitude of the Town's investment in a single issuer. The Town does not have an investment policy that addresses concentration of credit risk. As of December 31, 2017, the Town had \$525,312 in the Vanguard Short-Term Investment Grade Fund Admiral Shares, \$364,060 invested in the Fidelity Short-Term Treasury Bond Index Fund Investor Class, \$153,444 in the Fidelity 500 Index Fund Premium Class, and \$102,309 in the TCW Total Return Bond Fund Class I, representing 31.10%, 21.56%, 9.09%, and 6.06%, respectively, of the total investments.

III.A.3. Receivables, Uncollectible Accounts and Deferred Revenue

Property Taxes Receivable and Property Tax Calendar

Property taxes are levied and collected by the Town on a semi-annual basis. Tax bills are due on or around July 1 and December 1, with interest of 12% per annum on all taxes not received by the due date. The first billing is an estimate only based on half of the previous year's billing. The final billing is levied based on an inventory taken in April of each year (the tax year runs from April 1 to March 31), and is assessed after the tax rate has been calculated and set by the New Hampshire Department of Revenue Administration. A lien is executed on any unpaid property taxes in the following year and this lien takes priority over any others. Interest of 18% per annum is charged upon redemption of 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 2016 property taxes on May 3rd.

The property taxes levied and collected by the Town include amounts for the State of New Hampshire, the Governor Wentworth Regional School District, Carroll County, and the Lower Beech Pond Dam

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Village District. The Town is responsible for the collection of all these taxes. During the annual tax rate setting process, the Town sets an amount for potential abatements and tax deeding, known as overlay. Overlay is raised through taxation and is reported as a reduction in tax revenue.

The net assessed valuation as of April 1, 2017, upon which the 2017 property tax levy was based was:

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

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

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

The following details the taxes receivable at year-end:

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

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Other Receivables and Uncollectible Accounts

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

Deferred Revenue

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

III.A.4. Capital Assets

Changes in Capital Assets

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

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

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Depreciation Expense

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

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

III.B. Liabilities

III.B.1. Intergovernmental Payable

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

III.B.2. Long-Term Liabilities

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

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

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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, 2017:

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

Debt Service Requirements to Maturity

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

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

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

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

Landfill Postclosure Care Costs

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

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

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

III.C.1. Receivables and Payables

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

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

III.C.2. Transfers

Transfers within the reporting entity are substantially for the purposes of voted amounts, and distributing trust income to the applicable funds. The government-wide statement of activities eliminates transfers reported within the governmental activities columns.

The following schedule reports transfers within the reporting entity:

| | Transfers In: | | |
|----------------|-----------------|--------------------------|-------------------|
| | General Fund | Expendable Trust Fund | Total |
| Transfers out: | | | |
| General fund | \$ - | \$ 192,000 | \$ 192,000 |
| Nonmajor funds | 965 | - | 965 |
| | <u>\$ 965</u> | <u>\$ 192,000</u> | <u>\$ 192,965</u> |

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.

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III.D. Fund Equity

III.D.1. Components of Fund Balance

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

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

III.D.2. Restricted Net Position

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

IV. Other Information

IV.A. Risk Management

The Town's risk management activities are reported with governmental activities and recorded in the general fund. During the fiscal year, the Town was a member of the New Hampshire Public Risk Management Exchange (Primex) Workers' Compensation and Property/Liability Programs, which are

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considered public entity risk pools, currently operating as common risk management and insurance programs for member governmental entities.

The Primex Workers' Compensation and Property/Liability Programs are pooled risk management programs under RSA 5-B and RSA 281-A. Workers' compensation and property/liability coverage are provided from January 1 through December 31. Contributions paid in 2017 to be recorded as an insurance expenditure/expense totaled \$34,183 for property/liability and \$26,733 for workers' compensation. The Town also paid \$6,685 for unemployment compensation. The membership agreement permits Primex to make additional assessments to members should there be a deficiency in contributions for any member year, not to exceed the member's annual contribution. At this time, Primex foresees no likelihood of any additional assessments for past years.

IV.B. Retirement Pensions

General Information about the Pension Plan

The New Hampshire Retirement System (NHRS) is a multiple-employer, cost-sharing, contributory public employee defined benefit plan qualified under section 401(a) of the Internal Revenue Code, and funded through a trust which is exempt from tax under Internal Revenue Code section 501(a). The NHRS provides service, disability, death and vested retirement benefits for employees and their beneficiaries. The New Hampshire Legislature establishes the provisions for benefits and contributions. The NHRS issues a separate financial report that is available at www.nhrs.org or by contacting the NHRS at 54 Regional Drive, Concord, NH 03301.

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

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

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

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

For 2017, the Town recognized pension expense of \$296,842. At year-end, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Changes in proportion and differences between employer contributions and proportionate share of contributions | \$ 218,245 | \$ - |
| Net differences between projected and actual earnings on pension plan investments | - | 24,283 |
| Changes in assumptions | 191,457 | - |
| Differences between expected and actual experience | 4,323 | 24,267 |
| Town contributions subsequent to the measurement date | 93,619 | - |
| | <u>\$ 507,644</u> | <u>\$ 48,550</u> |

The Town reported \$93,619 as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date, which will be recognized as a reduction of the net pension liability in the following year.

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

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

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Actuarial Assumptions

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

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

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

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

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

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate.

| | 1% Decrease (6.25%) | Current Discount Rate (7.25%) | 1% Increase (8.25%) |
|---|---------------------------|--|---------------------------|
| Town's proportionate share of net pension liability | \$ 2,511,966 | \$ 1,906,688 | \$ 1,410,687 |

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

IV.C. Contingent Liabilities

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

REQUIRED SUPPLEMENTARY INFORMATION

DRAFT

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

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

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

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

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

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

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

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

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COMBINING NONMAJOR AND INDIVIDUAL GENERAL FUND SCHEDULES

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

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

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

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

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

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

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

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

(continued)

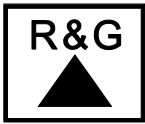
EXHIBIT 15 (continued)
TOWN OF TUFTONBORO, NEW HAMPSHIRE
General Fund

Schedule of Appropriations, Expenditures and Encumbrances (Non-GAAP Budgetary Basis)
For the Year Ended December 31, 2017

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

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

| | | | |
|---|----|----------------|----------------------------|
| Unassigned fund balance, beginning | | | \$ 1,494,245 |
| Changes: | | | |
| Unassigned fund balance voted from surplus | | | (197,000) |
| Unassigned fund balance used to reduce tax rate | | | (350,000) |
| Budget summary: | | | |
| Revenue surplus (Exhibit 14) | \$ | 109,704 | |
| Unexpended balance of appropriations (Exhibit 15) | | <u>103,761</u> | |
| Budget surplus | | | <u>213,465</u> |
| Unassigned fund balance, ending | | | <u><u>\$ 1,160,710</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, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered the Town's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

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

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

Cash Reconciliation

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

We again communicate the following:

Other Postemployment Benefits (OPEB) – Repeat Finding

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

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

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

Concord, New Hampshire
April XX, 2018

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