

TOWN OF TAMWORTH, NEW HAMPSHIRE

FINANCIAL STATEMENTS  
AND SUPPLEMENTAL SCHEDULES  
With Independent Auditor's Reports Thereon

DECEMBER 31, 2014

# TOWN OF TAMWORTH, NEW HAMPSHIRE

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# The Mercier Group

*a professional corporation*

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## INDEPENDENT AUDITOR'S REPORT

To the Members of the Selectboard and Management  
Town of Tamworth, New Hampshire

**Report on the Financial Statements.** We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Tamworth, New Hampshire as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

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

**Auditor's Responsibility.** Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of 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 risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Town's procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we express no such opinion. An audit also includes evaluation of the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluation of 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 basic 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 Tamworth, New Hampshire, as of December 31, 2014, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**Report on Required Supplementary Information.** Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* beginning on page iii and the budgetary information presented in the section marked *Required Supplementary Information* be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by 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, economic, or historical 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.

**Report on Combining and Individual Fund Statements and Schedules.** Our audit was performed for the purpose of forming opinions on the basic financial statements taken as a whole. The accompanying combining and individual fund statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly presented in all material respects in relation to the basic financial statements as a whole.

**Other reporting required by *Government Auditing Standards*.** In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2015 on our consideration of the Town of Tamworth, New Hampshire's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Tamworth, New Hampshire's internal control over financial reporting and compliance.

*Paul J. Mercier, Jr. cpa for*

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**The Mercier Group**, a professional corporation

Canterbury, New Hampshire

March 22, 2015

# **Management's Discussion and Analysis**

## **2014 MANAGEMENT'S DISCUSSION AND ANALYSIS**

This section of the Town of Tamworth's (the Town) annual financial report presents management's discussion and analysis of the Town's financial performance during the fiscal year ended December 31, 2014 and a look ahead at 2015. This letter is to be read in conjunction with the Town's audited financial statements.

### **2014 Financial Highlights**

- The Town was able to hold a healthy cash flow this year, therefore, did not have to borrow in anticipation of taxes. The Town's total cash and investments (not including any road/timber bonds or other restricted monies) totaled \$3,521,229 on December 31, 2014.
- At the recommendation of the Board and approval at Town Meeting, a 2% COLA increase was given to employees effective April 1.
- Effective 7/1/2014 employees on the town's insurance were required to contribute 7% of the employee plan.
- A Wage, salary and benefit survey was done by a committee appointed by the Selectboard. This study was presented to the Selectboard on 11/20/2014 and is available at the Town Office for review.
- The statistical update was completed to bring the town wide assessments within market value and the equalization ratio for 2014 ended up at 103.8%.
- A new F550 was purchased as recommended by the Capital Improvement Committee for the Highway department. We were still awaiting its arrival at year end as it was having the final pieces of equipment installed.
- Meetings for many town Boards and Commissions returned to the Town House.
- Roads that received repair in 2014 included Mason Hill, Cleveland Hill, Turkey Street and Mountain Road.
- The Highway Department was able to have 3500 yards of sand and 3800 yards of crushed bank run gravel screened this year.
- The Town's Local Emergency Operations Plan (LEOP) was updated with grant funds with the help and dedication of some employees and officials.
- With funds left to them in a trust account, the Rescue squad was able to purchase a Cardiac Monitor.
- For the year ended December 31, 2014, The Town had budgeted revenues of \$2,551,080 with actual revenues of \$2,589,003. Mainly, the reasons for excess revenues were unused overlay and motor vehicle fees in excess of amounts budgeted. Budgeted expenses for FY2014 were \$3,040,580 with actual expenses of \$2,746,479. The main reasons for unspent appropriations were savings in most budget lines and the contingency appropriation was not needed. The additional revenues of \$37,923 and the under spent budgeted amount of \$294,101 totaling \$332,024 will be put back into the undesignated fund balance adding to the current balance that will be available to help offset the 2015 tax rate.
- The General Fund (operating fund) reflected on a modified accrual basis of accounting, reported a balance of \$1,357,196 in unassigned fund balance (surplus)

at the beginning of the year 2014. With the application of \$489,500 being utilized to offset the 2014 tax rate, not spending the entire 2014 budget and receipt of additional revenues, the Board is pleased to report an estimated healthy fund balance (surplus) at year-end in the amount of \$1,186,916. The Selectboard will have an opportunity when the 2015 tax rate is set to off set the taxes with a percentage of this amount. Through the utilization of the fund balance at the beginning of 2014; the Selectboard set the tax rate. The rate increased from \$20.00 to \$21.50 per thousand.

## Overview of the Financial Statements

The discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements are comprised of the following components:

	REQUIRED STATEMENTS	PURPOSE & INFORMATION INCLUDED
Government-Wide	-Statement of Net Assets -State of Activities	Provides short and long-term information about our overall financial status, and how our net assets have changed. The statement of net assets includes all assets and liabilities, both operational and capital. The statement of activities accounts for all of the current year's revenue and expenses.
Fund Financials: Governmental Funds	-Balance Sheet -Statement of Revenues, Expenditures and Changes in Fund Balances	Provides detailed short-term information on revenues, expenses and fund balances for the current year. Focus is on revenue sources, expenditure categories, and on the balance left at year-end.
Fund Financials: Fiduciary Funds	-Statement of Fiduciary Net Assets	Provides information on funds for which the Town acts as a trustee, or fiduciary. The Town cannot use these assets to finance its own operations, but is responsible for ensuring that the assets reported here are used for their intended purposes.
Fund Financials: Business Enterprise Funds	-Statement of Net Assets -Statement of Changes in Net Assets	Provides information on funds for which the Water & Sewer Department are responsible and reports activities for which a fee is charged to external users for services. The Water & Sewer Department uses these assets to finance its own operation.
Notes to Financial Statements	Notes to Financial Statements	Provides additional required detailed information and explanations to all statements listed above.
Other Required Supplementary Information	-Budgetary Comparison Schedules	Provides additional information on budgeted vs. actual revenues and expenditures for the year.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following statements are presented for comparative analysis of the Town's financial condition. Net position serves as a useful indicator of a governmental entity's financial condition as of a certain date while the Statement of Activities shows the change in that financial condition over time.

**TOWN OF TAMWORTH, NEW HAMPSHIRE***Statements of Net Position*

December 31, 2014 and 2013

*All numbers are expressed in USA Dollars*

	<b>2014</b>	<b>2013</b>
<b>ASSETS</b>		
Cash and cash equivalents	3,115,156	3,821,869
Investments	762,728	122
Receivables <i>(net of allowance for uncollectibles)</i>		
Taxes	1,042,070	956,894
Accounts	-	13,556
Intergovernmental	436,614	41,663
Other	425	-
Prepays	12,804	13,537
Capital assets:		
Land	1,885,394	1,876,800
Buildings and other structures	1,554,600	1,661,300
Construction in progress	869,732	79,570
Improvements other than buildings	144,824	144,824
Equipment & furnishings	1,043,213	950,238
Vehicles	1,789,611	1,747,848
Infrastructure	49,455,504	49,455,504
Accumulated depreciation	(20,349,603)	(20,191,829)
	<b>41,763,072</b>	<b>40,571,896</b>
<b>LIABILITIES</b>		
Accounts payable and other current liabilities	119,549	415,324
Compensated absences payable	27,087	20,050
Intergovernmental payable	2,673,058	2,045,519
Deferred Revenues	-	842
Long-term obligations:		
Due within one year:		
Bonds & notes payable	52,595	52,595
Landfill post-closure maintenance	17,400	17,400
Due Beyond one year:		
Bonds & notes payable	420,760	473,355
Landfill post-closure maintenance	156,600	174,000
	<b>3,467,049</b>	<b>3,199,085</b>
<b>NET POSITION</b>		
Net investment in capital assets	35,745,920	35,006,905
Restricted for:		
Open purchase orders	235,406	-
Special Revenue purposes	80,925	62,618
Capital & noncapital reserves	285,276	293,788
Permanent Funds:		
Nonspendable	245,282	243,682
Spendable for trust purposes	30,581	28,672
Enterprise fund purposes		
Unrestricted	<b>1,672,633</b>	<b>1,737,146</b>
	<b>38,296,023</b>	<b>37,372,811</b>

**TOWN OF TAMWORTH, NEW HAMPSHIRE**  
*Statements of Revenues, Expenditures, and Changes in Fund Balances*  
 Governmental Funds  
 For the Fiscal Years Ended December 31, 2014 and 2013

*All numbers are expressed in USA Dollars*

	<u>2014</u>	<u>2013</u>
<b>REVENUES</b>		
Taxes	1,793,162	1,789,305
Licenses and permits	482,187	448,510
State support	264,731	285,571
Federal support	790,162	24,542
Charges for services	62,802	72,168
Other local sources	323,016	146,044
	<u>3,716,060</u>	<u>2,766,140</u>
<b>EXPENDITURES</b>		
Current:		
General Government	429,025	407,794
Public safety	525,184	588,812
Highways and streets	772,409	863,061
Sanitation	177,093	164,933
Health	157,217	154,324
Welfare	11,952	11,900
Culture and recreation	239,643	233,471
Conservation	5,643	28,136
Debt service		
Interest	19,608	21,569
Depreciation - unallocated	455,074	174,152
	<u>2,792,848</u>	<u>2,648,152</u>
Excess of revenues over(under) expenditures	<u>923,212</u>	<u>117,988</u>
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers in	139,343	234,982
Transfers out	<u>(139,343)</u>	<u>(234,982)</u>
	-	-
Net change in fund balances	923,212	117,988
Net position - beginning	37,372,811	37,254,823
Net position - ending	<u>38,296,023</u>	<u>37,372,811</u>

## **Economic Factors and a look ahead at the 2015 Budget**

The following factors were considered in preparing the Town's budget for the 2015 fiscal year:

- After receiving and reviewing the 2014 Wage, salary and benefit survey in November the Board chose to budget for increases for those employees below the mid range. Also, included in the 2015 budget is a 1.7% COLA.
- The Towns of Ossipee, Freedom, Madison, Effingham, Eaton, and Tamworth are currently working on negotiating a multi-town intergovernmental agreement for Ambulance services. The Board is pleased to report that past and present multi town contracts have helped lower the costs to all.
- Funds were encumbered from 2014 for the bridge over Stony Brook located on Whittier Road.
- Road reconstruction for 2015 should include Page Hill Road, 900' of Mountain Road, and a small portion of Chocorua Road.
- The 250<sup>th</sup> Committee is looking for a budget of \$25,500 to help with the costs of advertising, fund raising and other expenses in order to help raise money and plan for the 250<sup>th</sup> Celebration to be held in 2016. For more information please visit their website at [www.tamworth250.org](http://www.tamworth250.org)
- The 2015 budget also includes a grader for the Highway Department and the intention is to use the 2001 grader as a trade in.
- The Transfer Station budget includes \$15,300 for new containers.

## **Contacting the Town's Financial Management**

The financial report is designed to provide a general overview of the Town's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Tamworth Selectboard or Town Administrator Cassandra Pearce, at the Town of Tamworth, 84 Main Street, Tamworth, NH 03886, by calling 603-323-7525 or by e-mail at [admin@tamworthnh.org](mailto:admin@tamworthnh.org).

# **Basic Financial Statements**

Exhibit A1  
**TOWN OF TAMWORTH, NEW HAMPSHIRE**  
*Statement of Net Position*  
December 31, 2014

*All numbers are expressed in USA Dollars*

	<b>Primary Government Governmental Activities</b>
<b>ASSETS</b>	
Cash and cash equivalents	3,115,156
Investments	762,728
Receivables <i>(net of allowance for uncollectibles)</i>	
Taxes	1,042,070
Intergovernmental	436,614
Other	425
Prepays	12,804
Capital assets:	
Land	1,885,394
Buildings and other structures	1,554,600
Construction in progress	869,732
Improvements other than buildings	144,824
Equipment & furnishings	1,043,213
Vehicles	1,789,611
Infrastructure	49,455,504
Accumulated depreciation	(20,349,603)
	<u>41,763,072</u>
<b>LIABILITIES</b>	
Accounts payable and other current liabilities	119,549
Compensated absences payable	27,087
Intergovernmental payable	2,673,058
Long-term obligations:	
Due within one year	
Bonds & notes payable	52,595
Landfill post-closure maintenance	17,400
Due Beyond one year:	
Bonds & notes payable	420,760
Landfill post-closure maintenance	156,600
	<u>3,467,049</u>
<b>NET POSITION</b>	
Net investment in capital assets	35,745,920
Restricted for:	
Subsequent year's expenditures	235,406
Special Revenue purposes	80,925
Capital & noncapital reserves	285,276
Permanent Funds:	
Nonspendable	245,282
Spendable for trust purposes	30,581
Unrestricted	<u>1,672,633</u>
	<u><u>38,296,023</u></u>

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

Exhibit A2  
**TOWN OF TAMWORTH, NEW HAMPSHIRE**  
*Statement of Activities*  
For the Fiscal Year Ended December 31, 2014

*All numbers are expressed in USA Dollars.*

<b>Functions/Programs</b>	<b>Program Revenues</b>			<b>Net (Expense) Revenue and</b>
	<b>Expenses</b>	<b>Charges for</b>	<b>Operating</b>	<b>Changes in Net Position</b>
				<b>Primary Government</b>
		<b>Services</b>	<b>Grants and</b>	<b>Governmental</b>
			<b>Contributions</b>	<b>Activities</b>
Primary government:				
<i>Governmental activities:</i>				
General Government	429,025	3,368	929,645	503,988
Public safety	525,184	2,695	378	(522,111)
Highways and streets	772,409	567	111,573	(660,269)
Sanitation	177,093	44,777	13,297	(119,019)
Health	157,217			(157,217)
Welfare	11,952			(11,952)
Culture and recreation	239,643	11,395		(228,248)
Conservation	5,643			(5,643)
Interest on long-term debt	19,608			(19,608)
Depreciation-unallocated	455,074			(455,074)
	<u>2,792,848</u>	<u>62,802</u>	<u>1,054,893</u>	<u>(1,675,153)</u>
General revenues and transfers:				
Taxes:				
Property taxes, levied for general purposes				1,715,959
Property taxes, levied for debt services				72,203
Property taxes, levied for conservation purposes				5,000
Licenses and permits				482,187
Other local revenues				251,604
<i>Special items-</i>				
Adjustment for previously unrecorded capital assets				10,212
Assets acquired by tax deed				61,200
				<u>2,598,365</u>
Change in net position				923,212
Net position - beginning				<u>37,372,811</u>
Net position - ending				<u><u>38,296,023</u></u>

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

Exhibit B1  
**TOWN OF TAMWORTH, NEW HAMPSHIRE**  
*Balance Sheet*  
*Governmental Funds*  
December 31, 2014

*All numbers are expressed in USA Dollars*

	General	Chocorua Village Safety Improvements	Capital & Noncapital Reserves	Non-major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	3,030,602			84,554	3,115,156
Investments	205,351		285,276	272,101	762,728
Receivables					
Taxes	1,042,070			-	1,042,070
Intergovernmental	4,150	432,464		-	436,614
Interfund	432,464			1,500	433,964
Other	425			-	425
Prepaid items	12,804			-	12,804
	4,727,866	432,464	285,276	358,155	5,803,761
<b>LIABILITIES</b>					
Accounts payable	118,182			-	118,182
Accrued Liabilities				1,367	1,367
Interfund payable	1,500	432,464		-	433,964
Intergovernmental payable	2,673,058			-	2,673,058
	2,792,740	432,464	-	1,367	3,226,571
<b>DEFERRED INFLOWS</b>					
Deferred tax inflows	500,000				500,000
	500,000	-	-	-	500,000
<b>FUND BALANCES</b>					
<i>Nonspendable</i>					
Prepaid items	12,804	-	-	-	12,804
Permanent fund - principal				245,282	245,282
<i>Restricted for</i>					
Permanent fund purposes				30,581	30,581
<i>Committed for</i>					
Open purchase orders	235,406			-	235,406
Special revenue purposes				80,925	80,925
Capital & noncapital reserves			285,276	-	285,276
Unassigned	1,186,916			-	1,186,916
	1,435,126	-	285,276	356,788	2,077,190
	4,727,866	432,464	285,276	358,155	5,803,761

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

Exhibit B2  
**TOWN OF TAMWORTH, NEW HAMPSHIRE**  
*Reconciliation of Governmental Funds*  
*Balance Sheet to the Statement of Net Position*  
December 31, 2014

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*All numbers are expressed in USA Dollars*

**Total Fund Balance - Governmental Funds (Exhibit B1)** 2,077,190

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. These assets consist of:*

Land	1,885,394	
Buildings and other structures	1,554,600	
Construction in progress	869,732	
Improvements other than buildings	144,824	
Equipment & furnishings	1,043,213	
Vehicles	1,789,611	
Infrastructure	49,455,504	
Accumulated depreciation	<u>(20,349,603)</u>	
		36,393,275

*Receivables in the Balance Sheet that do not provide current financial resources are not recognized in the funds:*

Deferred Taxes	500,000
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*Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:*

Notes payable	(473,355)	
Landfill post-closure maintenance	(174,000)	
Compensated absences (sick & vacation leave)	<u>(27,087)</u>	
		(674,442)

**Net Position of Governmental Activities (Exhibit A1)** 38,296,023

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

Exhibit B3  
**TOWN OF TAMWORTH, NEW HAMPSHIRE**  
*Statement of Revenues, Expenditures, and Changes in Fund Balances*  
 Governmental Funds  
 For the Fiscal Year Ended December 31, 2014

All numbers are expressed in USA Dollars

	General	Chocorua Village Safety Improvements	Capital & Noncapital Reserves	Non-major Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Taxes	1,688,162			5,000	1,693,162
Licenses and permits	482,187			-	482,187
State support	264,731			-	264,731
Federal support	-	790,162		-	790,162
Charges for services	62,802			-	62,802
Other local sources	90,537		67	161,000	251,604
	<u>2,588,419</u>	<u>790,162</u>	<u>67</u>	<u>166,000</u>	<u>3,544,648</u>
<b>EXPENDITURES</b>					
Current:					
General Government	421,988			-	421,988
Public safety	525,184			-	525,184
Highways and streets	772,409			-	772,409
Sanitation	194,493			-	194,493
Health	157,217			-	157,217
Welfare	11,951			1	11,952
Culture and recreation	95,286			144,357	239,643
Conservation	5,643			-	5,643
Debt service					
Principal	52,595			-	52,595
Interest	19,608			-	19,608
Capital outlay	124,526	790,162		137,994	1,052,682
	<u>2,380,900</u>	<u>790,162</u>	<u>-</u>	<u>282,352</u>	<u>3,453,414</u>
Excess of revenues over(under) expenditures	<u>207,519</u>	<u>-</u>	<u>67</u>	<u>(116,352)</u>	<u>91,234</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	584			138,759	139,343
Transfers out	(130,173)		(8,579)	(591)	(139,343)
	<u>(129,589)</u>	<u>-</u>	<u>(8,579)</u>	<u>138,168</u>	<u>-</u>
Net change in fund balances	77,930	-	(8,512)	21,816	91,234
Fund balances - beginning	1,357,196	-	293,788	334,972	1,985,956
Fund balances - ending	<u>1,435,126</u>	<u>-</u>	<u>285,276</u>	<u>356,788</u>	<u>2,077,190</u>

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

Exhibit B4  
**TOWN OF TAMWORTH, NEW HAMPSHIRE**  
*Reconciliation of the Statement of Revenues,  
Expenditures, and Changes in Fund Balances of Governmental Funds  
to the Statement of Activities*  
For the Fiscal Year Ended December 31, 2014

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*All numbers are expressed in USA Dollars*

**Net change in fund balances - total governmental funds (Exhibit B3)** 91,234

Amounts reported for governmental activities in the  
statement of activities (Exhibit A2) are different because:

*Governmental funds report capital outlays as expenditures. However, in the  
statement of activities the cost of those assets is allocated over their estimated  
useful lives and reported as depreciation expense.*

Reduce expenditures for capital outlays increasing capital assets	1,052,682
Increase expenditures for depreciation charges	(455,074)

*The net effect of various miscellaneous transactions involving capital assets:*

Adjustment for previously unrecorded capital assets	10,212
Assets acquired by tax deed	61,200

*Revenues in the statement of activities that do not provide current financial resources  
are not reported as revenues in the funds.*

Increase(decrease) in Deferred Taxes	100,000
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*The issuance of long-term debt (e.g., bonds, leases) 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. Also, governmental funds  
report the effect of issuance costs, premiums, discounts, and similar items when  
debt is first issued, whereas these amounts are deferred and amortized in the  
statement of activities.*

Reduction in expenditures for principal payments on debt	<u>52,595</u>
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*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)decrease in landfill post-closure payable	17,400
(Increase)decrease in compensated absences payable	<u>(7,037)</u>

**Change in net position of governmental activities (Exhibit A2)** 923,212

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

Exhibit B5  
**TOWN OF TAMWORTH, NEW HAMPSHIRE**  
*Statement of Fiduciary Net Position*  
Fiduciary Funds  
December 31, 2014

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*All numbers are expressed in USA Dollars*

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents	76,936
Investments, at fair value	197,821
	<u>274,757</u>
<b>LIABILITIES</b>	
Agency deposits	274,757
	<u>274,757</u>

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

## **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Town of Tamworth is a New Hampshire Municipal Corporation governed by a Board of Selectmen and other elected officials. The financial statements of the Town have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to the governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Town's accounting policies and its conformity with such principles are disclosed below. These disclosures are an integral part of the Town's financial statements.

### **FINANCIAL REPORTING ENTITY**

The accompanying financial statements present the Town and its component units. A component unit is defined by GASB as a legally separate organization for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with a primary government is such that the exclusion would cause the reporting entity's financial statements to be misleading. Blended component units, although legally separate entities, are, in substance, part of the government's operations. Based on the foregoing criteria, no other organizations are included in the Town's financial reporting entity and the Town is not a component unit of any other primary government.

### **GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the Town. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues constitute the bulk of the Town's activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenue* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

## TOWN OF TAMWORTH, NEW HAMPSHIRE

### Notes to Financial Statements

December 31, 2014

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#### MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The **government-wide financial statements** are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when they occur and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**Governmental fund financial statements** are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues (other than taxes) to be available if they are collected within 60 days of the end of the current fiscal period. Because of material liabilities associated with the collection and payment of school taxes through the end of the School fiscal year of June 30th, the Town considers property taxes to be available if collected within 180 days of year end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Taxes (property and other taxes), grants, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. If any, only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Town reports the following major governmental funds:

- The *General Fund* is the government's main operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *Capital and Noncapital Reserves Fund* accounts for the Town's capital and non-capital reserve funds which are restricted for specific purposes.

Additionally, the Town reports the following other fund type:

- The *Agency Fund* accounts for the assets held on behalf of the Tamworth School District, Yield Tax Depositors, Developers and the Tamworth Rescue Squad.

Private-sector standards of accounting and financial reporting issued on or before November 30, 1989 generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

# TOWN OF TAMWORTH, NEW HAMPSHIRE

## Notes to Financial Statements

December 31, 2014

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As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

**General Budget Policies** – General governmental revenues and expenditures accounted for in budgetary funds are controlled by a formal integrated budgetary accounting system in accordance with various legal requirements that govern the Town's operations. The Town votes appropriations by official ballot in accordance with State Statutes. Appropriations are made on an annual basis for the General and all significant Special Revenue Funds. Project-length financial plans are adopted for all Capital Project Funds. Except as reconciled below, budgets are adopted on a basis generally consistent with the modified accrual basis of accounting. Management may transfer appropriations between operating categories as they deem necessary, but expenditures may not legally exceed budgeted appropriations in total. Unexpended balances of special articles for specific purposes may not be transferred. All annual appropriations lapse at year-end unless encumbered. In the case of emergency expenditures, over-expenditures are allowed under the provisions of the Municipal Budget Law (RSA Chapter 32) if prior approval is secured from the State Department of Revenue Administration. State statutes require balanced budgets, but provide for the use of beginning unassigned fund balance to achieve that end. In the fiscal year 2014, \$489,500 of the beginning General Fund balance was applied for this purpose.

Encumbrance accounting, under which purchase orders, contracts, and continuing appropriations (certain projects and specific items not fully expended at year-end) are recognized, is employed in the governmental funds. Encumbrances are not the equivalent of expenditures and are therefore reported as part of the fund balance at December 31 and are carried forward to supplement appropriations of the subsequent year. Amounts recorded as budgetary expenditures in the *Budgetary Comparison Schedule (Exhibit C1)* are presented on the basis budgeted by the Town. The amounts differ from those reported in conformity with generally accepted accounting principles in the *Statement of Revenues, Expenditures and Changes in Fund Balances (Exhibit B3)* as follows:

Expenditures and Other Financing Uses ~ Budgetary Basis ( <i>see Exhibit C1</i> )	\$ 2,746,479
Adjustments:	
Encumbrances - December 31, 2014	<u>(235,406)</u>
Expenditures and Other Financing Uses ~ GAAP Basis ( <i>see Exhibit B3</i> )	<u>\$ 2,511,073</u>

## ASSETS, LIABILITIES AND FUND EQUITY

**Deposits and Investments.** For financial reporting purposes, cash and equivalents include amounts in demand deposits and money market funds, as well as certificates of deposit and short-term investments with original maturities of 90 days or less. With the exception of Library and Trust Fund monies, which are held by separately elected trustees, the Town Treasurer is required by State statute to have custody of all monies belonging to the Town and shall pay out the same only upon orders of the selectmen. The Town Treasurer shall deposit all such monies in solvent banks in the state or in participation units in the public deposit investment pool established pursuant to RSA

## TOWN OF TAMWORTH, NEW HAMPSHIRE

### *Notes to Financial Statements*

December 31, 2014

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383:22. Funds may be deposited in banks outside the state if such banks pledge and deliver to the state treasurer as collateral security for such deposits in value at least equal to the amount of the deposit in each case.

Whenever the Town Treasurer has an excess of funds which are not immediately needed for the purpose of expenditure, State statutes require the Treasurer, with the approval of the Selectboard, to invest the same in obligations of the United States government, in savings bank deposits of banks incorporated under the laws of the State of New Hampshire or in certificates of deposits of banks incorporated under the laws of the State of New Hampshire or in national banks located within this state or the Commonwealth of Massachusetts. Any person who directly or indirectly receives any such 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.

The Town Trustees are authorized by State statute to invest Trust Funds, including Capital Reserve Funds, in obligations of political subdivisions and stocks, bonds that are legal for investment by New Hampshire savings banks except mutual funds unless the mutual funds are registered with the Securities and Exchange Commission, qualified for sale in the State of New Hampshire in accordance with the New Hampshire Uniform Securities Act of the New Hampshire Secretary of State's Office, and have in their prospectus a stated investment policy that is consistent with the investment policy adopted by the Trustees of Trust Funds in accordance with RSA 35:9. The Trustees may also invest trust funds in New Hampshire credit unions and in the public deposit investment pool established pursuant to RSA 383:22. Capital Reserve funds must be kept in separate accounts and not intermingled with other funds.

With the exception of investments in the New Hampshire Public Deposit Investment Pool (the Pool), investments are stated at market value. Under the terms of GASB Statement #31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, the Pool is considered to be a **2a7-like pool** which means that it has a policy that it will, and does operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. This rule allows SEC-registered mutual funds to use amortized cost rather than market value to report net position to compute share prices if certain conditions are met. Therefore, the Town reports its investments in the Pool at amortized cost, which equals the Pool's participation unit price.

**Receivables and Revenues.** Revenues for the most part are recorded when received, except for the following items for which receivables have been recorded: ***Tax revenue*** is recorded when a warrant for collection is committed to the Tax Collector. Any taxes not liened or deeded within statutory time limits and 3.5% of the remaining uncollected balances have been reserved as an allowance for uncollectible accounts. Property tax revenues not collected within 180 days after year-end are not considered an "available spendable resource" and likewise are deferred in the governmental funds. As prescribed by law, the Tax Collector places a lien on properties for all uncollected property taxes in the following year after taxes are due. The lien on these properties has priority over other liens and accrues interest at 18% per annum. If property is not redeemed within the 2-year redemption period, the property is tax-deeded to the Town. ***Interest on investments*** is recorded as revenue in the year earned. Certain ***grants*** received from other governments require that eligible expenditures

# TOWN OF TAMWORTH, NEW HAMPSHIRE

## Notes to Financial Statements

December 31, 2014

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be made in order to earn the grant. Revenue for these grants is recorded for the period in which eligible expenditures are made. Various **service charges** (Public Safety, Landfill, Recreation, etc.) are recorded as revenue for the period when service was provided.

**Interfund Receivables and Payables.** During the course of normal operations, the Town has activity between funds, including expenditures and transfers of resources to provide services and fund capital outlay. All outstanding balances between funds are reported as "due to/from other funds." The Town considers all interfund balances collectible and therefore makes no provision for bad debt in its financial statements.

**Inventories and Prepaid Items.** Inventory in the Governmental Fund consists of expendable supplies held for consumption. The cost thereof has been recorded as an expenditure at the time individual inventory items were purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**Capital Assets.** Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the government-wide financial statements. Capital assets are defined by the Town as assets with an individual cost of more than \$5,000 and an initial estimated useful life of more than one accounting period. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant, and equipment of the Town are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	20
Public domain infrastructure	40
Light vehicles	5
Heavy vehicles	10
Office equipment	5
Computer equipment	5
Other equipment & furnishings	10

**Deferred Inflows of Resources.** Deferred inflows of resources arise when potential non-exchange revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred inflows also arise when the government receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures.

In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the deferred inflow is removed from the combined balance sheet and revenue is recognized.

## TOWN OF TAMWORTH, NEW HAMPSHIRE

### Notes to Financial Statements

December 31, 2014

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**Long-Term Obligations.** In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**Compensated Absences.** It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All benefits are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

**Fund Equity.** In the governmental fund Balance Sheet, fund balances are reported using a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Governmental fund balance is classified as nonspendable, restricted, committed, assigned or unassigned depending on the level of constraints. *Nonspendable fund balance* includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. *Restricted fund balance* is the amount that is restricted to specific purposes by external requirements such as those of creditors, grantors, contributors or laws and regulations or imposed by law through constitutional provisions or legally enforceable enabling legislation. *Committed fund balance* is the amount that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision-making authority (the Selectboard and other elected officials). *Assigned fund balance* is the amount that is constrained by the Town's intent to be used for specific purposes, but is not restricted or committed. *Unassigned fund balance* is the residual classification for the general fund. Whenever multiple classifications of resources are available for use, it is the Town's policy to use spendable, restricted, committed and assigned resources in that order first, then unassigned resources as they are needed.

**Accounting Estimates.** Accounting estimates are an integral part of the financial statements. They are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates used in the preparation of these financial statements were:

- Management's estimate of the *reserve for non-current taxes* is based on the percentage of overlay used in the calculation of tax rates, the status of any non-lienable or non-deedable accounts at year-end and unpaid accounts that are considered significant for other reasons.
- Management's estimate of *deferred inflows of taxes* is based on liens committed during the current fiscal year and the estimated balance of outstanding taxes

## TOWN OF TAMWORTH, NEW HAMPSHIRE

### Notes to Financial Statements

December 31, 2014

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receivable on June 30, 2016.

- Management's estimate of *depreciation* is based on the expected number of years an asset will be use in operations and on the age and condition of capital assets at year-end.

**New Governmental Accounting Pronouncements.** GASB Statement No. 68, "Accounting and Financial Reporting for Pensions," revises and establishes new financial reporting requirements for employers participating in cost-sharing, multi-employer plans such as the New Hampshire Retirement System (NHRS). Beginning in FY2015, the Town will be required to report a long-term liability for an estimate of the Town's proportional share NHRS's net pension liability. Essentially, what this means is that the Town will report in its Statement of Net Position, a long-term liability for the estimated total amount of retirement benefits to be paid to retirees in future years.

As required by GASB 67 "Financial Reporting for Pension Plans", beginning in 2014, NHRS will report two different pension liability numbers in its comprehensive annual financial report (CAFR):

1. the liability for accounting purposes, referred to as the Net Pension Liability (NPL), calculated according to GASB 67; and
2. the liability for funding purposes, referred to as the Unfunded Actuarial Accrued Liability (UAAL) calculated by the NHRS' independent actuary. The current method of calculating the UAAL is not affected by GASB 67.

Further, GASB 67 requires NHRS to use the year-to-year fair market value of assets to calculate the retirement system's funded ratio – as opposed to NHRS' current actuarial method of "smoothing" investment gains and losses over a five-year period – which may lead to greater annual fluctuations in NHRS' reported NPL as compared to the UAAL.

Starting with fiscal years beginning after June 30, 2014, GASB 68 will require individual employers to begin reporting a proportionate share of the NPL in their Statement of Net Position. Previously, employers reported annual contributions they made to the NHRS in the footnotes only. NHRS is currently developing informational materials for employers, as well as a mechanism for determining the proportionate shares of the NPL, pension expense and other financial disclosures, and providing it to employers.

# TOWN OF TAMWORTH, NEW HAMPSHIRE

## Notes to Financial Statements

December 31, 2014

### ASSETS

#### CASH AND INVESTMENTS

**Deposits.** The Town maintains a common bank account in which the cash balances of most funds are maintained. The common bank account is used for receipts and disbursements relating to all these funds. All time deposits are accounted for in the General Fund. Throughout the fiscal year, all bank deposits were insured by Federal Depository Insurance (FDIC) or collateralized with securities held by the Town or its agent in the Town's name.

**Investments.** Investments at December 31, 2014, include the following:

	Governmental Activities			
	General Fund	Capital & Noncapital Reserves	Nonmajor Governmental Funds	Fiduciary Fund
Equity Mutual Funds	\$ -	\$ -	\$ 105,074	\$ -
Fixed Income Mutual Funds	-	2,941	166,905	7,843
NH Public Deposit Investment Pool	205,351	282,335	122	189,978
	<u>\$ 205,351</u>	<u>\$ 285,276</u>	<u>\$ 272,101</u>	<u>\$ 197,821</u>

**Investments.** During the course of the fiscal year and at year-end, the Town's investments consisted of participation units of the New Hampshire Public Deposit Investment Pool (the Pool), common stock and mutual funds. At this time, the Pool's investments are limited to short-term U.S. Treasury and U.S. Government Agency obligations, State of New Hampshire municipal obligations, certificates of deposit from AI/PI-rated banks, money market mutual funds (maximum of 20% of portfolio), overnight to 30-day repurchase agreements and reverse overnight repurchase agreements with primary dealers or dealer banks. Although the value of underlying securities may change with the market, the Town's unit values remain constant.

**Concentrations of credit and market risk.** Financial instruments that potentially expose the Town to *credit risk* consist primarily of bank deposits and investments in participation units of the New Hampshire Public Deposit Investment Pool. It is the Town's policy to deposit monies in high quality financial institutions according to State Statutes and to limit risk by maintaining deposits within the Federal Depository Insurance Limits (FDIC) whenever possible or to require banking institutions to collateralize deposits. The Town has not experienced any losses on its cash deposits and management believes the Town is not exposed to significant credit risk on those amounts even though significant amounts may be held by a single financial institution and are in excess of the FDIC limits. Each participation unit of the Pool is valued at one-dollar and do not fluctuate with the market values of underlying investments. Mutual funds held are subject to *market risk* as they fluctuate in value according to market conditions. Investment policies limit holdings to high quality investments and are closely monitored by the Trustees to avoid substantial risk.

# TOWN OF TAMWORTH, NEW HAMPSHIRE

## Notes to Financial Statements

December 31, 2014

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### PROPERTY TAXES

The property tax year is from April 1 to March 31 and all property taxes are levied on the inventory of assessed values taken in April of that year. The 2014 property tax levy was based on a net assessed valuation as of April 1, 2014 of \$340,900,130. State Education Taxes were based on a State-wide equalized valuation of \$325,195,330. In connection with the setting of the tax rate, Town Officials, with the approval of the New Hampshire Department of Revenue Administration, establish and raise through taxation an amount for abatements and refunds of property taxes, known as overlay. This amount is reported as a reduction in tax revenue and is adjusted by management for any tax reserves at year-end.

The tax rate for the year ended December 31, 2014, was as follows:

Municipal portion	\$ 4.81
Local School Tax Assessment	13.23
State Education Tax Assessment	2.34
County Tax Assessment	1.12
	<u>\$ 21.50</u>

Property taxes collected by the Town include taxes levied for other governmental entities as follows:

<u>State of New Hampshire</u>	
State Education Tax	\$ 762,050
<u>Tamworth School District</u>	
Local School Tax Assessment	4,510,491
<u>County:</u>	
Local Tax Assessment	381,823
	<u>\$ 5,654,364</u>

The responsibility for the collection of taxes rests with the Town and tax amounts must be remitted to other municipal entities as requested. Any amounts due at year-end are reported in these financial statements as Intergovernmental payables.

The Town subscribes to the semi-annual method of tax collection as provided for by RSA 76:15-a. Under this method, tax bills are sent on or around June 1 and November 1 of each year, with interest accruing at a rate of 12% on bills outstanding for more than 30 days. The June 1 billing is considered an estimate only and is one-half of the previous year's tax billing. The remaining balance of taxes due is billed in the fall after the State Department of Revenue Administration has calculated and approved the Town's tax rate for the fiscal year.

As prescribed by law, within 18 months of the date assessed, the Tax Collector places a lien on properties for all uncollected property taxes in the following year after taxes are due. The lien on these properties has priority over other liens and accrues interest at 18% per annum. If property is not redeemed within the 2-year redemption period, the property is tax-deeded to the Town.

**TOWN OF TAMWORTH, NEW HAMPSHIRE***Notes to Financial Statements*

December 31, 2014

**TAXES RECEIVABLE**

Taxes receivable at December 31, 2014, are as follows:

<u>Uncollected Taxes</u>	
Unassigned Credits	\$ (2,814)
Property	670,476
Land Use Change	2,560
Payments in lieu of taxes	<u>11,800</u>
	\$ 682,022
<u>Unredeemed Taxes (under tax liens)</u>	
Levy of 2013	\$ 239,099
Levy of 2012	140,689
Levy of 2010	2,573
Levy of 2009	<u>2,687</u>
	<u>385,048</u>
	1,067,070
Reserve for non-current taxes receivable	<u>(25,000)</u>
	<u><u>\$ 1,042,070</u></u>

**INTERGOVERNMENTAL RECEIVABLES**

Intergovernmental Receivables in the general fund at December 31, 2014 is as follows:

<u>General Fund</u>	
Due from the State of New Hampshire - <i>Emergency management grants</i>	\$ 4,150
<u>Capital Project Fund - Chocorua Village Safety Project</u>	
Due from the State of New Hampshire - <i>Federal grant reimbursement</i>	<u>432,464</u>
	<u><u>\$ 436,614</u></u>

**INTERFUND RECEIVABLES/PAYABLES**

Individual fund interfund receivable and payable balances at December 31, 2014 are as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
<b><i>Governmental Activities:</i></b>		
General Fund	\$ 432,464	\$ 1,500
Special Revenue Fund:		
250th Celebration	1,500	-
Capital Projects Fund:		
Chocorua Village Safety Project	-	432,464
	<u><u>\$ 433,964</u></u>	<u><u>\$ 433,964</u></u>

# TOWN OF TAMWORTH, NEW HAMPSHIRE

## Notes to Financial Statements

December 31, 2014

### PREPAID ITEMS

Prepaid items in the general fund at December 31, 2014 representing payments in the current period that were due at the beginning of the subsequent year are as follows:

Service contract fees & software licences	\$ <u>12,804</u>
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### CAPITAL ASSETS

A summary of changes in capital assets for the fiscal year ended December 31, 2014 is as follows:

	<i>Governmental Activities</i>			<b>Balance December 31</b>
	<b>Balance January 1</b>	<b>Additions &amp; Adjustments</b>	<b>Deductions &amp; Adjustments</b>	
Land	\$ 1,876,800	\$ 199,194	\$ 190,600	\$ 1,885,394
Buildings & Other Structures	1,661,300	-	106,700	1,554,600
Construction in Progress	79,570	790,162	-	869,732
Equipment	950,238	92,975	-	1,043,213
Vehicles	1,747,848	41,763	-	1,789,611
Other	144,824	-	-	144,824
Infrastructure	49,455,504	-	-	49,455,504
	55,916,084	1,124,094	297,300	56,742,878
Less: Accumulated Depreciation	(20,191,829)	(455,074)	(297,300)	(20,349,603)
	<u>\$ 35,724,255</u>	<u>\$ 669,020</u>	<u>\$ -</u>	<u>\$ 36,393,275</u>

### RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets, errors or omissions, injuries to employees, and natural disasters. During the fiscal year, the Town was a member of the following public-entity risk pools, currently operating as a common risk management and insurance programs for member Towns and other municipal entities.

As a member of the ***Local Government Center Property-Liability Trust, LLC*** the Town shares in contributing to the cost of and receiving benefits from a self-insured pooled risk management program. The membership and coverage run from July 1<sup>st</sup> to June 30<sup>th</sup>. LGC-PLT maintains a self-insured retention above which it purchases reinsurance and excess insurance. Limits of protection and deductibles are set-forth in the Summary of Amounts of Protection and Public Official Schedule Bond. Additional limit, sub-limit, and deductible information can be found in the applicable Member Agreement, Educators Member Agreement and other Underwriting forms and endorsements on file with LGC-PLT or the Town.

- Contributions paid in 2014 for FY2015, ending June 30, 2015, to be recorded as an insurance expense/expenditure totaled \$24,919.32
- Additional contributions paid in 2014 for FY2014 ending June 30, 2014 to be recorded as an insurance expense/expenditure totaled \$300.89
- A refund due to the Town in 2014 for FY2014 ending June 30, 2014 totaled \$0.00

# TOWN OF TAMWORTH, NEW HAMPSHIRE

## Notes to Financial Statements

December 31, 2014

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The *New Hampshire Public Risk Management Exchange (Primex<sup>3</sup>) Workers' Compensation* is a pooled risk management program under RSA 5-B and RSA 281-A. The following is a summary of worker's compensation coverage provided during the fiscal year by *Primex<sup>3</sup>*, which retained \$1,000,000 of each loss. The Board has decided to retain the aggregate exposure and has allocated resources based on actuarial analysis for that purpose.

*1. The Workers' Compensation and Employers' Liability policy includes:*

**Workers' Compensation:**

Statutory Coverage

**Employers' Liability:**

Bodily injury by accident, \$2,000,000 each accident;

Bodily injury by disease – \$2,000,000 each employee

- Contributions paid in 2014 to be recorded as an insurance expenditure totaled \$20,792.00
- Premium holiday issued to the Town during the current policy period (January 1, 2014 through January 1, 2015) totaled \$8,756.63

Member Participation Agreements permit each risk management pool to make additional assessments to members should there be a deficiency in Trust assets to meet its liabilities. At this time, management understands that neither trust foresees any likelihood for additional assessment. Also, claims have not exceeded insurance coverage in any of the past three years.

## LIABILITIES

### INTERGOVERNMENTAL PAYABLE

Payables due other governments at December 31, 2014 include:

General Fund

Tamworth School District ~ balance of 2014/2015 School District \$ 2,672,541

Assessment due in monthly installments through June 30, 2015

State of NH ~ State portion of licenses & fees 517

\$ 2,673,058

### DEFERRED INFLOWS OF RESOURCES

Deferred Inflows of Resources at December 31, 2014 are as follows:

General Fund

Taxes receivable not available to pay current obligations \$ 500,000

# TOWN OF TAMWORTH, NEW HAMPSHIRE

## Notes to Financial Statements

December 31, 2014

### AGENCY FUNDS

Agency Deposits held for others at December 31, 2014 include the following:

Tamworth School District Trust & Capital Reserve Funds:		
School Trusts - <i>EP Atkins/Drew School Fund</i>	\$	7,843
Capital Reserve Funds ~ <i>School Renovation &amp; Emergency</i>		65,439
General Fund Trusts ~ <i>Special Education</i>		<u>124,539</u>
		\$ 197,821
Timber Yield Tax Bonds		
Developers' Performance Bonds		6,682
Tamworth Rescue Squad:		48,635
Alice Marshall Bequest		15,908
Huff Rescue Fund		<u>5,711</u>
		<u>21,619</u>
		<u>\$ 274,757</u>

### DEFINED BENEFIT PENSION PLAN

Full-time employees participate in the State of New Hampshire Retirement System (NHRS), a multiple-employer contributory pension plan and trust established in 1967 by RSA 100-A:2 and is qualified as a tax-exempt organization under Sections 401(a) and 501(a) of the Internal Revenue Code. The plan is a contributory, defined benefit plan providing service, disability, death and vested retirement benefits to members and their beneficiaries. Substantially all full-time state employees, public school teachers and administrators, permanent firefighters and permanent police officers within the State of New Hampshire are eligible and required to participate in the System. Full-time employees of political subdivisions, including counties, municipalities, districts and others, are also eligible to participate as a group if the governing body of the political subdivision has elected participation.

NHRS is a Public Employees Retirement System (PERS), which is divided into two membership groups. By statute, Group I (employee and teacher) members contribute 7% of their salary to NHRS. Group II (police & fire) members contribute 11.5% and 11.8% respectively. While member rates are set by statute, employer rates are set by the NHRS Board of Trustees every two years after a biennial actuarial valuation is conducted using the *Entry Age Normal* actuarial method. Employer contributions are assessed at five different rates, one each for state employees, political subdivisions employees, teachers, police and fire. NHRS employers are required by the New Hampshire Constitution to pay 100% of the actuarial sound employer contribution rate as certified by the NHRS Board of Trustees to fully fund the pension plan and to pay down the retirement system's unfunded actuarial accrued liability over a closed amortization period. Currently, employer contribution rates for the period July 1, 2014 through June 30, 2015 are as follows:

Group I		Group II	
Employees	10.77%	Police	25.30%
Teachers	14.16%	Fire	27.74%

All assets are held in a single trust and are available to pay retirement benefits to all members.

**TOWN OF TAMWORTH, NEW HAMPSHIRE***Notes to Financial Statements*

December 31, 2014

Benefits available to each group, funding policies, vesting requirements, contribution requirements and plan assets available to pay benefits are disclosed in the System's annual report available from the NHRS located at Regional Drive ~ Concord, NH 03301-8509.

The payroll for Town employees covered by NHRS for the year ended December 31, 2014, was \$518,984; the Town's total payroll was \$742,052. Contribution requirements for the year ended December 31, 2014, were as follows:

Employer Contributions	\$ 89,532
Employee Contributions	46,540
	<u>\$ 136,072</u>

**LONG-TERM DEBT**

**Changes in General Long-Term Debt.** The following is a summary of the Town's general obligation long-term debt transactions for the fiscal year ended December 31, 2014:

	<b>Balance Beginning of Year</b>	<b>Issued</b>	<b>Retired</b>	<b>Balance End of Year</b>	<b>Due Within One Year</b>
<i>Governmental Activities:</i>					
General long-term debt	\$ 525,950		\$ 52,595	\$ 473,355	\$ 52,595
Compensated absences	20,050	7,037		27,087	20,050
Landfill post-closure	191,400		17,400	174,000	17,400
	<u>\$ 737,400</u>	<u>\$ 7,037</u>	<u>\$ 69,995</u>	<u>\$ 674,442</u>	<u>\$ 90,045</u>

**General Long-term Debt Payable.** Long-term debt payable at December 31, 2014, is comprised of the following individual issues:

<b>Description of Issue</b>	<b>Original Amount</b>	<b>Issue Date</b>	<b>Maturity Date</b>	<b>Interest Rate %</b>	<b>Outstanding December 31 2014</b>
<i>Governmental Activities:</i>					
General Obligation Bonds & Notes					
Landfill Closure Notes	\$ 1,051,905	07/01/01	07/01/23	3.728	\$ 473,355
Compensated Absences Payable					
Sick Leave					21,536
Vacation Leave					5,551
					<u>27,087</u>
Landfill Post-closure Maintenance					174,000
					<u>\$ 674,442</u>

**Annual Requirements to Amortize General Obligation Debt.** The annual requirements to amortize all general obligation debt outstanding as of December 31, 2014, including interest payments, are as follows:

**TOWN OF TAMWORTH, NEW HAMPSHIRE***Notes to Financial Statements*

December 31, 2014

<b>Fiscal Year Ending</b> <b>December 31,</b>	<b>General Obligation Notes and Bonds</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2015	\$ 52,595	\$ 17,647	\$ 70,242
2016	52,595	15,686	68,281
2017	52,595	13,725	66,320
2018	52,595	11,765	64,360
2019	52,595	9,804	62,399
	262,975	68,627	331,602
2020-23	210,380	19,608	229,988
	<u>\$ 473,355</u>	<u>\$ 88,235</u>	<u>\$ 561,590</u>

All debt is general obligation debt of the Town, which is backed by its full faith and credit.

**LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS**

The Town's Landfill closure construction was completed according to State and Federal regulations in 2004. Post-closure monitoring and other costs are estimated at \$17,400 per year or \$174,000 over the next 10 years (20 years from closure). This 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, 2014. However, the actual cost of post-closure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

The State of New Hampshire Department of Environmental Services requires that all entities which receive licensing for landfills since 1991 meet general financial assurance requirements. The Town has met these requirements. The Town expects to finance the postclosure care costs by annual appropriations.

**FUND BALANCE**

Elements of fund balance as of December 31, 2014 were as follows:

**General Fund***Committed for open purchase orders:*

Rescue telephone	\$ 200
General assistance payroll	206
Stony Brook Bridge repair/replacement	235,000
	<u>\$ 235,406</u>

**Capital and Non-capital Reserves Fund***Committed for capital & noncapital reserves:*

Rescue Squad	\$ 49,897
Bridge	232,438
Rescue Squad (Atwood Gift)	2,941
	<u>\$ 285,276</u>

**TOWN OF TAMWORTH, NEW HAMPSHIRE***Notes to Financial Statements*

December 31, 2014

**Nonmajor Special Revenue Funds****Committed for fund purposes:****Cook Memorial Library:**

Operating Fund	\$ 12,656	
Endowment Fund	<u>122</u>	
		\$ 12,778
Conservation Commission		66,647
250th Celebration		<u>1,500</u>
		<u>\$ 80,925</u>

**Permanent Fund** – Resources held by the Town Trustees at December 31, 2014 for donor-restricted purposes were as follows:

	<b>Non- spendable Endowment</b>	<b>Spendable for Trust Purposes</b>	<b>Total</b>
Town Nonexpendable Trusts:			
Cemetery Perpetual Care	\$ 183,926	\$ 28,199	\$ 212,125
General Support of Library	17,638	123	17,761
Library Endowment for Children	27,298	191	27,489
Remick Park Maintenance	9,970	2,023	11,993
I. Bickford for Needy	<u>6,450</u>	<u>45</u>	<u>6,495</u>
	<u>\$ 245,282</u>	<u>\$ 30,581</u>	<u>\$ 275,863</u>

**SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES****GRANTS**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the Federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time although the Town expects such amounts, if any, to be immaterial.

## **Required Supplementary Information**

Exhibit C1  
**TOWN OF TAMWORTH, NEW HAMPSHIRE**  
*Budgetary Comparison Schedule*  
*Budget to Actual (Non-GAAP Budgetary Basis) - General Fund*  
For the Fiscal Year Ended December 31, 2014

*All amounts are expressed in USA Dollars*

	<b>Original &amp; Final Budget</b>	<b>Actual</b>	<b>Variance With Final Budget</b>
<b>REVENUES</b>			
Taxes	1,750,259	1,688,162	(62,097)
Licenses and permits	398,000	482,187	84,187
State support	261,346	264,731	3,385
Charges for services	53,875	62,802	8,927
Miscellaneous	87,600	90,537	2,937
	<u>2,551,080</u>	<u>2,588,419</u>	<u>37,339</u>
<b>EXPENDITURES</b>			
Current:			
General government	622,245	421,988	200,257
Public safety	557,370	525,384	31,986
Highways and streets	1,051,450	1,007,409	44,041
Sanitation	197,611	194,493	3,118
Health	161,770	157,217	4,553
Welfare	23,883	12,157	11,726
Culture and recreation	100,190	95,286	4,904
Conservation	6,185	5,643	542
Debt service:			
Principal	52,595	52,595	-
Interest	19,608	19,608	-
	<u>2,910,407</u>	<u>2,616,306</u>	<u>294,101</u>
Excess of revenues over(under) expenditures	(359,327)	(27,887)	331,440
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	584	584
Transfers out	(130,173)	(130,173)	-
	<u>(130,173)</u>	<u>(129,589)</u>	<u>584</u>
Net change in fund balances	(489,500)	(157,476)	332,024
Fund balances - beginning	1,357,196	1,357,196	-
Fund balances - ending	<u>867,696</u>	<u>1,199,720</u>	<u>332,024</u>

**TOWN OF TAMWORTH, NEW HAMPSHIRE**  
*Note to Required Supplementary Information – Budgetary Reporting*  
December 31, 2014

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The budgetary comparison schedule – Budget to Actual (Non-GAAP Budgetary Basis) presents comparisons of the original and final legally adopted budget with actual data on a budgetary basis.

**General Budget Policies** – General governmental revenues and expenditures accounted for in budgetary funds are controlled by a formal integrated budgetary accounting system in accordance with various legal requirements that govern the Town's operations. The Town votes appropriations by official ballot in accordance with State Statutes. Appropriations are made on an annual basis for the General and all significant Special Revenue Funds. Project-length financial plans are adopted for all Capital Project Funds. Except as reconciled below, budgets are adopted on a basis generally consistent with the modified accrual basis of accounting. Management may transfer appropriations between operating categories as they deem necessary, but expenditures may not legally exceed budgeted appropriations in total. Unexpended balances of special articles for specific purposes may not be transferred. All annual appropriations lapse at year-end unless encumbered. In the case of emergency expenditures, over-expenditures are allowed under the provisions of the Municipal Budget Law (RSA Chapter 32) if prior approval is secured from the State Department of Revenue Administration. State statutes require balanced budgets, but provide for the use of beginning unassigned fund balance to achieve that end. In the fiscal year 2014, \$489,500 of the beginning General Fund balance was applied for this purpose.

Encumbrance accounting, under which purchase orders, contracts, and continuing appropriations (certain projects and specific items not fully expended at year-end) are recognized, is employed in the governmental funds. Encumbrances are not the equivalent of expenditures and are therefore reported as part of the fund balance at December 31 and are carried forward to supplement appropriations of the subsequent year. Amounts recorded as budgetary expenditures in the *Budgetary Comparison Schedule (Exhibit C1)* are presented on the basis budgeted by the Town. The amounts differ from those reported in conformity with generally accepted accounting principles in the *Statement of Revenues, Expenditures and Changes in Fund Balances (Exhibit B3)* as follows:

Expenditures and Other Financing Uses ~ Budgetary Basis ( <i>see Exhibit C1</i> )	\$ 2,746,479
Adjustments:	
Encumbrances - December 31, 2014	<u>(235,406)</u>
Expenditures and Other Financing Uses ~ GAAP Basis ( <i>see Exhibit B3</i> )	<u><u>\$ 2,511,073</u></u>

# **Individual Fund Financial Statements and Schedules**

Schedule D1a  
**TOWN OF TAMWORTH, NEW HAMPSHIRE**  
**General Fund**

*Schedule of Estimated and Actual Revenues*  
For the Fiscal Year Ended December 31, 2014

*All amounts are expressed in USA Dollars*

	<b>Original &amp; Final Budget</b>	<b>Actual (GAAP Basis)</b>	<b>Over (Under) Budget</b>
<b>REVENUES</b>			
<b>Taxes</b>			
Property	1,548,740	1,454,813	(93,927)
Land Use	2,400	2,418	18
Timber yield	25,000	32,092	7,092
Payments in lieu of taxes	143,821	148,750	4,929
Excavation tax	930	927	(3)
Interest and penalties on delinquent taxes	88,775	91,340	2,565
Overlay	(59,407)	(42,178)	17,229
	<u>1,750,259</u>	<u>1,688,162</u>	<u>(62,097)</u>
<b>Licenses and permits</b>			
Business licenses and permits	8,850	8,779	(71)
Motor vehicle fees	380,000	464,097	84,097
Building permits	2,800	3,100	300
Other licenses, permits and fees	6,350	6,211	(139)
	<u>398,000</u>	<u>482,187</u>	<u>84,187</u>
<b>State Support</b>			
Meals and rental tax distributions	138,703	138,703	-
Highway block grant	108,287	108,677	390
State and Federal forest land reimbursement	160	160	-
Other	14,196	17,191	2,995
	<u>261,346</u>	<u>264,731</u>	<u>3,385</u>
<b>Charges for Services</b>			
Income From Departments			
<i>General Government Services:</i>			
Town office	1,300	1,345	45
Planning & zoning fees	2,200	2,023	(177)
<i>Public safety services:</i>			
Police department	1,700	2,695	995
<i>Highways &amp; Streets:</i>			
Other	600	567	(33)
<i>Sanitation:</i>			
TS collection & disposal fees	27,325	30,606	3,281
Recycling	10,500	14,171	3,671
<i>Culture and Recreation:</i>			
Recreation department	10,250	11,395	1,145
	<u>53,875</u>	<u>62,802</u>	<u>8,927</u>

Schedule D1a  
**TOWN OF TAMWORTH, NEW HAMPSHIRE**  
**General Fund**

*Schedule of Estimated and Actual Revenues*  
For the Fiscal Year Ended December 31, 2014

*All amounts are expressed in USA Dollars*

	<b>Original &amp; Final Budget</b>	<b>Actual (GAAP Basis)</b>	<b>Over (Under) Budget</b>
<b>Miscellaneous</b>			
Sale of municipal property	82,500	83,059	559
Interest on investments	1,800	2,376	576
Rents of property	600	700	100
Fines and forfeitures	100	215	115
Insurance dividends and reimbursements	-	1,187	1,187
Contributions & donations	2,400	2,400	-
Other	200	600	400
	<u>87,600</u>	<u>90,537</u>	<u>2,937</u>
<b>OTHER FINANCING SOURCES</b>			
Operating transfers in - Interfund Transfers			
<i>Nonexpendable Trust Funds -</i>			
Cemetery Perpetual Care	-	584	584
	<u>-</u>	<u>584</u>	<u>584</u>
Total revenues and other financing sources	<u>2,551,080</u>	<u>2,589,003</u>	<u>37,923</u>
Unreserved Fund Balance Used to Reduce Tax Rate	<u>489,500</u>		
Total revenues and use of fund balance	<u><u>3,040,580</u></u>		

Schedule D1b  
**TOWN OF TAMWORTH, NEW HAMPSHIRE**  
**General Fund**

*Schedule of Appropriations, Expenditures and Encumbrances*  
For the Fiscal Year Ended December 31, 2014

all numbers are expressed in USA Dollars

	Voted	Expenditures	Reserved	(Over)
	Appropriations	Net of Refunds	To Next Fiscal Year	Under Budget
<b>EXPENDITURES</b>				
Current				
General Government				
Executive	154,684	153,815		869
Election, Registration & Vital Statistics	120,421	113,238		7,183
Financial Administration	22,205	25,985		(3,780)
Revaluation of Property	21,492	21,235		257
Legal Expenses	15,000	3,218		11,782
Employee Benefits	5,368	9,636		(4,268)
Planning and Zoning	22,817	3,664		19,153
General Government Buildings	41,101	31,087		10,014
Cemeteries	31,750	28,262		3,488
Insurance, not otherwise allocated	30,000	25,517		4,483
Advertising and regional associations	7,407	6,331		1,076
Other	150,000	-		150,000
	622,245	421,988	-	200,257
Public safety				
Police Department	264,427	255,608		8,819
Ambulance	42,500	38,958	200	3,342
Fire Department	243,635	230,618		13,017
Other (including communications)	6,808			6,808
	557,370	525,184	200	31,986
Highways and streets				
Highways and streets	1,039,450	759,515	235,000	44,935
Street Lighting	12,000	12,894		(894)
	1,051,450	772,409	235,000	44,041
Sanitation				
Solid waste disposal	6,500	5,463		1,037
Sewage collection & disposal and other	191,111	189,030		2,081
	197,611	194,493	-	3,118
Health				
Health Administration	600	330		270
Pest Control	5,868	4,616		1,252
Health Agencies & Hospitals	155,302	152,271		3,031
	161,770	157,217	-	4,553
Welfare				
Administration & Direct Assistance	23,883	11,951	206	11,726
	23,883	11,951	206	11,726
Culture and recreation				
Parks and Recreation	92,190	88,174		4,016
Patriotic Purposes	8,000	7,112		888
	100,190	95,286	-	4,904
Conservation				
Conservation Commission	6,185	5,643		542
	6,185	5,643	-	542

Schedule D1b  
**TOWN OF TAMWORTH, NEW HAMPSHIRE**  
**General Fund**

*Schedule of Appropriations, Expenditures and Encumbrances*  
For the Fiscal Year Ended December 31, 2014

*all numbers are expressed in USA Dollars*

	<b>Voted</b>	<b>Expenditures</b>	<b>Reserved</b>	<b>(Over)</b>
	<b>Appropriations</b>	<b>Net of</b>	<b>To Next</b>	<b>Under</b>
		<b>Refunds</b>	<b>Fiscal Year</b>	<b>Budget</b>
Debt service				
Principal of long-term debt	52,595	52,595		-
Interest expense - long-term debt	19,608	19,608		-
	72,203	72,203	-	-
Facilities acquisition and construction				
Machinery, vehicles & equipment				
F550 super-duty truck & equipment	70,000	73,373		(3,373)
Cardiac monitor	40,000	43,953		(3,953)
Proline trailer	7,500	7,200		300
	117,500	124,526	-	(7,026)
OTHER FINANCING USES				
Operating transfers out - Interfund transfers				
<i>Special revenue</i>				
Cook Memorial Library	129,673	129,673		-
250th Celebration	500	500		-
	130,173	130,173	-	-
	3,040,580	2,511,073	235,406	294,101

Schedule D2a  
**TOWN OF TAMWORTH, NEW HAMPSHIRE**  
*Balance Sheet*  
*Non-major Governmental Funds*  
December 31, 2014

*All numbers are expressed in USA Dollars*

	<i>Special Revenue</i>				<b>Total</b>
	<b>Cook Memorial Library</b>	<b>Conservation Commission</b>	<b>250th Celebration</b>	<b>Permanent Funds</b>	
<b>ASSETS</b>					
Cash and cash equivalents	14,023	66,647		3,884	84,554
Investments	122			271,979	272,101
Interfund receivable			1,500		1,500
	<u>14,145</u>	<u>66,647</u>	<u>1,500</u>	<u>275,863</u>	<u>358,155</u>
<b>LIABILITIES</b>					
Accrued Liabilities	1,367				1,367
	<u>1,367</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,367</u>
<b>FUND BALANCES</b>					
<i>Nonspendable</i>					
Permanent fund - principal				245,282	245,282
<i>Restricted for</i>					
Permanent fund purposes				30,581	30,581
<i>Committed for</i>					
Special revenue purposes	12,778	66,647	1,500		80,925
	<u>12,778</u>	<u>66,647</u>	<u>1,500</u>	<u>275,863</u>	<u>356,788</u>
	<u>14,145</u>	<u>66,647</u>	<u>1,500</u>	<u>275,863</u>	<u>358,155</u>

Schedule D2b  
**TOWN OF TAMWORTH, NEW HAMPSHIRE**  
*Statement of Revenues, Expenditures, and Changes in Fund Balances*  
*Non-major Governmental Funds*  
For the Fiscal Year Ended December 31, 2014

All numbers are expressed in USA Dollars

	<i>Special Revenue</i>				
	<b>Cook Memorial Library</b>	<b>Conservation Commission</b>	<b>250th Celebration</b>	<b>Permanent Funds</b>	<b>Total</b>
<b>REVENUES</b>					
Taxes		5,000			5,000
Miscellaneous	12,273	143,626	1,000	4,101	161,000
	12,273	148,626	1,000	4,101	166,000
<b>EXPENDITURES</b>					
Current:					
Welfare				1	1
Culture and recreation	144,357				144,357
Capital outlay		137,994			137,994
	144,357	137,994	-	1	282,352
Excess (deficiency) of revenues over (under) expenditures	(132,084)	10,632	1,000	4,100	(116,352)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	138,259		500		138,759
Transfers out				(591)	(591)
	138,259	-	500	(591)	138,168
Net change in fund balances	6,175	10,632	1,500	3,509	21,816
Fund balances - beginning	6,603	56,015		272,354	334,972
Fund balances - ending	12,778	66,647	1,500	275,863	356,788

Schedule D3  
**TOWN OF TAMWORTH, NEW HAMPSHIRE**  
*Statement of Changes in Assets and Liabilities*  
*All Agency Funds*  
For the Fiscal Year Ended December 31, 2014

*All amounts are expressed in USA Dollars*

	Beginning Balance	Additions	Deductions	Ending Balance
<b>ASSETS</b>				
Cash	70,109	6,827	-	76,936
Investments	177,755	20,067	1	197,821
	<u>247,864</u>	<u>26,894</u>	<u>1</u>	<u>274,757</u>
<b>LIABILITIES</b>				
Agency deposits:				
<u>Tamworth School District</u>				
<i>School Trusts:</i>				
EP Atkins/Drew School Fund	7,809	35	1	7,843
<i>Capital Reserves:</i>				
School Renovation & Emergency	65,427	12		65,439
<i>Noncapital Reserves:</i>				
Special Education	104,519	20,020		124,539
<u>Timber Yield Tax Bonds</u>				
Nelson	-	481		481
Prime Timber	-	6,201		6,201
<u>Developers' Performance Bonds</u>				
Robinson #3 Beckett	43,130	90		43,220
Keith	1,023	1		1,024
LeTarte	4,382	9		4,391
<u>Tamworth Rescue Squad</u>				
Alice Marshall Bequest	15,875	33		15,908
Huff Rescue Fund	5,699	12		5,711
	<u>247,864</u>	<u>26,894</u>	<u>1</u>	<u>274,757</u>

# **Single Audit Reports and Schedules**

# The Mercier Group

*a professional corporation*

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## *INDEPENDENT AUDITOR'S REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133*

To the Members of the Selectboard and Management  
Town of Tamworth, New Hampshire

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Tamworth, New Hampshire as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements. We issued our report there on dated March 22, 2015, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Tamworth, New Hampshire's basic financial statements. As required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, the accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This 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 audit procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Paul J. Mercier, Jr. cpa for*

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**The Mercier Group**, *a professional corporation*  
Canterbury, New Hampshire  
March 22, 2015

# The Mercier Group

*a professional corporation*

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## *INDEPENDENT AUDITOR'S REPORT ON THE INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS*

To the Members of the Selectboard and Management  
Town of Tamworth, New Hampshire

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Tamworth, New Hampshire as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Town of Tamworth, New Hampshire's basic financial statements, and have issued our report thereon dated March 22, 2015.

**Internal Control Over Financial Reporting.** In planning and performing our audit of the financial statements, we considered the Town of Tamworth, New Hampshire's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the basic financial statements, but, not for the purpose of expressing an opinion on the effectiveness of the Town of Tamworth, New Hampshire's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Tamworth, New Hampshire'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Town's basic financial statements will not be prevented, or detected and corrected, on a timely basis. 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 of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters.** As part of obtaining reasonable assurance about whether the Town of Tamworth, New Hampshire's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report.** The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

*Paul J. Mercier, Jr. cpa for*

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**The Mercier Group**, a professional corporation  
Canterbury, New Hampshire  
March 22, 2015

# The Mercier Group

*a professional corporation*

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## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

To the Members of the Selectboard and Management  
Town of Tamworth, New Hampshire

**Report on Compliance for Each Major Federal Program.** We have audited the Town of Tamworth, New Hampshire's compliance with the types of compliance requirements described in the *OMB circular A-133 Compliance Supplement* that could have a direct and material effect on the Town of Tamworth, New Hampshire's major federal program for the year ended December 31, 2014. The Town of Tamworth, New Hampshire's major federal program is identified in the summary of auditor's results section of the accompanying *Schedule of Findings and Questioned Costs*.

**Management's Responsibility.** Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility.** Our responsibility is to express an opinion on compliance for the Town of Tamworth, New Hampshire's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of State and Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Tamworth, New Hampshire's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on compliance for its major federal program. However, our audit does not provide a legal determination of the Town of Tamworth, New Hampshire's compliance.

**Opinion on Major Federal Program.** In our opinion, Town of Tamworth, New Hampshire complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2014.

**Internal Control Over Compliance.** Management of the Town of Tamworth, New Hampshire is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Tamworth, New Hampshire's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Tamworth, New Hampshire's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we considered to be *material weaknesses*. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Paul J. Mercier Jr., CPA for*

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**The Mercier Group**, a professional corporation

Canterbury, New Hampshire

March 22, 2015

Schedule I  
**TOWN OF TAMWORTH, NEW HAMPSHIRE**  
*Schedule of Expenditures of Federal Awards*  
For the Fiscal Year Ended December 31, 2014

*All amounts are expressed in USA Dollars*

Federal grantor/Pass-through grantor/Program title	Federal CFDA Number	Pass-through Grantors Number	Program or Award Amount	Expenditures of Federal Awards
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*all numbers are expressed in USA Dollars*

**U.S. Department of Transportation**

*Passed through the State of New Hampshire - Department of Transportation*

<b>Highway Planning and Construction</b>	<b>20.205</b>			
Chocorua Village Safety Improvements		X-A000(982), #15831	965,000	790,162
			965,000	790,162
			965,000	790,162

## **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES USED IN PREPARING THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

### **BASIS OF PRESENTATION**

The accompanying *Schedule of Expenditures of Federal Awards* includes the federal grant activity of the Town of Tamworth, New Hampshire and is presented on the modified accrual basis of accounting. Under this basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred.

### **RECONCILIATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS TO THE FINANCIAL STATEMENTS**

Expenditures of Federal awards in the financial statements include the following:

	<u><b>Support</b></u>
<i>Governmental Funds:</i>	
<u>Capital Project Fund</u>	
Chocorua Village Safety Improvements	\$ 790,162
Federal Awards per Schedule of Expenditures of Federal Awards	<u>\$ 790,162</u>

**TOWN OF TAMWORTH, NEW HAMPSHIRE**

*Schedule of Findings and Questioned Costs*  
For the Fiscal Year Ended December 31, 2014

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**SECTION 1 – SUMMARY OF AUDITOR’S RESULTS**

**Financial Statements**

Type of auditor’s report issued:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ yes ☒ no
- Control deficiency(ies) identified? ☐ yes ☒ no

Noncompliance material to financial statements noted? ☐ yes ☒ no

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified? ☐ yes ☒ no
- Control deficiency(ies) identified? ☐ yes ☒ no

Type of auditor’s report issued on compliance  
for major programs:

Unmodified

Any audit findings disclosed that are required  
to be reported in accordance with section  
510(a) of Circular A-133?

☐ yes ☒ no

Identification of major program:

CFDA Number  
20.205

Name of Federal Program or Cluster  
Highway Planning and Construction

Dollar threshold used to distinguish

Between type A and type B programs:

\$300,000

Auditee qualified as low-risk auditee?

☐ yes ☒ no

**SECTION II – FINANCIAL STATEMENT FINDINGS:**

No matters were identified which required reporting.

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

No matters were identified which required reporting.

**TOWN OF TAMWORTH, NEW HAMPSHIRE**

*Summary Schedule of Prior Audit Findings*  
For the Fiscal Year Ended December 31, 2014

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**PRIOR AUDIT FINDINGS:**

Not Applicable – No prior findings and questioned costs were reported

**TOWN OF TAMWORTH, NEW HAMPSHIRE**

*Corrective Action Plan*

For the Fiscal Year Ended December 31, 2014

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**CORRECTIVE ACTION PLAN**

Not Applicable – No current audit findings and questioned costs were reported