

# TOWN OF WOLFEBORO, NEW HAMPSHIRE

FINANCIAL REPORT

AS OF AND FOR THE YEAR ENDED  
DECEMBER 31, 2015

**TOWN OF WOLFEBORO, NEW HAMPSHIRE  
FINANCIAL REPORT  
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# Roberts & Greene, PLLC

## INDEPENDENT AUDITOR'S REPORT

To the Town Manager and Members of the Board of Selectmen  
Town of Wolfeboro  
Wolfeboro, New Hampshire

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Wolfeboro as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information of the Town of Wolfeboro, as of December 31, 2015, and the respective changes in financial position and the budgetary comparison for the General Fund, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Change in Accounting Principle**

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

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, other post-employment benefits schedule of funding progress, and pension information on pages 3-12 and 50-52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting. 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.

*Other Information*

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

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

July 8, 2016

*Roberts & Greene, PLLC*

**TOWN OF WOLFEBORO, NEW HAMPSHIRE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
Year Ending December 31, 2015

Presented herewith please find the Management Discussion & Analysis Report for the Town of Wolfeboro for the year ended December 31, 2015. The responsibility for accuracy of the data, the completeness and fairness of this documentation (including all disclosures) rests with management. To the best of our knowledge and belief, the data contained herein is accurate in all material aspects. This report and its content have been designed to fairly present the Town's financial position, including the results of operations of all the funds of the Town. All the disclosures necessary to enable and to assist the reader in acquiring an accurate understanding of the Town's financial activities have been included.

The Town's management is responsible for establishing accounting and internal control structures designed to ensure that the physical, data, informational, intellectual, and human resource assets of the Town are protected from loss, theft and misuse, and to ensure that adequate accounting information is maintained and reported in conformity with generally accepted accounting principles (GAAP). Management also strives to ensure that these assets are put to good and effective use. The internal control structure is designed to provide reasonable assurances that these objectives are attained. Toward this end, management strives to maintain up-to-date information technology systems and software applications.

**Overview of the Financial Statements**

The financial statements presented herein include all of the activities of the Town of Wolfeboro using the integrated approach as prescribed by GASB Statement 34.

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

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the basic financial statements

This report also contains supplementary information in addition to the basic financial statements.

***Government-Wide Financial Statements***

The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to most private-sector companies.

The statement of net position presents information on all of the Town's assets and liabilities, with the difference between the two reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The statement of activities presents information showing how the Town's net position changed during the most recent fiscal year. All of the current year's revenue and expenses are taken into account regardless of when cash is received or paid.

**TOWN OF WOLFEBORO, NEW HAMPSHIRE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
Year Ending December 31, 2015

The government-wide financial statements have separate columns for the following two types of activities:

Governmental activities – represent most of the Town's basic services.

Business-type activities – account for the Town's water, electric, sewer and ice rink operations and receive the majority of their revenue from user fees.

**Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town uses fund accounting to ensure and to demonstrate compliance with finance-related legal requirements. The Town maintains three fund types: governmental, proprietary, and fiduciary funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Town's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, our readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between the governmental activities statement of net position and statement of activities.

The Town maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and the statement of revenues, expenditures and changes in fund balances for the General Fund, which is the Town's only major governmental fund. All other non-major governmental funds are aggregated and presented as other governmental funds.

The Town adopts an annual appropriation budget for its governmental funds. A budgetary comparison has been provided for the General Fund to demonstrate compliance with this budget.

The proprietary funds provide municipal electric, water and sewer services to customers, and charge a user fee for these services. The Town of Wolfeboro also provides the Pop Whalen Ice Arena's facility for use by the public. This facility is partially subsidized by the General Fund; however, other organizations and users are charged a fee. These funds are presented on the accrual basis of accounting.

Fiduciary funds are used to account for resources held for the benefit of parties outside of the Town. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's own programs.

**TOWN OF WOLFEBORO, NEW HAMPSHIRE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ending December 31, 2015**

**Notes to the Basic Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Required Supplementary Information**

The basic financial statements and accompanying notes are followed by a section of required supplementary information. This section contains a schedule of funding progress for other post-employment benefits.

**Combining Non-major Governmental and Individual General Fund Schedules**

Other supplementary information includes the combining of non-major and fiduciary fund financial statements. This section includes a budgetary comparison schedule for the Town's major governmental fund which includes a reconciliation between the reported activity of the revenues, expenditures and transfers for budgetary purposes (Exhibit 10) (Pages 21). The Town's only major governmental fund with an adopted budget is the General Fund.

**Government-Wide Financial Analysis**

**Governmental Activities**

According to Exhibit 1 – Statement of Net Position in the Financial Statements, the net position of the Town of Wolfeboro governmental activities as of December 31, 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
Current and other assets:		
Capital assets, net	\$ 28,310,854	\$ 21,748,506
Other assets	<u>20,696,037</u>	<u>21,145,759</u>
Total assets	\$ 49,006,891	\$ 42,894,265
Deferred Outflows of Resources	\$ 805,109	\$ 0
Long-term liabilities	\$ 15,691,417	\$ 12,385,979
Other liabilities	<u>8,337,697</u>	<u>8,095,156</u>
Total liabilities	<u>\$ 24,029,114</u>	<u>\$ 20,481,135</u>
Deferred Inflows of Resources	\$ 928,116	\$ 15,238
Net position:		
Net investment in capital assets	\$ 26,893,253	\$ 25,110,540
Restricted	1,386,589	1,426,283
Unrestricted	<u>(3,425,072)</u>	<u>(4,138,931)</u>
Total net position	<u>\$ 24,854,770</u>	<u>\$ 22,397,892</u>

**TOWN OF WOLFEBORO, NEW HAMPSHIRE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
Year Ending December 31, 2015

The Town's net position totaled \$ 24,854,770 at the end of fiscal year 2015, an increase of \$2,456,878 when compared to the end of the previous fiscal year. This total includes an increase in the Town's net investment in capital assets of \$1,782,713, an increase in restricted net position of \$39,694 as well as an increase in unrestricted net position of \$ 634,471.

A large portion of the Town's net position reflects its investment in capital assets such as land, buildings, and equipment less any related outstanding debt used to acquire those assets. Another significant portion of the Town's net position is restricted in regard to how they may be used. For the Town of Wolfeboro, those restrictions include those related to non-expendable trust funds, capital reserve funds, and conservation funds. The remaining unrestricted portion represents the part of net position of the Town of Wolfeboro that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements.

According to Exhibit 2 – Statement of Activities in the Financial Statements, changes in net position for governmental activities for the years ended December 31, 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
Program revenues:		
Charges for services	\$ 561,585	\$ 699,370
Operating grants and contributions	213,494	1,003,069
Capital grants and contributions	<u>1,697,800</u>	<u>0</u>
Total program revenues	<u>2,472,879</u>	<u>1,702,439</u>
General revenues:		
Property and other taxes	10,323,521	9,445,084
Licenses and permits	1,552,000	1,464,860
Grants and Contributions	758,947	300,230
Miscellaneous	978,716	1,011,973
Transfers	<u>(803,140)</u>	<u>(798,394)</u>
Total general revenues and transfers	<u>12,810,044</u>	<u>11,423,753</u>
Total revenues	<u>15,282,923</u>	<u>13,126,192</u>
Program expenses:		
General government	2,439,249	2,273,995
Public safety	4,068,527	4,033,561
Highways and streets	2,786,342	2,650,409
Health and welfare	204,971	244,946
Sanitation	792,901	744,623
Culture and recreation	1,573,588	1,493,904
Economic development	11,172	11,781
Conservation	59,169	48,684
Interest and fiscal charges	254,050	186,750
Capital Outlay	<u>636,076</u>	<u>199,819</u>
Total expenses	<u>12,826,045</u>	<u>11,888,472</u>
Change in position	2,456,878	1,273,720
Net Position - beginning of year	<u>22,397,892</u>	<u>28,050,652</u>
Net Position - ending of year	<u>\$ 24,854,770</u>	<u>\$ 29,288,372</u>



**TOWN OF WOLFEBORO, NEW HAMPSHIRE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
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During the year ended December 31, 2015, program revenues covered only 19% of program expenses, while the remaining 81% was funded by general revenues (e.g. taxes, grants and contributions).

The Town's governmental activities expenses covered a range of services. The largest expenses were for general government (19%), public safety (31%), culture and recreation (12%), and highways and streets (21%) which accounted for 83% of total expenses.

**Business-type Activities**

According to Exhibit 1 – Statement of Net Position in the Financial Statements, net position of the business type activities as of December 31, 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
Current and other assets:		
Capital assets, net	\$ 29,729,218	\$ 30,067,781
Other assets	<u>14,514,746</u>	<u>13,649,160</u>
Total assets	<u>\$ 44,248,964</u>	<u>\$ 43,716,941</u>
Deferred Outflows of Resources	\$ 43,422	\$ -
Long-term liabilities	\$ 15,190,939	\$ 16,080,092
Other liabilities	<u>2,302,140</u>	<u>1,896,103</u>
Total liabilities	<u>\$ 17,493,079</u>	<u>\$ 17,976,195</u>
Deferred inflows of resources	<u>\$ 143,589</u>	<u>\$ 71,993</u>
Net position:		
Invested in capital assets, net of related debt	\$ 15,084,555	\$ 14,070,350
Unrestricted	<u>11,571,163</u>	<u>11,598,403</u>
Total net position	<u>\$ 26,655,718</u>	<u>\$ 25,668,753</u>

The Town's business-type activities net position totaled \$26,655,718 at the end of fiscal year 2015, an increase of \$1,479,136 when compared to the end of the previous fiscal year. This increase includes an increase in the Town's net investment in capital assets of \$ 1,014,205 in addition to a increase in unrestricted net position of \$ 464,931.

The largest portion of the Town's net position for its business-type activities reflects its investment in capital assets such as land, buildings, and equipment less any related outstanding debt used to acquire those assets. These assets are utilized by the Town of Wolfeboro to provide services to its citizenry; therefore, they are not available for future spending.

**TOWN OF WOLFEBORO, NEW HAMPSHIRE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ending December 31, 2015**

According to Exhibit 2 – Statement of Activities in the Financial Statements, changes in net position for the business-type activities for the years ended December 31, 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
Program revenues:		
Charges for services	\$ 11,950,558	\$ 11,810,887
Operating grants and contributions	<u>142,908</u>	<u>169,985</u>
Total program revenues	<u>12,093,466</u>	<u>11,980,872</u>
General revenues:		
Interest and investment earnings		
Miscellaneous	219,039	42,980
Transfers	803,140	798,394
Special Item	<u>0</u>	<u>7,500,000</u>
Total general revenues and transfers	<u>1,022,179</u>	<u>8,341,374</u>
Total revenues	<u>13,115,645</u>	<u>20,322,246</u>
Program expenses:		
Electric	8,331,407	7,921,013
Water	1,510,115	1,538,054
Sewer	1,529,824	2,713,909
Pop Whalen	<u>265,163</u>	<u>268,388</u>
Total program expenses	<u>11,636,509</u>	<u>12,441,364</u>
Change in net position	1,479,136	7,880,882
Net position - beginning of year	<u>25,176,582</u>	<u>17,787,882</u>
Net position - ending of year	<u>\$ 26,655,718</u>	<u>\$ 25,668,753</u>

The primary funding source for business-type activities is charges for services, which comprises 91% of all funding sources. Program revenues provided funding for 104% of total program expenses. Net position increased a total of \$ 1,479,136 primarily due to Total Revenues exceeding Program Expenses for the year.

**Financial Analysis of the Town's Funds**

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds**

The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's near-term financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year.

**TOWN OF WOLFEBORO, NEW HAMPSHIRE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ending December 31, 2015**

**General Fund**

The General Fund is the main operating fund of the Town. At the end of the current fiscal year, the general fund had an unassigned fund balance of \$630,686, while total fund equity was \$2,939,672. The total fund equity also includes a Non-spendable fund balance of \$63,983, a Restricted fund balance of \$355,315, as well as an Assigned fund balance of \$417,504 and a Committed fund balance of \$1,472,184. The General Fund total fund balance decreased (\$144,024) from December 31, 2014.

During the tax setting process the Finance Director and Town Manager review the calculation outlined in the vote of the 2002 Town Meeting under Article 18 as one method of determining the appropriate amount of fund balance to retain for the following year. In December 2011 the Board of Selectmen adopted a formal fund balance policy in accordance with the Governmental Accounting Standards Board Pronouncement 54 (GASB 54). In 2015 \$600,000 was used to offset the tax rate. Please see (Exhibit 20) (Page 58) of the financial statements for a reconciliation of changes in fund balance from the prior year.

**Other Governmental Funds**

According to Exhibit 16 Combining Balance Sheet – Non-major Governmental Funds, the total fund balance in Other Governmental Funds is \$1,339,987 at year end, a decrease of (\$38,563) from the previous year. The various Non-major governmental funds within this category are: Special Revenue Funds, Permanent Funds and Capital Projects Funds. The Special Revenue Funds consist of the following funds: Conservation Commission \$272,925 in Committed fund balance; Police Detail Fund \$38,041 in Committed fund balance; Recreation Revolving Account \$3,013 in Committed Fund balance; Miscellaneous Grant Funds with an Unassigned deficit of (\$5,166) and the CDBG Fund with and Unassigned deficit of (\$100). The Permanent Fund totals \$1,031,274, of which \$710,886 is Non-spendable fund balance with the remaining \$320,388 being Restricted fund balance.

**Proprietary Funds**

The focus of the Town's proprietary funds is on total economic resources, and changes to net position, much as it might be for a private-sector business.

The Town of Wolfeboro's proprietary funds consist of the Water Department, Sewer Department, Electric Department and Pop Whalen Ice Arena. According to Exhibit 8 the Statement of Revenues, Expenses and Changes in Net Position, total net position increased \$ 1,474,033 from December 31, 2014 to December 31, 2015 to a total of \$26,650,615. The Income (Loss) before capital contributions and transfers was as follows: Electric Department \$899,658; Water Department \$453,569; Sewer Department (\$388,105) and Pop Whalen Ice Arena \$19,270. Please note that after applying the effect of capital contributions and transfers in from the general fund changes in net position were as follows: Electric Department \$799,588; Water Department \$253,358; Sewer Department \$416,623 and Pop Whalen Fund \$4,464.

Rates for the Municipal Electric, Water, Sewer and Pop Whalen Enterprise Funds were not increased in fiscal 2015.

**TOWN OF WOLFEBORO, NEW HAMPSHIRE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ending December 31, 2015**

**General Fund Budgetary Highlights**

According to Exhibit 18 and 19 of the Notes To Basic Financial Statements, actual revenues for the year exceeded those anticipated by \$290,219. Revenues exceeded estimations in all categories, with the exception of Income From Departments as follows: Taxes \$97,170; Licenses and permits \$27,206; Intergovernmental revenues \$221,974; Charges for services (\$131,743) and Miscellaneous income \$75,612.

Expenditures for the year remained within appropriated amounts overall. The Town remained within its total expenditure budget by \$152,430 which resulted in excess anticipated revenues over anticipated expenditures of \$562,636.

**Capital Assets and Long-Term Obligations**

**Capital Assets**

The Town considers a capital asset to be an asset whose cost exceeds \$5,000 to \$50,000 depending on the type of asset and has a useful life of greater than one year. Assets are depreciated using the straight-line method over the course of their estimated useful life.

According to Exhibit 1 Statement of Net Position, the Town's investment in capital assets net of accumulated depreciation for its governmental activities and business-type activities as of December 31, 2015 amounts to \$26,893,253 and \$15,084,555, respectively. This investment in capital assets includes land, infrastructure, buildings and improvements, vehicles and equipment, and other capital improvements.

**Long-Term Obligations**

On January 1, 2015 the Town of Wolfeboro had total outstanding bonded debt and other long-term obligations of \$4,716,280 and \$16,218,141 in the governmental activities and business-type activities, respectively. Principal payments during the year reduced outstanding general obligation debt of the Town by (\$1,738,802). General obligation bonds totaling \$4,101,000 were issued, resulting in a combined total outstanding balance at year-end of \$23,296,619. For a summary of long term debt transactions and all other long term obligations in the governmental and business type activities fund please see pages 37 through 39 of the Notes To The Financial Statements.

**Other information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information, which is required to be disclosed by the Governmental Accounting Standards Board (GASB).

In 2015, GASB Statement No. 68 went into effect. GASB's stated intent is to increase transparency, consistency, and comparability of pension information across governments. GASB 68 impacts financial reporting for participating employers of the New Hampshire Retirement System (NHRS). The change in

standard will change the way that pension plan financial information is reported, however it does not change the funding mechanism of the town's contribution to NHRS, which is set by statute.

**TOWN OF WOLFEBORO, NEW HAMPSHIRE  
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Year Ending December 31, 2015**

GASB 68 is a change in financial reporting for accounting purposes, there is no change to the way that the town pays its retirement benefit contributions, or the town's requirements to NHRS as an enrolled employer. Adherence to GASB standards is an important consideration for bond rating agencies. Accordingly, the Town of Greenfield is adopting GASB 68, on schedule, for the year ending 2015. The result is a significant change in how the net position of the town is reflected.

The following highlights are important to note,

- Under GASB 68 employers must report a proportionate share of Net Pension Liability and pension expenses on their financial statements. Previously employers only reported the annual contributions.
- Reporting the proportionate share will not impact NHRS employer contributions or local property tax rates.
- NHRS explains GASB 68: "The presence of a large number representing unfunded pension costs on local government balance sheets could give the incorrect impression that employers have a debt that must be paid immediately, which is not the case...the proportionate share is not a bill. Employers will continue to pay down unfunded liability through 2039 the same as before GASB 68."\*
- Some States show a very large pension liability under previously published GASB 67, but not New Hampshire. "In NHRS' case...[the annual calculation to show whether there will be sufficient assets to pay benefits as they are due]...showed that the retirement system is in a position to meet its obligations, allowing the retirement system to use its assumed rate of investment return.....because there is no crossover point where benefits paid out exceed plan assets".\*
- GASB's new standard reflects the position that pension costs and obligations should be recorded on financial statements as employees earn them, not when the government contributes them.
- According to GASB: "While this information will, in some cases, give the appearance that a government is financially weaker than it was previously, the financial reality of the government's situation will not have changed."\*

\*[How to Read the NHRS GASB 68 Reports](#) by NHRS February 2016

**Economic Conditions**

Assessed real estate value decreased from \$2,031,269,984 to \$1,967,286,980 or (\$63,983,004) as a result of the housing market, as reflected in the Town's revaluation of property by the Assessing Department. The next scheduled full revaluation of property is scheduled for April 1, 2020.

**TOWN OF WOLFEBORO, NEW HAMPSHIRE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ending December 31, 2015**

The overall tax rate remained relatively low at \$ 13.95 compared with the 2014 rate of \$13.01 per thousand. Totals for uncollected taxes at year end remained low.

Total voted appropriation for 2015 was \$ 27,785,833. The town maintains a Capital Improvement Plan through the CIP Committee, which makes recommendations to the Board of Selectmen via the Planning Board. A number of recommendations forwarded by the CIP Committee were not included in the budget by the Board of Selectmen due to budget constraints, or subsequent action of the Town Budget Committee.

Economic conditions for Carroll County remained stable while not robust for the year ended December 31, 2014. The average unemployment rate for the year was 3.3 % for the Wolfeboro NH LMA; lower than the national average of 5.0%. The yearly Northeast Consumer Price Index increase was .5%.

**Requests for Information**

This financial report is designed to provide a general overview of the Town's finances for all of Wolfeboro's citizens, taxpayers, and creditors. This financial report seeks to demonstrate the Town's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: Peter A. Chamberlin, Finance Director, Town of Wolfeboro Finance Office, 84 South Main Street, Wolfeboro, NH 03894. Telephone Number (603) 569-8168.

## **BASIC FINANCIAL STATEMENTS**

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

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 582,365	\$ 10,161,639	\$ 10,744,004
Investments	6,795,553	1,293,445	8,088,998
Intergovernmental receivable	769,984	457,191	1,227,175
Other receivables, net of allowance for uncollectibles	5,217,632	1,153,088	6,370,720
Inventory	-	289,353	289,353
Prepaid items	82,011	17,741	99,752
Tax deeded property held for resale	11,972	-	11,972
Capital assets, not being depreciated:			
Land	6,739,466	1,115,005	7,854,471
Construction in progress	497,054	32,284	529,338
Capital assets, net of accumulated depreciation:			
Buildings and building improvements	7,490,112	3,184,701	10,674,813
Machinery, vehicles and equipment	1,758,473	6,211,430	7,969,903
Infrastructure	18,273,208	20,333,087	38,606,295
Improvements other than buildings	789,061	-	789,061
Total assets	<u>49,006,891</u>	<u>44,248,964</u>	<u>93,255,855</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred amounts related to pensions	<u>805,109</u>	<u>43,422</u>	<u>848,531</u>
<b>LIABILITIES</b>			
Accounts payable	256,566	417,020	673,586
Accrued payroll and benefits	72,834	13,241	86,075
Accrued interest payable	130,814	281,362	412,176
Intergovernmental payable	7,076,858	-	7,076,858
Retainage payable	36,000	-	36,000
Performance and escrow deposits	7,078	41,953	49,031
Noncurrent obligations:			
Due within one year:			
Bonds and notes payable	696,822	1,465,263	2,162,085
Unamortized bond premium	18,488	68,014	86,502
Unamortized loan forgiveness	-	15,287	15,287
Capital leases payable	38,237	-	38,237
Accrued landfill postclosure care costs	4,000	-	4,000
Due in more than one year:			
Bonds and notes payable	7,676,477	13,458,057	21,134,534
Unamortized bond premium	183,197	800,639	983,836
Unamortized loan forgiveness	-	122,294	122,294
Capital leases payable	40,899	-	40,899
Compensated absences	503,479	92,661	596,140
Other postemployment benefits payable	630,597	95,769	726,366
Accrued landfill postclosure care costs	52,000	-	52,000
Net pension liability	6,604,768	621,519	7,226,287
Total liabilities	<u>24,029,114</u>	<u>17,493,079</u>	<u>41,522,193</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred amounts related to pensions	888,102	83,564	971,666
Unearned revenue	40,014	60,025	100,039
Total deferred inflows of resources	<u>928,116</u>	<u>143,589</u>	<u>1,071,705</u>
<b>NET POSITION</b>			
Net investment in capital assets	26,893,253	15,084,555	41,977,808
Restricted for:			
Endowments:			
Nonexpendable	710,886	-	710,886
Expendable	320,388	-	320,388
Other purposes	355,315	-	355,315
Unrestricted	(3,425,072)	11,571,163	8,146,091
Total net position	<u>\$ 24,854,770</u>	<u>\$ 26,655,718</u>	<u>\$ 51,510,488</u>

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



**EXHIBIT 2**  
**TOWN OF WOLFEBORO, NEW HAMPSHIRE**  
**Statement of Activities**  
**For the Year Ended December 31, 2015**

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 2,439,249	\$ -	\$ 8,103	\$ -	\$ (2,431,146)	\$ -	\$ (2,431,146)
Public safety	4,068,527	72,470	20,452	-	(3,975,605)	-	(3,975,605)
Highways and streets	2,786,342	167,987	163,296	-	(2,455,059)	-	(2,455,059)
Sanitation	792,901	165,514	14,177	-	(613,210)	-	(613,210)
Health	145,469	-	-	-	(145,469)	-	(145,469)
Welfare	59,502	-	-	-	(59,502)	-	(59,502)
Culture and recreation	1,573,588	155,614	-	-	(1,417,974)	-	(1,417,974)
Conservation	59,169	-	7,466	-	(51,703)	-	(51,703)
Economic development	11,172	-	-	-	(11,172)	-	(11,172)
Interest on long-term debt	254,050	-	-	-	(254,050)	-	(254,050)
Capital outlay	636,076	-	-	1,697,800	1,061,724	-	1,061,724
Total governmental activities	<u>12,826,045</u>	<u>561,585</u>	<u>213,494</u>	<u>1,697,800</u>	<u>(10,353,166)</u>	<u>-</u>	<u>(10,353,166)</u>
Business-type activities:							
Electric department	8,331,407	8,959,220	-	-	-	627,813	627,813
Water department	1,510,115	1,756,240	-	-	-	246,125	246,125
Sewer department	1,529,824	960,368	142,908	-	-	(426,548)	(426,548)
Pop Whalen ice arena	265,163	274,730	-	-	-	9,567	9,567
Total business-type activities	<u>11,636,509</u>	<u>11,950,558</u>	<u>142,908</u>	<u>-</u>	<u>-</u>	<u>456,957</u>	<u>456,957</u>
Total primary government	<u>\$ 24,462,554</u>	<u>\$ 12,512,143</u>	<u>\$ 356,402</u>	<u>\$ 1,697,800</u>	<u>(10,353,166)</u>	<u>456,957</u>	<u>(9,896,209)</u>
General revenues:							
Property taxes					10,093,347	-	10,093,347
Other taxes					230,174	-	230,174
Licenses and permits					1,552,000	-	1,552,000
Grants and contributions not restricted to specific programs					758,947	-	758,947
Miscellaneous					978,716	219,039	1,197,755
Transfers					(803,140)	803,140	-
Total general revenues and transfers					<u>12,810,044</u>	<u>1,022,179</u>	<u>13,832,223</u>
Change in net position					2,456,878	1,479,136	3,936,014
Net position, beginning, as restated, see Note III.D.					<u>22,397,892</u>	<u>25,176,582</u>	<u>47,574,474</u>
Net position, ending					<u>\$ 24,854,770</u>	<u>\$ 26,655,718</u>	<u>\$ 51,510,488</u>

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

**EXHIBIT 3**  
**TOWN OF WOLFEBORO, NEW HAMPSHIRE**  
**Balance Sheet**  
**Governmental Funds**  
**December 31, 2015**

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	\$ 258,128	\$ 324,237	\$ 582,365
Investments	5,796,881	-	998,672	6,795,553
Receivables, net of allowance for uncollectibles:				
Taxes	5,192,188	-	-	5,192,188
Accounts	4,378	-	21,066	25,444
Intergovernmental	177,676	592,308	-	769,984
Interfund receivable	5,488	-	-	5,488
Prepaid items	52,011	-	30,000	82,011
Tax deeded property held for resale	11,972	-	-	11,972
Total assets	<u>\$ 11,240,594</u>	<u>\$ 850,436</u>	<u>\$ 1,373,975</u>	<u>\$ 13,465,005</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 232,461	\$ 6,720	\$ 17,385	\$ 256,566
Accrued salaries and benefits	72,834	-	-	72,834
Intergovernmental payable	7,076,858	-	-	7,076,858
Retainage payable	-	36,000	-	36,000
Interfund payable	-	-	5,488	5,488
Escrow and performance deposits	7,078	-	-	7,078
Total liabilities	<u>7,389,231</u>	<u>42,720</u>	<u>22,873</u>	<u>7,454,824</u>
Deferred inflows of resources:				
Deferred revenue	911,691	-	11,115	922,806
Fund balances:				
Nonspendable	63,983	-	710,886	774,869
Restricted	355,315	807,716	320,388	1,483,419
Committed	1,796,837	-	313,979	2,110,816
Assigned	92,851	-	-	92,851
Unassigned	630,686	-	(5,266)	625,420
Total fund balances	<u>2,939,672</u>	<u>807,716</u>	<u>1,339,987</u>	<u>5,087,375</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 11,240,594</u>	<u>\$ 850,436</u>	<u>\$ 1,373,975</u>	<u>\$ 13,465,005</u>

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

**EXHIBIT 4**  
**TOWN OF WOLFEBORO, NEW HAMPSHIRE**  
**Reconciliation of Total Fund Balances of Governmental Funds to the Statement of Net Position**  
**December 31, 2015**

Total fund balances of governmental funds (Exhibit 3)	\$	5,087,375
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Cost	\$	50,765,414
Less accumulated depreciation		<u>(15,218,040)</u>
		35,547,374
Interfund receivables and payables between governmental funds are eliminated on the statement of net position.		
Receivables	\$	(5,488)
Payables		<u>5,488</u>
		-
Long-term revenues are not available to pay for current period expenditures and, therefore, are deferred in the funds.		
Deferred tax revenue	\$	721,838
Deferred grant revenue		<u>160,954</u>
		882,792
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(130,814)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Bonds outstanding	\$	8,373,299
Unamortized bond premium		201,685
Capital leases outstanding		79,136
Compensated absences payable		503,479
Other postemployment benefits payable		630,597
Accrued landfill postclosure care costs		56,000
Net pension liability		<u>6,604,768</u>
		(16,448,964)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows of resources related to pensions	\$	805,109
Deferred inflows of resources related to pensions		<u>(888,102)</u>
		(82,993)
Total net position of governmental activities (Exhibit 1)	\$	<u><u>24,854,770</u></u>

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

**EXHIBIT 5**  
**TOWN OF WOLFEBORO, NEW HAMPSHIRE**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended December 31, 2015**

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Taxes	\$ 10,437,183	\$ -	\$ 6,000	\$ 10,443,183
Licenses, permits and fees	1,552,000	-	-	1,552,000
Intergovernmental	698,804	592,308	39,977	1,331,089
Charges for services	430,946	-	130,639	561,585
Miscellaneous	1,435,987	788,007	(10,608)	2,213,386
Total revenues	<u>14,554,920</u>	<u>1,380,315</u>	<u>166,008</u>	<u>16,101,243</u>
<b>Expenditures:</b>				
Current:				
General government	2,209,282	-	4,864	2,214,146
Public safety	4,055,730	-	40,847	4,096,577
Highways and streets	2,134,591	-	-	2,134,591
Sanitation	779,380	-	-	779,380
Health	143,454	-	-	143,454
Welfare	62,851	-	-	62,851
Culture and recreation	1,385,248	-	104,102	1,489,350
Conservation	8,822	-	50,347	59,169
Economic development	11,172	-	-	11,172
Debt service:				
Principal	443,983	-	-	443,983
Interest	219,134	-	-	219,134
Capital outlay	2,553,027	4,630,655	-	7,183,682
Total expenditures	<u>14,006,674</u>	<u>4,630,655</u>	<u>200,160</u>	<u>18,837,489</u>
Excess (deficiency) of revenues over (under) expenditures	<u>548,246</u>	<u>(3,250,340)</u>	<u>(34,152)</u>	<u>(2,736,246)</u>
<b>Other financing sources (uses):</b>				
Transfers in	4,411	2,960	-	7,371
Transfers out	(806,100)	-	(4,411)	(810,511)
Long-term debt issued	-	4,101,000	-	4,101,000
Premium received on long-term debt	-	19,629	-	19,629
Inception of capital leases	109,419	-	-	109,419
Total other financing sources and uses	<u>(692,270)</u>	<u>4,123,589</u>	<u>(4,411)</u>	<u>3,426,908</u>
Net change in fund balances	(144,024)	873,249	(38,563)	690,662
Fund balances, beginning	3,083,696	(65,533)	1,378,550	4,396,713
Fund balances, ending	<u>\$ 2,939,672</u>	<u>\$ 807,716</u>	<u>\$ 1,339,987</u>	<u>\$ 5,087,375</u>

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

**EXHIBIT 6**  
**TOWN OF WOLFEBORO, NEW HAMPSHIRE**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund**  
**Balances of Governmental Funds to the Statement of Activities**  
**For the Year Ended December 31, 2015**

Net change in fund balances of governmental funds (Exhibit 5)	\$	690,662
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capitalized capital outlay exceeded depreciation expense in the current period.</p>		
Capitalized capital outlay	\$	6,510,132
Depreciation expense		<u>(998,431)</u>
		5,511,701
<p>Transfers in and out between governmental funds are eliminated on the operating statement.</p>		
Transfers in	\$	(7,371)
Transfers out		<u>7,371</u>
		-
<p>Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in governmental funds.</p>		
Change in deferred tax revenue	\$	(165,180)
Change in deferred grant revenue		<u>150,000</u>
		(15,180)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.</p>		
Issuance of bonds	\$	(4,101,000)
Premium on bonds issued		(19,629)
Inception of capital lease		(109,419)
Repayment of bonds and notes principal		443,981
Amortization of bond premium		17,000
Repayment of capital lease principal		<u>40,079</u>
		(3,728,988)
<p>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.</p>		
Increase in accrued interest expense	\$	(51,914)
Decrease in compensated absences payable		6,974
Increase in other postemployment benefits payable		(163,096)
Decrease in accrued landfill postclosure care costs		<u>4,000</u>
		(204,036)
<p>Governmental funds report pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned, net of employee contributions, is reported as pension expense.</p>		
Town pension contributions	\$	670,873
Cost of benefits earned, net of employee contributions		<u>(468,154)</u>
		202,719
Change in net position of governmental activities (Exhibit 2)	<u>\$</u>	<u>2,456,878</u>

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

**EXHIBIT 7**  
**TOWN OF WOLFEBORO, NEW HAMPSHIRE**  
**General Fund**  
**Statement of Revenues, Expenditures and Changes in Unassigned**  
**Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)**  
**For the Year Ended December 31, 2015**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 10,174,833	\$ 10,174,833	\$ 10,272,003	\$ 97,170
Licenses, permits and fees	1,524,794	1,524,794	1,552,000	27,206
Intergovernmental	626,830	626,830	848,804	221,974
Charges for services	562,689	562,689	430,946	(131,743)
Miscellaneous	930,484	1,323,399	1,395,381	71,982
Total revenues	<u>13,819,630</u>	<u>14,212,545</u>	<u>14,499,134</u>	<u>286,589</u>
<b>EXPENDITURES</b>				
Current:				
General government	2,325,059	2,196,151	2,204,278	(8,127)
Public safety	4,174,244	4,174,695	4,056,905	117,790
Highways and streets	2,798,061	2,148,061	2,138,537	9,524
Sanitation	810,894	810,894	780,049	30,845
Health	142,782	142,782	143,454	(672)
Welfare	144,123	144,123	62,851	81,272
Culture and recreation	1,361,268	1,361,268	1,347,152	14,116
Conservation	9,438	9,438	8,822	616
Economic development	13,260	13,260	11,047	2,213
Debt service:				
Principal	443,982	443,982	443,983	(1)
Interest on long-term debt	223,260	223,260	219,134	4,126
Interest on tax anticipation note	5,000	5,000	-	5,000
Capital outlay	397,734	1,569,106	1,628,674	(59,568)
Total expenditures	<u>12,849,105</u>	<u>13,242,020</u>	<u>13,044,886</u>	<u>197,134</u>
Excess of revenues over expenditures	<u>970,525</u>	<u>970,525</u>	<u>1,454,248</u>	<u>483,723</u>
Other financing sources (uses):				
Transfers in	-	-	3,630	3,630
Transfers out	(1,570,525)	(1,570,525)	(1,570,525)	-
Total other financing sources and uses	<u>(1,570,525)</u>	<u>(1,570,525)</u>	<u>(1,566,895)</u>	<u>3,630</u>
Net change in fund balance	<u>\$ (600,000)</u>	<u>\$ (600,000)</u>	(112,647)	<u>\$ 487,353</u>
Increase in nonspendable fund balance			(3,463)	
Unassigned fund balance, beginning			1,618,634	
Unassigned fund balance, ending			<u>\$ 1,502,524</u>	

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

**EXHIBIT 8**  
**TOWN OF WOLFEBORO, NEW HAMPSHIRE**  
**Statement of Net Position**  
**Proprietary Funds**  
**December 31, 2015**

	Business-type Activities - Enterprise Funds				Total
	Electric Department	Water Department	Sewer Department	Other Fund (Pop Whalen Ice Arena)	
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 4,369,696	\$ 1,427,701	\$ 4,293,056	\$ 71,186	\$ 10,161,639
Investments	1,293,445	-	-	-	1,293,445
Account receivable	751,139	226,822	159,083	16,044	1,153,088
Intergovernmental receivable	33,975	416,722	-	6,494	457,191
Prepaid items	8,344	4,747	3,702	948	17,741
Inventory	289,353	-	-	-	289,353
Noncurrent assets:					
Land	46,733	12,772	1,055,500	-	1,115,005
Construction in progress	32,284	-	-	-	32,284
Buildings	358,271	3,749,315	254,864	852,338	5,214,788
Machinery and equipment	11,181,131	776,505	1,628,336	1,006,322	14,592,294
Infrastructure	68,489	14,830,077	12,965,936	-	27,864,502
Less accumulated depreciation	<u>(6,146,354)</u>	<u>(6,627,500)</u>	<u>(4,351,660)</u>	<u>(816,852)</u>	<u>(17,942,366)</u>
Total assets	<u>12,286,506</u>	<u>14,817,161</u>	<u>16,008,817</u>	<u>1,136,480</u>	<u>44,248,964</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred amounts related to pensions	<u>12,623</u>	<u>24,235</u>	<u>6,564</u>	<u>-</u>	<u>43,422</u>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	310,399	16,977	72,750	16,894	417,020
Accrued salaries and benefits	4,350	5,589	2,075	1,227	13,241
Accrued interest payable	12,253	96,813	165,532	6,764	281,362
Customer deposits	41,753	200	-	-	41,953
Noncurrent obligations:					
Due within one year:					
Bonds and notes payable	330,000	553,214	542,049	40,000	1,465,263
Unamortized bond premium	5,880	23,890	36,174	2,070	68,014
Unamortized loan forgiveness	-	15,287	-	-	15,287
Due in more than one year:					
Bonds and notes payable	2,195,000	4,798,663	6,137,294	327,100	13,458,057
Unamortized bond premium	32,340	219,425	537,058	11,816	800,639
Unamortized loan forgiveness	-	122,294	-	-	122,294
Compensated absences	38,420	41,037	13,204	-	92,661
Other postemployment benefits payable	35,241	47,839	12,689	5,103	100,872
Net pension liability	<u>180,590</u>	<u>346,925</u>	<u>94,004</u>	<u>-</u>	<u>621,519</u>
Total liabilities	<u>3,186,226</u>	<u>6,288,153</u>	<u>7,612,829</u>	<u>410,974</u>	<u>17,498,182</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred amounts related to pensions	24,292	46,640	12,632	-	83,564
Unearned revenue	46,843	10,567	2,615	-	60,025
Total deferred inflows of resources	<u>71,135</u>	<u>57,207</u>	<u>15,247</u>	<u>-</u>	<u>143,589</u>
<b>NET POSITION</b>					
Net investment in capital assets	2,977,336	7,145,977	4,300,401	660,841	15,084,555
Unrestricted	6,064,432	1,350,059	4,086,904	64,665	11,566,060
Total net position	<u>\$ 9,041,768</u>	<u>\$ 8,496,036</u>	<u>\$ 8,387,305</u>	<u>\$ 725,506</u>	<u>\$ 26,650,615</u>

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

**EXHIBIT 9**  
**TOWN OF WOLFEBORO, NEW HAMPSHIRE**  
**Statement of Revenues, Expenditures and Changes in Net Position**  
**Proprietary Funds**  
**For the Year Ended December 31, 2015**

	Business-type Activities - Enterprise Funds				Total
	Electric Department	Water Department	Sewer Department	Other Fund (Pop Whalen Ice Arena)	
Operating revenues:					
Charges for services	\$ 8,959,220	\$ 1,756,240	\$ 960,368	\$ 274,730	\$ 11,950,558
Miscellaneous	171,775	995	36,619	-	209,389
Total operating revenues	<u>9,130,995</u>	<u>1,757,235</u>	<u>996,987</u>	<u>274,730</u>	<u>12,159,947</u>
Operating expenses:					
Cost of operations	2,093,296	872,667	1,034,149	201,119	4,201,231
Cost of power	5,808,135	-	-	-	5,808,135
Depreciation expense	329,906	430,999	350,943	54,341	1,166,189
Total operating expenses	<u>8,231,337</u>	<u>1,303,666</u>	<u>1,385,092</u>	<u>255,460</u>	<u>11,175,555</u>
Operating income (loss)	<u>899,658</u>	<u>453,569</u>	<u>(388,105)</u>	<u>19,270</u>	<u>984,392</u>
Nonoperating revenue (expense):					
Intergovernmental	-	-	142,908	-	142,908
Interest income	-	6,238	3,412	-	9,650
Interest expense	(100,070)	(206,449)	(144,732)	(14,806)	(466,057)
Transfer to other funds	-	-	803,140	-	803,140
Total nonoperating revenue (expense)	<u>(100,070)</u>	<u>(200,211)</u>	<u>804,728</u>	<u>(14,806)</u>	<u>489,641</u>
Net change in net position	799,588	253,358	416,623	4,464	1,474,033
Net position, beginning, as restated, see Note III.D.	8,242,180	8,242,678	7,970,682	721,042	25,176,582
Net position, ending	<u>\$ 9,041,768</u>	<u>\$ 8,496,036</u>	<u>\$ 8,387,305</u>	<u>\$ 725,506</u>	<u>\$ 26,650,615</u>

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



**EXHIBIT 10**  
**TOWN OF WOLFEBORO, NEW HAMPSHIRE**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended December 31, 2015**

	Business -type Activities - Enterprise Funds				Total
	Electric Department	Water Department	Sewer Department	Other Fund (Pop Whalen Ice Arena)	
<b>Cash flows from operating activities:</b>					
Receipts from customers and users	\$ 9,204,172	\$ 1,755,047	\$ 981,170	\$ 312,638	\$ 12,253,027
Payments to suppliers and employees	(7,682,683)	(864,910)	(957,983)	(180,682)	(9,686,258)
Net cash provided by operating activities	<u>1,521,489</u>	<u>890,137</u>	<u>23,187</u>	<u>131,956</u>	<u>2,566,769</u>
<b>Cash flows from non-capital financing activities:</b>					
Transfers from other funds	-	-	803,140	-	803,140
<b>Cash flows from capital and related financing activities</b>					
Purchase of capital assets	(98,084)	(154,058)	(459,044)	(13,150)	(724,336)
Proceeds from state grants	-	42,210	142,908	-	185,118
Principal paid on bonds and notes	(265,000)	(549,222)	(461,309)	(19,290)	(1,294,821)
Interest paid on bonds and notes	(97,817)	(257,282)	(190,042)	(14,405)	(559,546)
Net cash used in capital and related financing activities	<u>(460,901)</u>	<u>(918,352)</u>	<u>(967,487)</u>	<u>(46,845)</u>	<u>(2,393,585)</u>
<b>Cash flows from investing activities</b>					
Interest and dividends received	-	6,238	3,412	-	9,650
Purchases of investments	(1,293,445)	-	-	-	(1,293,445)
Net cash provided (used) from investing activities	<u>(1,293,445)</u>	<u>6,238</u>	<u>3,412</u>	<u>-</u>	<u>(1,283,795)</u>
Increase (decrease) in cash	(232,857)	(21,977)	(137,748)	85,111	(307,471)
Cash and cash equivalents, beginning	4,602,553	1,449,678	4,430,804	(13,925)	10,469,110
Cash and cash equivalents, ending	<u>\$ 4,369,696</u>	<u>\$ 1,427,701</u>	<u>\$ 4,293,056</u>	<u>\$ 71,186</u>	<u>\$ 10,161,639</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities</b>					
Operating income (loss)	\$ 899,658	\$ 453,569	\$ (388,105)	\$ 19,270	\$ 984,392
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation expense	329,906	430,999	350,943	54,341	1,166,189
(increase) decrease in accounts receivable	79,789	1,741	(10,885)	37,908	108,553
(Increase) decrease in prepaid items	91	(310)	289	144	214
Decrease in inventory	3,363	-	-	-	3,363
Increase (decrease) in accounts payable	202,876	(11,138)	67,652	15,190	274,580
Increase in accrued salaries and benefits	8,629	11,738	6,158	5,103	31,628
Decrease in customer deposits	(3,505)	-	-	-	(3,505)
Decrease in unearned revenue	(3,107)	(3,929)	(4,932)	-	(11,968)
Increase in net pension liability and related deferrals	3,789	7,467	2,067	-	13,323
Total adjustments	<u>621,831</u>	<u>436,568</u>	<u>411,292</u>	<u>112,686</u>	<u>1,582,377</u>
Net cash provided by operating activities	<u>\$ 1,521,489</u>	<u>\$ 890,137</u>	<u>\$ 23,187</u>	<u>\$ 131,956</u>	<u>\$ 2,566,769</u>

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

**EXHIBIT 11**  
**TOWN OF WOLFEBORO, NEW HAMPSHIRE**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**December 31, 2015**

	Private Purpose Trust	Agency
Assets:		
Cash and cash equivalents	\$ 2,302	\$ 221,665
Investments	368,987	1,139,695
Total assets	<u>371,289</u>	<u>1,361,360</u>
Liabilities:		
Due to other governmental units	-	1,182,180
Due to developers	-	179,180
Total liabilities	<u>-</u>	<u>1,361,360</u>
Net position:		
Held in trust for specific purposes	<u>\$ 371,289</u>	<u>\$ -</u>

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

**EXHIBIT 12**  
**TOWN OF WOLFEBORO, NEW HAMPSHIRE**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
**For the Year Ended December 31, 2015**

	Private Purpose Trust
Additions:	
Investment earnings:	
Interest and dividends	\$ 9,566
Net change in fair value of investments	<u>(13,671)</u>
Total additions	(4,105)
 Deductions:	
Trust distributions	<u>11,619</u>
 Change in net position	(15,724)
Net position, beginning	<u>387,013</u>
Net position, ending	<u><u>\$ 371,289</u></u>

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

**NOTES TO THE FINANCIAL STATEMENTS**

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

**I. Summary of Significant Accounting Principles**

**I.A. Introduction**

The accounting and reporting framework and the more significant accounting principles and practices of the Town of Wolfeboro (the Town) are discussed in subsequent sections of this note. The remainder of the notes is organized to provide explanations, including required disclosures, of the Town's financial activities for the fiscal year ended December 31, 2015.

**I.B. Financial Reporting Entity – Basis of Presentation**

**I.B.1. *Entity Defined***

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

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

*Government-Wide Financial Statements*

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

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges for the Town's services; (2) operating grants and contributions, which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which finance the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. Taxes and revenue from other sources not properly included with program revenues are reported as general revenues.

**TOWN OF WOLFEBORO, NEW HAMPSHIRE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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*Fund Financial Statements*

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

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

The financial statements of the Town are prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Town's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. As well, the proprietary funds apply all Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued in or before 1989, unless those pronouncements conflict with or contradict the GASB.

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

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Town considers revenues to be available if they are collected within 60 days of the end of the fiscal year, and defers any not received by that date. When calculating fund balance used to set the tax rate, unavailable tax revenues are not deferred in accordance with directives from the New Hampshire Department of Revenue Administration. Expenditures are recorded when the related fund liability is incurred, except for general obligation debt principal and interest which are reported as expenditures in the year due. Proceeds of general long-term debt and financing from capital leases are reported as other financing sources.

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

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

**TOWN OF WOLFEBORO, NEW HAMPSHIRE  
NOTES TO THE FINANCIAL STATEMENTS  
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**I.B.4. Fund Types and Major Funds**

*Governmental Funds*

The Town reports the following major governmental fund:

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

*Capital Projects Fund* – Reports the activity of the Town’s capital projects that are funded wholly or partially by the issuance of bonds and notes.

The Town also reports six nonmajor governmental funds.

*Proprietary Funds*

The Town reports the following major enterprise funds:

*Electric Department* – Accounts for all revenues and expenses related to the Town’s electric operations.

*Water Department* – Accounts for all revenues and expenses related to the Town’s water treatment and distribution operations.

*Sewer Department* – Accounts for all revenues and expenses related to the Town’s sewage disposal operations.

The Town also reports one nonmajor enterprise fund, the Pop Whalen Ice Arena Fund.

*Fiduciary Funds*

The Town reports the following fiduciary funds:

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

*Agency Funds* – Account for fiduciary assets held by the Town in a custodial capacity as an agent on behalf of others. The Town’s agency funds are used to account for performance bonds held in escrow, and amounts held by the trustees of trust funds that belong to the Governor Wentworth Regional School District.

**TOWN OF WOLFEBORO, NEW HAMPSHIRE  
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**I.B.5. *Change in Accounting Principle***

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

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

**I.C.1. *Cash and Investments***

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

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

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

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

**I.C.2. *Inventory and Prepaid Items***

Inventory is valued at cost using the first-in/first out (FIFO) method. The costs of proprietary fund-type inventories are recorded as expenses when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.



**TOWN OF WOLFEBORO, NEW HAMPSHIRE  
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**I.C.3. Capital Assets and Depreciation**

Generally, the Town’s property, plant and equipment with useful lives of more than one year are stated at historical cost and reported in the government-wide financial statements. Donated assets are stated at fair value on the date donated. The Town generally capitalizes assets with cost of \$10,000 or more as purchase and construction outlays occur; however, the Town capitalizes police weapon inventory and assets purchased with grant funds with costs over \$5,000. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed of, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. Estimated useful lives, in years, for depreciable assets are as follow:

	Years
Buildings and building improvements	5-75
Machinery, vehicles and equipment	5-50
Infrastructure	3-20
Other improvements	3-50

**I.C.4. Long-Term Debt**

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

**I.C.5. Compensated Absences**

Full-time, permanent employees are granted accrued leave benefits in varying amounts to specified maximums based on the number of years in employment. Employees are entitled to a portion of their accrued leave upon termination.

Compensated absences are reported as accrued in the government-wide financial statements. Governmental funds report only matured compensated absences payable to currently terminated employees which are included in wages and benefits expenditures.

**I.C.6. Equity**

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

- Net investment in capital assets, which is computed as the total capital assets less accumulated depreciation, net of outstanding debt used to acquire those assets.

**TOWN OF WOLFEBORO, NEW HAMPSHIRE  
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- Restricted for endowments, nonexpendable, which consists of the principal balance of the permanent funds that must be permanently invested for Town purposes.
- Restricted for endowments, expendable, which consists of the balance of the permanent funds income that is allowed to be expended for Town purposes.
- Restricted for other purposes, which consists of the balance of the library fund resources, whose use is restricted by law.
- Unrestricted, which consists of the remaining balance of net position.

The governmental funds report the following components of fund balance:

- Nonspendable, which consists of endowments in the permanent funds; and prepaid items and tax deeded property held for resale in the general fund, whose resources are in a nonspendable form.
- Restricted, which represents the expendable income from permanent funds and the library fund, all whose use is limited by law, and the balance of unspent bond proceeds in the capital projects fund.
- Committed, which consists of balances for which the intended use has been established by Town Meeting vote, or by the Board of Selectmen, and would require an equally formal action to remove those commitments. Committed balances represent the expendable trust funds, Josiah Bartlett fund, and special revenue funds.
- Assigned, which consists of balances for which the intended use is established by the Board of Selectmen in the form of an encumbrance.
- Unassigned, which represents the remaining fund balance in the general fund in excess of the nonspendable, restricted, committed and assigned balances, and the deficit balances in the CDBG and miscellaneous grants funds.

*Minimum Fund Balance*

In order to maintain a reasonable cash reserve, as well as plan for fiscal emergencies, the Town strives to maintain an unassigned fund balance in its General Fund equal to 10% of the current year's voted operating budget. Consistent with Article 16 of the 2002 Town Warrant, which established a Town Surplus Policy, the Town Manager shall have the authority to reduce the surplus (General Fund Unassigned Fund Balance) carried over from the prior year to an amount no greater than 10% of the Operating Budget voted for the current year by applying it as fund balance to reduce taxes.

**TOWN OF WOLFEBORO, NEW HAMPSHIRE  
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**I.D. Estimates**

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

**II. Stewardship, Compliance and Accountability**

**II.A. Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and Enterprise Funds. A project length budget was adopted for the Capital Projects Fund. Unless encumbered, all appropriations lapse at year-end. The Town is allowed to use beginning fund balance to balance the budget. In 2015, \$600,000 of the General Fund fund balance from 2014 was used.

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

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

**TOWN OF WOLFEBORO, NEW HAMPSHIRE  
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**II.B. General Fund GAAP to Budgetary Basis Reconciliation**

Revenues and other financing sources:	
Per Exhibit 7 (budgetary basis)	\$ 14,502,764
Adjustments:	
Basis difference:	
Capital lease inception	109,419
Tax revenue deferred in the prior year	887,018
Tax revenue deferred in the current year	(721,838)
Grant revenue deferred in the current year	(150,000)
Perspective difference:	
Revenue from library fund	21,796
Revenue from Josiah Brown fund	20,001
Revenue from expendable trust fund	(1,191)
Transfer from permanent fund to library fund	781
Per Exhibit 5 (GAAP basis)	<u>\$ 14,668,750</u>
Expenditures and other financing uses:	
Per Exhibit 7 (budgetary basis)	\$ 14,615,411
Adjustments:	
Basis difference:	
Encumbrances, beginning	499,713
Encumbrances, ending	(417,504)
Capital lease inception	109,419
Perspective difference:	
Expenditures from library fund	41,250
Expenditures from Josiah Brown fund	16,000
Expenditures from expendable trust fund	715,870
Transfer to expendable trust fund	(767,385)
Per Exhibit 5 (GAAP basis)	<u>\$ 14,812,774</u>
Unassigned fund balance:	
Per Exhibit 7 (budgetary basis)	\$ 1,502,524
Adjustment:	
Basis difference:	
Deferred tax revenue, GAAP basis	(721,838)
Deferred grant revenue, GAAP basis	(150,000)
Per Exhibit 3 (GAAP basis)	<u>\$ 630,686</u>

**TOWN OF WOLFEBORO, NEW HAMPSHIRE  
NOTES TO THE FINANCIAL STATEMENTS  
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**III. Detailed Notes on Funds and Government-Wide Statements**

**III.A. Assets**

**III.A.1. Cash and Cash Equivalents**

*Custodial Credit Risks for Deposits*

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The Town does not have a policy for custodial credit risk. As of December 31, 2015, \$1,368,080 of the Town of Wolfeboro's bank balances of \$11,347,538 was exposed to custodial credit risk as uninsured and uncollateralized.

**III.A.2. Investments**

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

Fund reporting level:	
Governmental funds - balance sheet (Exhibit 3)	\$ 6,795,553
Proprietary funds - statement of net position (Exhibit 8)	1,293,445
Fiduciary funds - statement of fiduciary net position (Exhibit 11)	<u>1,508,682</u>
Total	<u><u>\$ 9,597,680</u></u>

The investments appear in the financial statements as follow:

Certificates of Deposit	\$ 4,846,711
Mutual Funds	3,605,291
Equity Funds	<u>1,145,678</u>
	<u><u>\$ 9,597,680</u></u>

*Investment Risks*

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

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

**Concentration of Credit Risk** is the risk of loss attributed to the magnitude of the Town's investment in a single issuer. The Town does not have an investment policy that addresses concentration of credit

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risk. As of December 31, 2015, the Town had \$1,244,152 invested in the Vanguard Short-Term Investment-Grade Fund, \$872,683 invested in the Fidelity Spartan Short-Term Treasury Bond Index Fund, and \$805,291 invested in the TCW Total Return Bond Fund, representing 12.96%, 9.09%, and 8.39%, respectively, of its total investments.

**Custodial Credit Risk** is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities in the possession of an outside party. Of the Town's \$9,597,680 of investments, \$4,596,711 has exposure to custodial credit risk because the related securities are uninsured and uncollateralized.

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

*Property Taxes Receivable and Property Tax Calendar*

Property taxes are levied and collected by the Town on a semi-annual basis. Tax bills are due on or around July 1 and December 1, with interest of 12% per annum on all taxes not received by the due date. The first billing is an estimate only based on half of the previous year's billing. The final billing is levied based on an inventory taken in April of each year (the tax year runs from April 1 to March 31), and is assessed after the tax rate has been calculated and set by the New Hampshire Department of Revenue Administration. A lien is executed on any unpaid property taxes in the following year and this lien takes priority over any others. Interest of 18% per annum is charged upon redemption of liened taxes. Properties not redeemed within two years of the date of the tax lien should be deeded to the Town. During the current year, the tax collector executed a lien for uncollected 2014 property taxes on April 24<sup>th</sup>.

The property taxes levied and collected by the Town include amounts for the State of New Hampshire, the Governor Wentworth Regional School District, Belknap County, and the Lower Beech Pond Precinct. The Town is responsible for the collection of all these taxes. During the annual tax rate setting process, the Town sets an amount for potential abatements and tax deedings, known as overlay. Overlay is raised through taxation and is reported as a reduction in tax revenue.

The net assessed valuation as of April 1, 2015, upon which the 2015 property tax levy was based was:

For the New Hampshire education tax	\$ 1,967,118,180
For all other taxes	\$ 1,967,286,980

**TOWN OF WOLFEBORO, NEW HAMPSHIRE  
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The tax rates and amounts assessed for the year ended December 31, 2015 were as follow:

	<u>Per \$1,000 of Assessed Valuation</u>	
Municipal portion	\$5.29	\$ 10,411,788
School portion:		
State of New Hampshire	\$2.45	4,810,412
Local	\$4.75	9,344,446
County portion	\$1.46	2,876,594
Precinct portion:		
Lower Beech Pond	\$0.83	4,629
Total property taxes assessed		<u>\$ 27,447,869</u>

The following details the taxes receivable at year-end:

Property:		
Levy of 2015		\$ 4,966,220
Unredeemed (under tax lien):		
Levy of 2014		218,830
Levy of 2013		149,076
Levy of 2012		65,373
Levies of 2011 and prior		150,189
Land use change		2,500
Less: allowance for estimated uncollectible taxes		(360,000)
Net taxes receivable		<u>\$ 5,192,188</u>

*Other Receivables*

Other significant receivables include grant reimbursements for the Town's various grant programs, and utility charges.

*Deferred Revenue*

Deferred revenue in the General Fund of \$911,691 at December 31, 2015 represents \$721,838 of 2015 property taxes and \$150,000 of State and Federal grant revenues that were not collected within 60 days of year-end, and therefore, are deferred in accordance with generally accepted accounting principles, \$30,000 received in advance of the Middleton Road Cemetery project activity, \$3,865 in donations for the Libby 100<sup>th</sup> celebration, and \$5,988 in miscellaneous items. Deferred revenue of \$11,115 in the Nonmajor Funds represents \$10,954 of State and Federal grant revenues that were not collected within 60 days of year-end, and \$161 in prepayments of program fees. In the governmental activities, only \$40,014 is reported as unearned revenue.

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

*Changes in Capital Assets*

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

	<u>Balance, beginning</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance, ending</u>
Governmental activities:				
At cost:				
Not being depreciated:				
Land	\$ 6,622,075	\$ 117,391	\$ -	\$ 6,739,466
Construction in progress	<u>1,665,092</u>	<u>33,968</u>	<u>(1,202,006)</u>	<u>497,054</u>
Total capital assets not being depreciated	<u>8,287,167</u>	<u>151,359</u>	<u>(1,202,006)</u>	<u>7,236,520</u>
Being depreciated:				
Buildings and building improvements	4,135,704	4,852,727	-	8,988,431
Machinery, vehicles and equipment	5,663,706	461,623	-	6,125,329
Infrastructure	24,204,354	2,208,703	-	26,413,057
Other improvements	<u>1,964,351</u>	<u>37,726</u>	<u>-</u>	<u>2,002,077</u>
Total capital assets being depreciated	<u>35,968,115</u>	<u>7,560,779</u>	<u>-</u>	<u>43,528,894</u>
Total all capital assets	<u>44,255,282</u>	<u>7,712,138</u>	<u>(1,202,006)</u>	<u>50,765,414</u>
Less accumulated depreciation:				
Buildings and building improvements	(1,283,461)	(214,858)	-	(1,498,319)
Machinery, vehicles and equipment	(4,160,010)	(206,846)	-	(4,366,856)
Infrastructure	(7,625,230)	(514,619)	-	(8,139,849)
Other improvements	<u>(1,150,908)</u>	<u>(62,108)</u>	<u>-</u>	<u>(1,213,016)</u>
Total accumulated depreciation	<u>(14,219,609)</u>	<u>(998,431)</u>	<u>-</u>	<u>(15,218,040)</u>
Net book value, capital assets being depreciated	<u>21,748,506</u>	<u>6,562,348</u>	<u>-</u>	<u>28,310,854</u>
Net book value, all capital assets	<u>\$ 30,035,673</u>	<u>\$ 6,713,707</u>	<u>\$ (1,202,006)</u>	<u>\$ 35,547,374</u>



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	<u>Balance, beginning</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance, ending</u>
Business-type activities:				
At cost:				
Not being depreciated:				
Land	\$ 1,115,005	\$ -	\$ -	\$ 1,115,005
Construction in progress	135,574	32,284	(135,574)	32,284
Total capital assets not being depreciated	<u>1,250,579</u>	<u>32,284</u>	<u>(135,574)</u>	<u>1,147,289</u>
Being depreciated:				
Buildings and building improvements	5,158,459	56,329	-	5,214,788
Machinery, vehicles and equipment	14,563,450	39,014	(10,170)	14,592,294
Infrastructure	27,132,219	732,283	-	27,864,502
Total capital assets being depreciated	<u>46,854,128</u>	<u>827,626</u>	<u>(10,170)</u>	<u>47,671,584</u>
Total all capital assets	<u>48,104,707</u>	<u>859,910</u>	<u>(145,744)</u>	<u>48,818,873</u>
Less accumulated depreciation:				
Buildings and building improvements	(1,896,324)	(133,763)	-	(2,030,087)
Machinery, vehicles and equipment	(7,983,031)	(408,003)	10,170	(8,380,864)
Infrastructure	(6,906,992)	(624,423)	-	(7,531,415)
Total accumulated depreciation	<u>(16,786,347)</u>	<u>(1,166,189)</u>	<u>10,170</u>	<u>(17,942,366)</u>
Net book value, capital assets being depreciated	<u>30,067,781</u>	<u>(338,563)</u>	<u>-</u>	<u>29,729,218</u>
Net book value, all capital assets	<u>\$ 31,318,360</u>	<u>\$ (306,279)</u>	<u>\$ (135,574)</u>	<u>\$ 30,876,507</u>

*Depreciation Expense*

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

Governmental activities:	
General government	\$ 92,218
Public safety	114,183
Highways and streets	680,084
Sanitation	16,843
Culture and recreation	95,103
Total depreciation expense	<u>\$ 998,431</u>
Business-type activities:	
Electric distribution	\$ 329,906
Water distribution and treatment	430,999
Sewage collection and disposal	350,943
Culture and recreation	54,341
Total depreciation expense	<u>\$ 1,166,189</u>

**III.B. Liabilities**

**III.B.1 Intergovernmental Payable**

The amount due to other governments at December 31, 2015 consists of \$7,064,436 due to the Governor Wentworth Regional School District for the balance of the 2015-2016 district assessment, and \$12,422 in fees collected on behalf of the State of New Hampshire.

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**III.B.2 Long-Term Debt**

General obligation bonds are approved by the voters and repaid with general revenues (property taxes). These notes are backed by the full faith and credit of the Town.

Long-term liabilities currently outstanding in the governmental activities are as follow:

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at 12/31/2015	Current Portion
General obligation bonds payable:						
Landfill closure	\$ 600,000	1997	2017	5.8	\$ 60,000	\$ 30,000
Public improvements	\$ 578,500	2000	2020	5.125-5.5	142,862	28,572
Sewall/Friend Street water systems	\$ 396,514	2006	2026	4.0-4.3	187,937	23,250
General projects	\$ 1,292,315	2007	2027	4.0-5.0	795,000	60,000
Town hall renovations	\$ 485,920	2008	2028	4.0-5.25	322,100	25,000
ADA restrooms compliance	\$ 301,800	2008	2028	4.0-5.25	202,100	15,000
Land purchase	\$ 131,500	2008	2028	4.0-5.25	72,100	5,000
Sidewalks	\$ 97,530	2008	2028	4.0-5.25	72,100	5,000
Repair/renovation railroad station	\$ 141,225	2009	2019	3.02-4.02	50,000	15,000
Parking lot purchase	\$ 243,325	2009	2019	3.02-4.02	95,000	25,000
Center Street drainage	\$ 566,000	2010	2020	3.0-5.0	275,000	55,000
Smith River streambank improvements	\$ 166,500	2010	2020	3.0-5.0	75,000	15,000
Pop Whalen ADA improvements	\$ 54,750	2010	2020	3.0-5.0	25,000	5,000
Public safety building repair	\$ 121,000	2012	2023	2.1-5.1	91,000	15,000
255 Main Street parking lot	\$ 144,000	2012	2023	2.1-5.1	114,000	15,000
Downtown street upgrades	\$ 717,500	2012	2033	2.1-5.1	637,500	40,000
Glendon Street parking lot	\$ 256,600	2012	2033	2.1-5.1	235,600	15,000
Public works garage upgrades	\$ 277,000	2014	2034	3.1-5.1	265,000	15,000
Construct parks maintenance building	\$ 176,000	2014	2024	5.1	160,000	20,000
Middleton Road construction	\$ 417,000	2014	2034	3.1-5.1	395,000	25,000
Center Street reconstruction	\$ 700,000	2015	2033	2.1-4.1	700,000	40,000
Renovation of Brewster Hall	\$ 3,130,000	2015	2033	2.1-4.1	3,130,000	175,000
Libby Museum	\$ 194,000	2015	2025	2.1-4.1	194,000	20,000
Stonehenge Road reconstruction	\$ 77,000	2015	2025	2.1-4.1	77,000	10,000
					<u>8,373,299</u>	<u>696,822</u>
Unamortized bond premium					<u>201,685</u>	<u>18,488</u>
Capital leases payable:						
Telephone system	\$ 13,440	2013	2018	5.62	7,191	2,756
Radio equipment	\$ 109,419	2015	2017	2.77	71,945	35,481
					<u>79,136</u>	<u>38,237</u>
Compensated absences payable:						
Accrued leave					503,479	-
Other postemployment benefits payable					630,597	-
Accrued landfill postclosure care costs					56,000	4,000
Net pension liability					6,604,768	-
					<u>\$ 16,448,964</u>	<u>\$ 757,547</u>

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Long-term liabilities currently outstanding in the business-type activities are as follow:

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at 12/31/2015	Current Portion
General obligation bonds/notes payable:						
Water system improvements	\$ 450,000	1996	2021	4.5	\$ 132,000	\$ 22,000
Water treatment facility	\$ 3,000,000	1996	2026	4.5	912,000	94,000
Water system improvements	\$ 550,000	1997	2025	4.5	170,000	17,000
Infiltration/inflow project	\$ 535,000	2000	2020	5.125-5.5	132,138	26,428
Electric distribution upgrade	\$ 5,281,000	2003	2023	2.25-4.25	2,100,000	265,000
Water system improvements	\$ 1,183,080	2004	2033	4.25	650,000	39,000
Sewall/Friend Streets water system	\$ 1,650,011	2006	2026	4.0-4.30	782,063	96,750
Water projects	\$ 2,816,295	2007	2027	4.0-5.0	1,665,000	145,000
Sewer infiltration/inflow project	\$ 592,990	2007	2027	4.0-5.0	360,000	30,000
Water system improvements	\$ 640,735	2008	2028	4.0-5.25	402,100	35,000
Sewer infiltration/inflow project	\$ 797,605	2008	2028	4.0-5.25	527,400	40,000
Pop Whalen rink	\$ 321,755	2008	2028	4.0-5.25	202,100	15,000
Water line replacement	\$ 253,010	2009	2019	3.02-4.02	100,000	25,000
Wastewater treatment facility upgrade	\$ 5,820,364	2009	2029	2.352	4,074,255	291,018
Sewer bond	\$ 793,000	2009	2020	3.0-4.0	395,000	80,000
Water line replacement	\$ 566,000	2010	2020	3.0-5.0	275,000	55,000
Pop Whalen ADA improvements	\$ 54,750	2010	2020	3.0-5.0	25,000	5,000
Pop Whalen fire protection project	\$ 206,800	2011	2022	3.0-5.0	140,000	20,000
Pleasant Valley Road MED upgrade	\$ 616,200	2011	2022	3.0-5.0	425,000	65,000
Wastewater treatment facility upgrade	\$ 592,063	2012	2031	1.104	473,650	29,603
Wastewater facility upgrades	\$ 170,400	2012	2033	2.1-5.1	150,400	10,000
Wastewater facility upgrades	\$ 246,500	2012	2033	2.1-5.1	216,500	15,000
Water meter project	\$ 436,764	2014	2024	1.94	263,714	24,464
Sewer collection system upgrades	\$ 370,000	2014	2034	3.1-5.1	350,000	20,000
					<u>14,923,320</u>	<u>1,465,263</u>
Unamortized bond premium					868,653	68,014
Unamortized loan forgiveness					137,581	15,287
Compensated absences payable:						
Accrued leave					92,661	-
Other postemployment benefits payable					95,769	-
Net pension liability					621,519	-
					<u>\$ 16,739,503</u>	<u>\$ 1,548,564</u>

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*Changes in Long-Term Liabilities*

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

	General Obligation Bonds Payable	Unamortized Bond Premium	Capital Leases Payable	Compensated Absences Payable	OPEB Liability	Accrued Landfill Postclosure Care Costs	Net Pension Liability	Total
Balance, beginning	\$ 4,716,280	\$ 199,056	\$ 9,796	\$ 510,453	\$ 467,501	\$ 60,000	\$ 6,890,480	\$ 12,853,566
Additions	4,101,000	19,629	109,419	-	163,096	-	-	4,393,144
Reductions	(443,981)	(17,000)	(40,079)	(6,974)	-	(4,000)	(285,712)	(797,746)
Balance, ending	<u>\$ 8,373,299</u>	<u>\$ 201,685</u>	<u>\$ 79,136</u>	<u>\$ 503,479</u>	<u>\$ 630,597</u>	<u>\$ 56,000</u>	<u>\$ 6,604,768</u>	<u>\$ 16,448,964</u>

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

	General Obligation Bonds/Notes Payable	Unamortized Bond Premium	Unamortized Loan Forgiveness	Compensated Absences Payable	OPEB Liability	Net Pension Liability	Total
Balance, beginning	\$ 16,218,141	\$ 936,670	\$ 152,868	\$ 80,500	\$ 71,734	\$ 648,338	\$ 18,108,251
Additions	-	-	-	12,161	24,035	-	36,196
Reductions	(1,294,821)	(68,017)	(15,287)	-	-	(26,819)	(1,404,944)
Balance, ending	<u>\$ 14,923,320</u>	<u>\$ 868,653</u>	<u>\$ 137,581</u>	<u>\$ 92,661</u>	<u>\$ 95,769</u>	<u>\$ 621,519</u>	<u>\$ 16,739,503</u>

*Debt Service Requirements to Maturity*

The annual debt service requirements to maturity for the bonds outstanding as of year-end are as follow:

Year Ending December 31,	Governmental Activities		
	Principal	Interest	Total
2016	\$ 696,822	\$ 328,439	\$ 1,025,261
2017	692,881	286,626	979,507
2018	652,881	258,029	910,910
2019	637,881	230,510	868,391
2020	612,881	201,749	814,630
2021-2025	2,439,705	690,863	3,130,568
2026-2030	1,777,148	305,776	2,082,924
2031-2034	863,100	60,336	923,436
Totals	<u>\$ 8,373,299</u>	<u>\$ 2,362,328</u>	<u>\$ 10,735,627</u>

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Year Ending December 31,	Business-type Activities		
	Principal	Interest	Total
2016	\$ 1,465,263	\$ 584,014	\$ 2,049,277
2017	1,429,368	527,520	1,956,888
2018	1,430,550	469,001	1,899,551
2019	1,431,752	411,152	1,842,904
2020	1,391,974	352,778	1,744,752
2021-2025	5,215,969	1,030,706	6,246,675
2026-2030	2,326,941	244,970	2,571,911
2031-2034	231,503	17,660	249,163
Totals	<u>\$ 14,923,320</u>	<u>\$ 3,637,801</u>	<u>\$ 18,561,121</u>

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

Year Ending December 31,	Principal	Interest	Total
	2016	\$ 38,237	\$ 2,327
2017	39,379	1,185	40,564
2018	1,520	26	1,546
Totals	<u>\$ 79,136</u>	<u>\$ 3,538</u>	<u>\$ 82,674</u>

*Accrued Landfill Postclosure Care Costs*

State and federal laws and regulations require that the Town continue to perform certain maintenance and monitoring functions at the landfill site for thirty years after the 1997 closure. An estimated liability has been recorded based on the future postclosure care costs that will be incurred. The estimated liability for landfill postclosure care costs has a balance of \$56,000 as of December 31, 2015, which is based on the amount that would be paid if all equipment, facilities, and services required to monitor and maintain the landfill were acquired as of December 31, 2015. However, the actual costs of postclosure care may be higher or lower due to inflation, changes in technology, or changes in landfill laws and regulations.

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

**III.C.1. Receivables and Payables**

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

The amount due to the general fund of \$5,488 from the nonmajor funds represent overdrafts of pooled cash.

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**III.C.2. Transfers**

Transfers within the reporting entity are substantially for the purposes of distributing taxes to the fund for which the appropriation was made, and distributing trust income and certain voted amounts to the applicable fund. The government-wide statement of activities eliminates transfers reported within the governmental activities columns.

The following schedule reports transfers within the reporting entity:

	Transfers In:			
	Governmental Activities		Enterprise Fund	
	General Fund	Nonmajor Funds	Sewer Department	Total
Transfers out:				
General fund	\$ -	\$ 2,960	\$ 803,140	\$ 806,100
Nonmajor funds	4,411	-	-	4,411
	\$ 4,411	\$ 2,960	\$ 803,140	\$ 810,511

The amounts transferred to the nonmajor funds and the sewer department enterprise fund from the general fund represent voted appropriations. The amount transferred to the general fund from the nonmajor funds represents income earned on permanent funds for cemetery maintenance and culture and recreation.

**III.D. Restatement of Beginning Equity**

The beginning equity was restated as follows:

	Governmental Activities	Business-type Activities	Electric Fund	Water Fund	Sewer Fund
To record beginning pension liability amounts	\$ (6,890,480)	\$ (459,868)	\$ (188,470)	\$ (361,863)	\$ (98,005)
To record accrued utility charges receivable	-	156,167	-	90,702	65,465
Net position, as previously reported	29,288,372	25,668,753	8,430,650	8,513,839	8,003,222
Net position, as restated	\$ 22,397,892	\$ 25,365,052	\$ 8,242,180	\$ 8,242,678	\$ 7,970,682

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**III.E. Fund Equity**

The components of fund balance, as described in Note I.C.6, are classified for the following purposes:

	General Fund	Projects Fund	Nonmajor Funds
Nonspendable:			
Endowments	\$ -	\$ -	\$ 710,886
Prepaid items	52,011	-	-
Tax deeded property	11,972	-	-
Total nonspendable	<u>63,983</u>	<u>-</u>	<u>710,886</u>
Restricted:			
General government	-	-	320,388
Culture and recreation	355,315	-	-
Capital outlay	-	807,716	-
Total restricted	<u>355,315</u>	<u>807,716</u>	<u>320,388</u>
Committed:			
Public safety	-	-	38,041
Culture and recreation	11,297	-	3,013
Conservation	-	-	272,925
Capital outlay	1,785,540	-	-
Total committed	<u>1,796,837</u>	<u>-</u>	<u>313,979</u>
Assigned:			
General government	13,996	-	-
Public safety	3,775	-	-
Highways and streets	6,446	-	-
Sanitation	10,900	-	-
Capital outlay	57,734	-	-
Total assigned	<u>92,851</u>	<u>-</u>	<u>-</u>
Unassigned	630,686	-	(5,266)
Total fund balance	<u>\$ 2,939,672</u>	<u>\$ 807,716</u>	<u>\$ 1,339,987</u>

**IV. Other Information**

**IV.A. Risk Management**

The Town's risk management activities are reported with governmental activities and recorded in the general fund. During the fiscal year, the Town was a member of the New Hampshire Public Risk Management Exchange (Primex) Workers' Compensation and Property/Liability Programs, which are considered public entity risk pools, currently operating as common risk management and insurance programs for member governmental entities.

The Primex Workers' Compensation and Property/Liability Programs are pooled risk management programs under RSA 5-B and RSA 281-A. Workers' compensation and property/liability coverage are

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provided from January 1 through December 31. Primex provided statutory workers' compensation coverage, \$2,000,000 for each liability loss and various amounts of coverage for property losses.

Contributions paid in 2015 to be recorded as an insurance expenditure/expense totaled \$123,914 for property/liability and \$94,976 for workers' compensation. The Town also paid \$8,537 for unemployment compensation. There were no unpaid contributions for the year ended December 31, 2015. The trust agreement permits the Trust to make additional assessments to members should there be a deficiency in trust assets to meet its liabilities. At this time, the Trust foresees no likelihood of any additional assessments for past years.

#### **IV.B. Retirement Pensions**

##### *General Information about the Pension Plan*

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

Both the members and the Town make contributions to the NHRS. Member rates of contribution are set by the Legislature. Employer rates are determined by the NHRS trustees based on an actuarial valuation. The rates of contribution for police officers and other employees are 11.55% and 7%, respectively, of gross earnings. The rates of contribution from the Town for the period January 1 to June 30<sup>th</sup> were 25.30% for police officers, 27.74% for firefighters and 10.77% for other employees. These rates increase for the period July 1 to December 31<sup>st</sup> to 26.38% for police officers, 29.16% for firefighters and 11.17% for other employees. The rates are actuarially determined to generate an amount, that when combined with employee contributions, is expected to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employer contributions from the Town during the years 2013, 2014 and 2015 were \$593,619, \$664,662 and \$734,301, respectively. The amounts are paid on a monthly basis as due.

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

At December 31, 2015, the Town reported a liability of \$7,226,287 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all



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participating municipalities and school districts, actuarially determined. As of June 30, 2015, the Town's proportion was 0.1824%, which was an increase of 0.0012% from its proportion measured as of June 30, 2014.

For 2015, the Town recognized pension expense of \$468,154. At year-end, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion and differences between employer contributions and proportionate share of contributions	\$ 40,974	\$ 156,034
Net differences between projected and actual earnings on pension plan investments	463,926	657,057
Differences between expected and actual experience	-	158,575
Town contributions subsequent to the measurement date	376,119	-
	\$ 881,019	\$ 971,666

The Town reported \$376,119 as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date, which will be recognized as a reduction of the net pension liability in the following year.

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

Year Ended June 30,	
2016	\$ (173,051)
2017	(173,051)
2018	(173,051)
2019	62,938
2020	(10,551)
	\$ (466,766)

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*Actuarial Assumptions*

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

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

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

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

The following presents the Town’s proportionate share of the net pension liability calculated using the discount rate of 7.75%, as well as what the Town’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75%) or one percentage point higher (8.75%) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Town's proportionate share of net pension liability	\$ 9,512,468	\$ 7,226,287	\$ 5,277,305

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

**IV.C. Contingent Liabilities**

The Town has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designee. These audits could result in a request for reimbursement from the grantor agency for costs disallowed under terms of the grant. Based on prior experience, the Town believes such disallowances, if any, will be immaterial.

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

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

**IV.D. Other Postemployment Benefits**

*Plan Description*

In addition to providing pension benefits, the Town provides implicit postretirement medical benefits to its retired employees and their spouses, as required by NH RSA 100-A:50, *New Hampshire Retirement System: Medical Benefits*. The pre-65 benefits are the only benefits included in this valuation. Retirees under the age of 65 have a medical insurance plan with either Anthem Blue Cross and Blue Shield or Matthew Thornton. Both Group I and Group II retirees, as categorized by the New Hampshire Retirement System, qualify for this benefit. Group I employees are required to reach age 55 with a minimum service requirement of 30 years or age 60 with 20 years of service. Group II employees hired before July 1, 2003 are eligible at age 45 with 20 years of service and employees hired after July 1, 2003 are eligible at any age with 20 years of service. Retirees contribute 100% for individuals, two person or family medical coverage. Surviving beneficiaries continue to receive access to the Town medical coverage after the death of the retired employee as long as they pay the required premium. As of January 1, 2012, the actuarial valuation date, participants of the postretirement plan that meet eligibility requirements are comprised of 31 retirees and 68 active employees. The plan does not issue a separate financial report.

*Annual OPEB Cost and Net OPEB Obligation*

The Town's 2015 annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid, on an ongoing basis, is projected to cover the normal cost each year and amortize the unfunded actuarial liability over a period of thirty years.

The Town's annual OPEB cost for the year ended December 31, 2015 including the amount actually contributed to the plan, and the changes in the Town's net OPEB obligation based on an actuarial valuation as of January 1, 2015 are as follow:

Annual Required Contributions (ARC)	\$ 206,407
Interest on net OPEB obligation	21,569
Adjustment of ARC	<u>(30,578)</u>
Annual OPEB cost	197,398
Contributions made	<u>(5,164)</u>
Increase in net OPEB obligation	192,234
Net OPEB Obligation - beginning of year	539,235
Net OPEB Obligation - end of year	<u><u>\$ 731,469</u></u>

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

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the years ended December 31, 2009 through 2015 are as follow:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2009	\$ 237,797	33.3%	\$ 158,675
December 31, 2010	235,711	27.5%	329,600
December 31, 2011	228,102	28.4%	492,826
December 31, 2012	79,986	77.2%	511,064
December 31, 2013	77,313	32.1%	525,052
December 31, 2014	77,753	82.9%	539,235
December 31, 2015	197,398	2.6%	731,469

*Funded Status and Funding Progress for OPEB*

The most recent actuarial valuation date was January 1, 2015, and included roll forward calculations for the subsequent two periods. The funded status of the plan as of December 31, 2015 is as follows:

Actuarial Accrued Liability (AAL)	\$ 1,843,441
Actuarial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability	<u>\$ 1,843,441</u>
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0.0%
Covered Payroll	\$ 4,320,142
UAAL as a percentage of covered payroll	42.7%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. The total cost of providing postemployment benefits is projected, taking into account assumptions about current claim cost, turnover, mortality, health care trends, and other actuarial assumptions. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information will provide multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits, when available.

*Actuarial Methods and Assumptions for OPEB*

Projections of benefits for financial reporting purposes are based on the plan as understood by the Town and the plan members, and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the Town and plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

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

The method used in the January 1, 2015 actuarial valuation was the Projected Unit Credit cost method. The amounts in this OPEB valuation represent a closed group and do not reflect new entrants. The actuarial value of assets is undetermined as the Town has not advance funded its obligation. The actuarial assumptions included a 4.0% investment rate of return and an initial annual healthcare cost trend of 2.63% which increases to a 7.57% long-term rate for all healthcare benefits before decreasing at a 1.0% rate per year for four years. The amortization costs for the initial Unfunded Actuarial Accrued Liability (UAAL) have been calculated on a level dollar basis.

**REQUIRED SUPPLEMENTARY INFORMATION**

**EXHIBIT 13**  
**TOWN OF WOLFEBORO, NEW HAMPSHIRE**  
**Other Postemployment Benefits**  
**Schedule of Funding Progress**  
**For the Year Ended December 31, 2015**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll (AAL)
1/1/2009	\$ -	\$ 1,908,441	\$ 1,908,441	0.0%	\$ 3,241,432	58.9%
1/1/2012	\$ -	\$ 1,606,177	\$ 1,606,177	0.0%	\$ 3,906,727	41.1%
1/1/2015	\$ -	\$ 1,843,441	\$ 1,843,441	0.0%	\$ 4,320,142	42.7%

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

**EXHIBIT 14**  
**TOWN OF WOLFEBORO, NEW HAMPSHIRE**  
*Schedule of the Town's Proportionate Share of the Net Pension Liability*  
**New Hampshire Retirement System**

	2015	2014
Town's proportion of net pension liability	0.1824%	0.1812%
Town's proportionate share of the net pension liability	\$ 7,226,287	\$ 6,802,385
Town's covered-employee payroll	\$ 4,320,142	\$ 4,067,663
Town's proportionate share of the net pension liability as a percentage of covered-employee payroll	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	65.47%	66.32%

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



**EXHIBIT 15**  
**TOWN OF WOLFEBORO, NEW HAMPSHIRE**  
*Schedule of Town Contributions*  
**New Hampshire Retirement System**

	2015	2014
Contractually required contribution	\$ 734,301	\$ 663,823
Contribution in relation to the contractually required contribution	(734,301)	(663,823)
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll	\$ 4,320,142	\$ 4,067,663
Contributions as a percentage of covered-employee payroll	17.00%	16.32%

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

**TOWN OF WOLFEBORO, NEW HAMPSHIRE**  
**NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2015**

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

**COMBINING NONMAJOR GOVERNMENTAL AND INDIVIDUAL GENERAL FUND SCHEDULES**

**EXHIBIT 16**  
**TOWN OF WOLFEBORO, NEW HAMPSHIRE**  
**Nonmajor Governmental Funds**  
**Combining Balance Sheet**  
**December 31, 2015**

	Special Revenue Funds					Permanent Fund	Total
	Police Detail	Recreation Revolving	Conservation Commission	Miscellaneous Grants	CDBG		
<b>ASSETS</b>							
Cash and cash equivalents	\$ 36,500	\$ 8,580	\$ 272,925	\$ -	\$ -	\$ 6,232	\$ 324,237
Investments	-	-	-	-	-	998,672	998,672
Accounts receivable	1,541	-	-	19,525	-	-	21,066
Prepaid items	-	-	-	-	-	30,000	30,000
Total assets	<u>\$ 38,041</u>	<u>\$ 8,580</u>	<u>\$ 272,925</u>	<u>\$ 19,525</u>	<u>\$ -</u>	<u>\$ 1,034,904</u>	<u>\$ 1,373,975</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>							
Liabilities:							
Accounts payable	\$ -	\$ 5,406	\$ -	\$ 11,979	\$ -	\$ -	\$ 17,385
Interfund payable	-	-	-	1,758	100	3,630	5,488
Total liabilities	<u>-</u>	<u>5,406</u>	<u>-</u>	<u>13,737</u>	<u>100</u>	<u>3,630</u>	<u>22,873</u>
Deferred inflows of resources:							
Deferred revenue	-	161	-	10,954	-	-	11,115
Fund balances:							
Nonspendable	-	-	-	-	-	710,886	710,886
Restricted	-	-	-	-	-	320,388	320,388
Committed	38,041	3,013	272,925	-	-	-	313,979
Unassigned	-	-	-	(5,166)	(100)	-	(5,266)
Total fund balances	<u>38,041</u>	<u>3,013</u>	<u>272,925</u>	<u>(5,166)</u>	<u>(100)</u>	<u>1,031,274</u>	<u>1,339,987</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 38,041</u>	<u>\$ 8,580</u>	<u>\$ 272,925</u>	<u>\$ 19,525</u>	<u>\$ -</u>	<u>\$ 1,034,904</u>	<u>\$ 1,373,975</u>

**EXHIBIT 17**  
**TOWN OF WOLFEBORO, NEW HAMPSHIRE**  
**Nonmajor Governmental Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended December 31, 2015**

	Special Revenue Funds					Permanent Fund	Total
	Police Detail	Recreation Revolving	Conservation Commission	Miscellaneous Grants	CDBG		
<b>REVENUES</b>							
Taxes	\$ -	\$ -	\$ 6,000	\$ -	\$ -	\$ -	\$ 6,000
Intergovernmental	-	-	-	39,977	-	-	39,977
Charges for services	26,861	103,778	-	-	-	-	130,639
Miscellaneous	-	-	314	500	-	(11,422)	(10,608)
Total revenues	<u>26,861</u>	<u>103,778</u>	<u>6,314</u>	<u>40,477</u>	<u>-</u>	<u>(11,422)</u>	<u>166,008</u>
<b>EXPENDITURES</b>							
Current:							
General government	-	-	-	-	-	4,864	4,864
Public safety	20,395	-	-	20,452	-	-	40,847
Culture and recreation	-	103,778	-	-	-	324	104,102
Conservation	-	-	30,322	20,025	-	-	50,347
Total expenditures	<u>20,395</u>	<u>103,778</u>	<u>30,322</u>	<u>40,477</u>	<u>-</u>	<u>5,188</u>	<u>200,160</u>
Excess (deficiency) of revenues over (under) expenditures	6,466	-	(24,008)	-	-	(16,610)	(34,152)
Other financing uses:							
Transfers out	-	-	-	-	-	(4,411)	(4,411)
Net change in fund balances	6,466	-	(24,008)	-	-	(21,021)	(38,563)
Fund balances, beginning	31,575	3,013	296,933	(5,166)	(100)	1,052,295	1,378,550
Fund balances, ending	<u>\$ 38,041</u>	<u>\$ 3,013</u>	<u>\$ 272,925</u>	<u>\$ (5,166)</u>	<u>\$ (100)</u>	<u>\$ 1,031,274</u>	<u>\$ 1,339,987</u>

**EXHIBIT 18**  
**TOWN OF WOLFEBORO, NEW HAMPSHIRE**  
**General Fund**  
**Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)**  
**For the Year Ended December 31, 2015**

	Estimated	Actual	Variance Positive (Negative)
<b>Taxes:</b>			
Property	\$ 10,021,621	\$ 10,093,347	\$ 71,726
Land use change	-	2,500	2,500
Boat	-	24,795	24,795
Timber	14,035	14,036	1
Excavation	150	-	(150)
Payments in lieu of taxes	19,027	18,000	(1,027)
Interest and penalties on delinquent taxes	120,000	119,325	(675)
<b>Total taxes</b>	<b>10,174,833</b>	<b>10,272,003</b>	<b>97,170</b>
<b>Licenses, permits and fees:</b>			
Business licenses and permits	32,773	1,745	(31,028)
Motor vehicle permits	1,300,000	1,329,515	29,515
Building permits	50,000	63,411	13,411
Other	142,021	157,329	15,308
<b>Total licenses, permits and fees</b>	<b>1,524,794</b>	<b>1,552,000</b>	<b>27,206</b>
<b>Intergovernmental:</b>			
State sources:			
Meals and rooms distributions	300,796	300,796	-
Highway block grant	161,899	163,296	1,397
State and federal forest land	39	66	27
Flood control reimbursement	-	7,466	7,466
Highway grant	-	18,092	18,092
Landfill grant	14,096	14,177	81
Bridge aid	-	149,393	149,393
Economic development grant	150,000	150,000	-
Other governmental sources:			
Payments in lieu of taxes	-	45,518	45,518
<b>Total intergovernmental</b>	<b>626,830</b>	<b>848,804</b>	<b>221,974</b>
<b>Charges for services:</b>			
Income from departments	562,689	430,946	(131,743)
<b>Miscellaneous:</b>			
Sale of property	50,618	50,618	-
Interest on investments	4,000	9,451	5,451
Rent	110,247	121,050	10,803
Fines and forfeits	5,000	6,790	1,790
Insurance dividends and reimbursements	145,195	154,756	9,561
Contributions and donations	417,915	458,085	40,170
Other	590,424	594,631	4,207
<b>Total miscellaneous</b>	<b>1,323,399</b>	<b>1,395,381</b>	<b>71,982</b>
<b>Other financing sources:</b>			
Transfers in:			
Nonmajor funds	-	3,630	3,630
<b>Total revenues and other financing sources</b>	<b>14,212,545</b>	<b>\$ 14,502,764</b>	<b>\$ 290,219</b>
Use of fund balance to reduce taxes	600,000		
<b>Total revenues, other financing sources and use of fund balance</b>	<b>\$ 14,812,545</b>		

**EXHIBIT 19**  
**TOWN OF WOLFEBORO, NEW HAMPSHIRE**  
**General Fund**  
**Schedule of Appropriations, Expenditures and Encumbrances (Non-GAAP Budgetary Basis)**  
**For the Year Ended December 31, 2015**

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
<b>Current:</b>					
<b>General government:</b>					
Executive	\$ -	\$ 612,622	\$ 594,252	\$ 9,000	\$ 9,370
Election and registration	-	231,514	222,121	-	9,393
Financial administration	-	933,398	959,799	-	(26,401)
Planning and zoning	3,000	161,956	161,313	-	3,643
General government buildings	-	57,820	54,715	4,996	(1,891)
Cemeteries	-	9,327	6,437	-	2,890
Other	-	189,514	194,645	-	(5,131)
Total general government	<u>3,000</u>	<u>2,196,151</u>	<u>2,193,282</u>	<u>13,996</u>	<u>(8,127)</u>
<b>Public safety:</b>					
Police	-	1,719,543	1,671,749	-	47,794
Fire	-	1,798,292	1,750,255	3,775	44,262
Building inspection	2,600	137,515	132,279	-	7,836
Emergency management	-	4,408	3,986	-	422
Other	-	514,937	497,461	-	17,476
Total public safety	<u>2,600</u>	<u>4,174,695</u>	<u>4,055,730</u>	<u>3,775</u>	<u>117,790</u>
<b>Highways and streets:</b>					
Administration	-	215,857	218,789	1,150	(4,082)
Highways and streets	-	1,390,471	1,380,891	-	9,580
Other	2,500	541,733	534,911	5,296	4,026
Total highways and streets	<u>2,500</u>	<u>2,148,061</u>	<u>2,134,591</u>	<u>6,446</u>	<u>9,524</u>
<b>Sanitation:</b>					
Solid waste disposal	<u>10,231</u>	<u>810,894</u>	<u>779,380</u>	<u>10,900</u>	<u>30,845</u>
<b>Health:</b>					
Administration	-	6,280	6,269	-	11
Pest control	-	21,236	21,860	-	(624)
Health agencies and hospitals	-	115,266	115,325	-	(59)
Total health	<u>-</u>	<u>142,782</u>	<u>143,454</u>	<u>-</u>	<u>(672)</u>
<b>Welfare:</b>					
Administration and direct assistance	<u>-</u>	<u>144,123</u>	<u>62,851</u>	<u>-</u>	<u>81,272</u>

(continued)

**EXHIBIT 19 (continued)**  
**TOWN OF WOLFEBORO, NEW HAMPSHIRE**  
**General Fund**

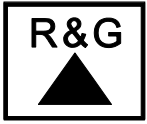
**Schedule of Appropriations, Expenditures and Encumbrances (Non-GAAP Budgetary Basis)**  
**For the Year Ended December 31, 2015**

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Culture and recreation:					
Parks and recreation	-	829,636	824,484	-	5,152
Public library	-	474,248	468,931	-	5,317
Patriotic purposes	-	16,200	16,450	-	(250)
Other	-	41,184	37,287	-	3,897
Total culture and recreation	-	<u>1,361,268</u>	<u>1,347,152</u>	-	<u>14,116</u>
Conservation	-	<u>9,438</u>	<u>8,822</u>	-	<u>616</u>
Economic development	<u>125</u>	<u>13,260</u>	<u>11,172</u>	-	<u>2,213</u>
Debt service:					
Principal	-	443,982	443,983	-	(1)
Interest on long-term debt	-	223,260	219,134	-	4,126
Interest on tax anticipation note	-	5,000	-	-	5,000
Total debt service	-	<u>672,242</u>	<u>663,117</u>	-	<u>9,125</u>
Capital outlay:					
Machinery, vehicles and equipment	-	71,734	48,153	14,985	8,596
Buildings	137,616	520,015	693,075	12,100	(47,544)
Improvements other than buildings	<u>343,641</u>	<u>977,357</u>	<u>986,316</u>	<u>355,302</u>	<u>(20,620)</u>
Total capital outlay	<u>481,257</u>	<u>1,569,106</u>	<u>1,727,544</u>	<u>382,387</u>	<u>(59,568)</u>
Other financing uses:					
Transfers out:					
Expendable trust funds	-	767,385	767,385	-	-
Sewer department	-	803,140	803,140	-	-
Total other financing uses	-	<u>1,570,525</u>	<u>1,570,525</u>	-	-
Total encumbrances, appropriations, expenditures and other financing uses	<u>\$ 499,713</u>	<u>\$ 14,812,545</u>	<u>\$ 14,697,620</u>	<u>\$ 417,504</u>	<u>\$ 197,134</u>



**EXHIBIT 20**  
**TOWN OF WOLFEBORO, NEW HAMPSHIRE**  
**General Fund**  
**Schedule of Changes in Unassigned Fund Balance (Non-GAAP Budgetary Basis)**  
**For the Year Ended December 31, 2015**

Unassigned fund balance, beginning		\$ 1,618,634
Changes:		
Unassigned fund balance used to reduce tax rate		(600,000)
Budget summary:		
Revenue surplus (Exhibit 18)	\$ 290,219	
Unexpended balance of appropriations (Exhibit 19)	197,134	
Budget surplus		487,353
Increase in nonspendable fund balance		(3,463)
Unassigned fund balance, ending		\$ 1,502,524



# Roberts & Greene, PLLC

## INDEPENDENT AUDITOR'S COMMUNICATION TO MANAGEMENT

To the Town Manager and Members of the Board of Selectmen  
Town of Wolfeboro  
Wolfeboro, New Hampshire

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Wolfeboro as of and for the year ended December 31, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered the Town's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

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

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

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

July 8, 2016

*Roberts & Greene, PLLC*