

TOWN OF WOLFEBORO, NEW HAMPSHIRE

FINANCIAL REPORT

AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2016

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

INDEPENDENT AUDITOR'S REPORT

To the 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, New Hampshire, as of and for the year ended December 31, 2016, 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, and the aggregate remaining fund information of the Town of Wolfeboro, New Hampshire, as of December 31, 2016, and the respective changes in financial position thereof, and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, schedule of funding progress and pension information on pages 3-12 and 49-52 be presented to

Town of Wolfeboro
Independent Auditor's Report

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

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.

Roberts & Greene, PLLC

Concord, New Hampshire
July 10, 2017

TOWN OF WOLFEBORO, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ending December 31, 2016

Presented herewith please find the Management Discussion & Analysis Report for the Town of Wolfeboro for the year ended December 31, 2016. 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, 2016

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, 2016

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 9) (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, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Current and other assets:		
Capital assets, net	\$ 28,434,099	\$ 28,310,854
Other assets	<u>21,781,949</u>	<u>20,696,037</u>
Total assets	\$ 50,216,048	\$ 49,006,891
Deferred Outflows of Resources	\$ 2,129,740	\$ 805,109
Long-term liabilities	\$ 16,966,517	\$ 15,691,417
Other liabilities	<u>8,885,479</u>	<u>8,337,697</u>
Total liabilities	<u>\$ 25,851,996</u>	<u>\$ 24,029,114</u>
Deferred Inflows of Resources	\$ 245,748	\$ 928,116
Net position:		
Net investment in capital assets	\$ 27,777,212	\$ 26,893,253
Restricted	2,143,374	1,386,589
Unrestricted	<u>(3,672,542)</u>	<u>(3,425,072)</u>
Total net position	<u>\$ 26,248,044</u>	<u>\$ 24,854,770</u>

TOWN OF WOLFEBORO, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ending December 31, 2016

The Town's net position totaled \$ 26,248,044 at the end of fiscal year 2016, an increase of \$1,393,274 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 \$883,959, an increase in restricted net position of \$756,785 as well as a decrease in unrestricted net position of (\$247,470).

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, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Program revenues:		
Charges for services	\$ 627,754	\$ 561,585
Operating grants and contributions	328,401	213,494
Capital grants and contributions	<u>43,525</u>	<u>1,697,800</u>
Total program revenues	<u>999,680</u>	<u>2,472,879</u>
General revenues:		
Property and other taxes	11,023,645	10,323,521
Licenses and permits	1,670,166	1,552,000
Grants and Contributions	323,081	758,947
Miscellaneous	982,917	978,716
Transfers	<u>(846,905)</u>	<u>(803,140)</u>
Total general revenues and transfers	<u>13,152,904</u>	<u>12,810,044</u>
Total revenues	<u>14,152,584</u>	<u>15,282,923</u>
Program expenses:		
General government	2,562,163	2,439,249
Public safety	4,278,999	4,068,527
Highways and streets	2,800,455	2,786,342
Water Distribution & Treatment	1,642	0
Health and welfare	213,012	204,971
Sanitation	789,428	792,901
Culture and recreation	1,624,586	1,573,588
Economic development	12,987	11,172
Conservation	51,763	59,169
Interest and fiscal charges	289,225	254,050
Capital Outlay	<u>135,050</u>	<u>636,076</u>
Total expenses	<u>12,759,310</u>	<u>12,826,045</u>
Change in position	1,393,274	2,456,878
Net Position - beginning of year	<u>24,854,770</u>	<u>22,397,892</u>
Net Position - ending of year	<u>\$ 26,248,044</u>	<u>\$ 24,854,770</u>

TOWN OF WOLFEBORO, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
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During the year ended December 31, 2016, program revenues covered only 7.0% of program expenses, while the remaining 93% 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 (20%), public safety (33%), culture and recreation (12%), and highways and streets (21%) which accounted for 86% 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, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Current and other assets:		
Capital assets, net	\$ 29,540,211	\$ 29,729,218
Other assets	<u>15,919,235</u>	<u>16,085,142</u>
Total assets	<u>\$ 45,459,446</u>	<u>\$ 45,814,360</u>
Deferred Outflows of Resources	382,054	43,422
Long-term liabilities	\$ 14,659,034	\$ 15,190,939
Other liabilities	<u>2,014,806</u>	<u>2,302,140</u>
Total liabilities	<u>\$ 16,673,840</u>	<u>\$ 17,493,079</u>
Deferred inflows of resources	<u>\$ 94,125</u>	<u>\$ 143,589</u>
Net position:		
Invested in capital assets, net of related debt	\$ 16,834,383	\$ 15,084,555
Unrestricted	<u>12,239,152</u>	<u>13,137,559</u>
Total net position	<u>\$ 29,073,535</u>	<u>\$ 28,222,114</u>

The Town's business-type activities net position totaled \$29,073,535 at the end of fiscal year 2016, an increase of \$ 851,421 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 \$ 1,749,828 in addition to a decrease in unrestricted net position of \$ 898,407.

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, 2016

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, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Program revenues:		
Charges for services	\$ 11,712,199	\$ 11,950,558
Operating grants and contributions	<u>52,677</u>	<u>142,908</u>
Total program revenues	<u>11,764,876</u>	<u>12,093,466</u>
General revenues:		
Miscellaneous	146,272	219,039
Transfers	<u>846,905</u>	<u>803,140</u>
Total general revenues and transfers	<u>993,177</u>	<u>1,022,179</u>
Total revenues	<u>12,758,053</u>	<u>13,115,645</u>
Program expenses:		
Electric	8,670,627	8,331,407
Water	1,455,873	1,510,115
Sewer	1,494,800	1,529,824
Pop Whalen	<u>285,332</u>	<u>265,163</u>
Total program expenses	<u>11,906,632</u>	<u>11,636,509</u>
Change in net position	851,421	1,479,136
Net position - beginning of year	<u>28,222,114</u>	<u>26,742,978</u>
Net position - ending of year	<u>\$ 29,073,535</u>	<u>\$ 28,222,114</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 98% of total program expenses. Net position increased a total of \$ 851,421 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 Towns' 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, 2016

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 \$705,055, while total fund equity was \$3,799,888. The total fund equity also includes a Non-spendable fund balance of \$117,462, a Restricted fund balance of \$375,430, as well as an Assigned fund balance of \$395,735 and a Committed fund balance of \$2,206,206. The General Fund total fund balance increased \$860,216 from December 31, 2015.

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 2016 \$502,524 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 \$2,084,152 at year end, an increase of \$ 744,165 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 \$252,721 in Committed fund balance; Police Detail Fund \$54,651 in Committed fund balance; Recreation Revolving Account \$1,000 in Committed Fund balance; Miscellaneous Grant Funds with an Unassigned deficit of (\$5,666) and a Restricted Fund Balance of \$ 3,200, as well as the CDBG Fund with an Unassigned deficit of (\$100). The Permanent Fund totals \$1,013,804, of which \$753,597 is Non-spendable fund balance with the remaining \$260,217 being Restricted fund balance. The Capital Projects Fund totals \$764,532 which is restricted.

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 9 the Statement of Revenues, Expenses and Changes in Net Position, total net position increased \$ 851,421 from December 31, 2015 to December 31, 2016 to a total of \$29,073,535. The Income (Loss) before capital contributions and transfers was as follows: Electric Department \$ 252,994; Water Department \$474,738; Sewer Department (\$380,393) and Pop Whalen Ice Arena \$35,614. 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 \$167,160; Water Department \$295,124; Sewer Department \$366,616 and Pop Whalen Fund \$22,521.

Rates for the Municipal Electric Fund were not increased in fiscal 2016, however, they were slated to increase in early 2017. Rates for the Pop Whalen Fund were increased 3% in 2016 and were slated to increase an additional 4.5% in 2017. No rate increases for the Water and Sewer Funds were approved.

TOWN OF WOLFEBORO, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ending December 31, 2016

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 \$213,161. Revenues exceeded estimations in all categories, with the exception of Bridge Aide (\$126,981), which will be received in the future as a part of the Pleasant Valley Road Bridge project and Income From Departments (\$ 43,847). Net Departmental totals are as follows: Taxes \$54,146; Licenses and permits \$123,723; Intergovernmental revenues (\$57,079); Charges for services (\$43,847); Miscellaneous income \$105,992 and Other Financing Sources \$30,226.

Expenditures for the year remained within appropriated amounts overall. The Town remained within its total expenditure budget by \$70,341 which resulted in excess anticipated revenues over anticipated expenditures (Budget Surplus) of \$283,502.

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, 2016 amounts to \$27,777,212 and \$16,834,383, 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, 2016 the Town of Wolfeboro had total outstanding bonded debt and other long-term obligations of \$8,373,299 and \$14,923,320 in the governmental activities and business-type activities, respectively. Principal payments during the year reduced outstanding general obligation debt of the Town by (\$2,162,085). Due to the NH Municipal Bond Bank's cancellation of its fall bond sale, no bonds were issued. The combined total outstanding balance at year-end was \$21,134,534. 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 40 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 revise 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
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Year Ending December 31, 2016

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 Wolfeboro adopted 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 \$1,967,286,980 to \$1,966,148,156 or (\$1,138,824) as a result of fluctuations in 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.

The overall tax rate remained relatively low at \$ 14.63 compared with the 2015 rate of \$13.95 per thousand. Totals for uncollected taxes at year end remained low.

Total voted appropriation for 2016 was \$ 28,257,510. 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 3.0 % for the Wolfeboro NH LMA; lower than the national average of 4.7%. The yearly Northeast Consumer Price Index increase was 1.9%.

TOWN OF WOLFEBORO, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ending December 31, 2016

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, 2016

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 4,689,676	\$ 10,989,136	\$ 15,678,812
Investments	8,132,413	-	8,132,413
Intergovernmental receivable	304,983	1,860,176	2,165,159
Other receivables, net of allowances for uncollectibles	1,263,729	1,154,115	2,417,844
Prepaid items	91,842	18,979	110,821
Inventory	-	376,299	376,299
Tax deeded property held for resale	55,620	-	55,620
Capital assets, not being depreciated:			
Land	6,739,466	1,115,005	7,854,471
Construction in progress	504,220	405,525	909,745
Capital assets, net of accumulated depreciation:			
Land improvements	71,269	-	71,269
Buildings and building improvements	7,276,136	3,060,592	10,336,728
Machinery, vehicles and equipment	1,807,031	6,404,556	8,211,587
Infrastructure	18,534,416	20,075,063	38,609,479
Improvements other than buildings	745,247	-	745,247
Total assets	<u>50,216,048</u>	<u>45,459,446</u>	<u>95,675,494</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amounts related to pensions	<u>2,129,740</u>	<u>382,054</u>	<u>2,511,794</u>
LIABILITIES			
Accounts payable	542,765	183,916	726,681
Accrued payroll and benefits	100,188	17,028	117,216
Accrued interest payable	110,085	256,377	366,462
Intergovernmental payable	7,371,029	447	7,371,476
Performance and escrow deposits	6,663	42,671	49,334
Noncurrent obligations:			
Due within one year:			
Bonds and notes payable	692,881	1,429,368	2,122,249
Unamortized bond premium	18,489	68,014	86,503
Unamortized loan forgiveness	-	16,985	16,985
Capital leases payable	39,379	-	39,379
Accrued landfill postclosure care costs	4,000	-	4,000
Due in more than one year:			
Bonds and notes payable	6,983,596	12,028,689	19,012,285
Unamortized bond premium	164,708	730,625	895,333
Unamortized loan forgiveness	-	101,911	101,911
Capital leases payable	1,520	-	1,520
Compensated absences payable	541,871	112,032	653,903
Other postemployment benefits payable	753,475	166,969	920,444
Accrued landfill postclosure care costs	48,000	-	48,000
Net pension liability	8,473,347	1,518,808	9,992,155
Total liabilities	<u>25,851,996</u>	<u>16,673,840</u>	<u>42,525,836</u>
DEFERRED INFLOWS OF RESOURCES			
Unearned revenue	43,111	57,803	100,914
Deferred amounts related to pensions	<u>202,637</u>	<u>36,322</u>	<u>238,959</u>
Total deferred inflows of resources	<u>245,748</u>	<u>94,125</u>	<u>339,873</u>
NET POSITION			
Net investment in capital assets	27,777,212	16,834,383	44,611,595
Restricted for:			
Endowments:			
Nonexpendable	753,597	-	753,597
Expendable	260,217	-	260,217
Other purposes	1,129,560	-	1,129,560
Unrestricted	<u>(3,672,542)</u>	<u>12,239,152</u>	<u>8,566,610</u>
Total net position	<u>\$ 26,248,044</u>	<u>\$ 29,073,535</u>	<u>\$ 55,321,579</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, 2016

	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	\$ 2,562,163	\$ 3,110	\$ 97,599	\$ -	\$ (2,461,454)	\$ -	\$ (2,461,454)
Public safety	4,278,999	82,526	26,549	-	(4,169,924)	-	(4,169,924)
Highways and streets	2,800,455	121,957	177,732	-	(2,500,766)	-	(2,500,766)
Sanitation	789,428	196,897	13,701	-	(578,830)	-	(578,830)
Water distribution and treatment	1,642	-	-	-	(1,642)	-	(1,642)
Health	134,277	-	-	-	(134,277)	-	(134,277)
Welfare	78,735	-	-	-	(78,735)	-	(78,735)
Culture and recreation	1,624,586	223,089	-	-	(1,401,497)	-	(1,401,497)
Conservation	51,763	175	12,820	-	(38,768)	-	(38,768)
Economic development	12,987	-	-	-	(12,987)	-	(12,987)
Interest on long-term debt	289,225	-	-	-	(289,225)	-	(289,225)
Capital outlay	135,050	-	-	43,525	(91,525)	-	(91,525)
Total governmental activities	<u>12,759,310</u>	<u>627,754</u>	<u>328,401</u>	<u>43,525</u>	<u>(11,759,630)</u>	<u>-</u>	<u>(11,759,630)</u>
Business-type activities:							
Water department	1,455,873	1,744,226	-	-	-	288,353	288,353
Sewer department	1,494,800	922,617	52,677	-	-	(519,506)	(519,506)
Electric department	8,670,627	8,737,503	-	-	-	66,876	66,876
Pop Whalen ice arena	285,332	307,853	-	-	-	22,521	22,521
Total business-type activities	<u>11,906,632</u>	<u>11,712,199</u>	<u>52,677</u>	<u>-</u>	<u>-</u>	<u>(141,756)</u>	<u>(141,756)</u>
Total primary government	<u>\$ 24,665,942</u>	<u>\$ 12,339,953</u>	<u>\$ 381,078</u>	<u>\$ 43,525</u>	<u>(11,759,630)</u>	<u>(141,756)</u>	<u>(11,901,386)</u>
General revenues:							
Property taxes					10,667,481	-	10,667,481
Other taxes					356,164	-	356,164
Licenses and permits					1,670,166	-	1,670,166
Grants and contributions not restricted to specific programs					323,081	-	323,081
Miscellaneous					982,917	146,272	1,129,189
Transfers					(846,905)	846,905	-
Total general revenues and transfers					<u>13,152,904</u>	<u>993,177</u>	<u>14,146,081</u>
Change in net position					1,393,274	851,421	2,244,695
Net position, beginning, as restated, see Note III.D.					24,854,770	28,222,114	53,076,884
Net position, ending					<u>\$ 26,248,044</u>	<u>\$ 29,073,535</u>	<u>\$ 55,321,579</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, 2016

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 3,694,996	\$ 994,680	\$ 4,689,676
Investments	7,157,524	974,889	8,132,413
Receivables, net of allowances for uncollectibles:			
Taxes	1,214,069	-	1,214,069
Accounts	36,032	13,628	49,660
Intergovernmental	159,427	145,556	304,983
Interfund receivable	33,938	-	33,938
Prepaid items	61,842	30,000	91,842
Tax deeded property held for resale	55,620	-	55,620
Total assets	<u>\$ 12,413,448</u>	<u>\$ 2,158,753</u>	<u>\$ 14,572,201</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 507,723	\$ 35,042	\$ 542,765
Accrued salaries and benefits	100,188	-	100,188
Intergovernmental payable	7,371,029	-	7,371,029
Interfund payable	-	33,938	33,938
Escrow and performance deposits	6,663	-	6,663
Total liabilities	<u>7,985,603</u>	<u>68,980</u>	<u>8,054,583</u>
Deferred inflows of resources:			
Deferred revenue	<u>627,957</u>	<u>5,621</u>	<u>633,578</u>
Fund balances:			
Nonspendable	117,462	753,597	871,059
Restricted	375,430	1,027,949	1,403,379
Committed	2,206,206	308,372	2,514,578
Assigned	395,735	-	395,735
Unassigned	705,055	(5,766)	699,289
Total fund balances	<u>3,799,888</u>	<u>2,084,152</u>	<u>5,884,040</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 12,413,448</u>	<u>\$ 2,158,753</u>	<u>\$ 14,572,201</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, 2016

Total fund balances of governmental funds (Exhibit 3)		\$ 5,884,040
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	\$ 52,137,133	
Less accumulated depreciation	<u>(16,459,348)</u>	35,677,785
Interfund receivables and payables between governmental funds are eliminated on the statement of net position.		
Receivables	\$ (33,938)	
Payables	<u>33,938</u>	-
Revenues that are not available to pay for current period expenditures are deferred in the funds.		
Deferred tax revenue	\$ 514,566	
Deferred betterment assessment	<u>75,901</u>	590,467
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(110,085)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Bonds and notes outstanding	\$ 7,676,477	
Unamortized bond premium	183,197	
Capital leases outstanding	40,899	
Compensated absences payable	541,871	
Other postemployment benefits payable	753,475	
Accrued landfill postclosure care costs	52,000	
Net pension liability	<u>8,473,347</u>	(17,721,266)
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	\$ 2,129,740	
Deferred inflows of resources related to pensions	<u>(202,637)</u>	1,927,103
Total net position of governmental activities (Exhibit 1)		<u><u>\$ 26,248,044</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, 2016

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$ 11,085,646	\$ 2,500	\$ 11,088,146
Licenses, permits and fees	1,670,166	-	1,670,166
Intergovernmental	720,754	91,248	812,002
Charges for services	482,337	145,417	627,754
Miscellaneous	992,742	101,004	1,093,746
Total revenues	<u>14,951,645</u>	<u>340,169</u>	<u>15,291,814</u>
Expenditures:			
Current:			
General government	2,169,105	61,912	2,231,017
Public safety	4,199,762	56,088	4,255,850
Highways and streets	2,067,116	-	2,067,116
Sanitation	774,349	-	774,349
Water distribution and treatment	-	1,642	1,642
Health	132,668	-	132,668
Welfare	78,438	-	78,438
Culture and recreation	1,408,799	101,582	1,510,381
Conservation	8,822	42,941	51,763
Economic development	12,987	-	12,987
Debt service:			
Principal	696,823	-	696,823
Interest	328,441	-	328,441
Capital outlay	1,420,060	86,709	1,506,769
Total expenditures	<u>13,297,370</u>	<u>350,874</u>	<u>13,648,244</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,654,275</u>	<u>(10,705)</u>	<u>1,643,570</u>
Other financing sources (uses):			
Transfers in	52,846	-	52,846
Transfers out	(846,905)	(52,846)	(899,751)
Total other financing sources and uses	<u>(794,059)</u>	<u>(52,846)</u>	<u>(846,905)</u>
Net change in fund balances	860,216	(63,551)	796,665
Fund balances, beginning	2,939,672	2,147,703	5,087,375
Fund balances, ending	<u>\$ 3,799,888</u>	<u>\$ 2,084,152</u>	<u>\$ 5,884,040</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, 2016

Net change in fund balances of governmental funds (Exhibit 5)	\$	796,665
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capitalized capital outlay exceeded depreciation expense in the current period.		
Capitalized capital outlay	\$	1,371,719
Depreciation expense		<u>(1,241,308)</u>
		130,411
Transfers in and out between governmental funds are eliminated on the operating statement.		
Transfers in	\$	(52,846)
Transfers out		<u>52,846</u>
		-
Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in governmental funds.		
Change in deferred tax revenue	\$	(207,272)
Change in deferred betterment assessments		75,901
Change in deferred grant revenue		<u>(160,954)</u>
		(292,325)
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds, but has no effect on net position.		
Repayment of bonds and notes principal	\$	696,822
Amortization of bond premium		18,488
Repayment of capital lease principal		<u>38,237</u>
		753,547
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Decrease in accrued interest expense	\$	20,729
Net increase in compensated absences payable		(38,392)
Increase in other postemployment benefits payable		(122,878)
Decrease in accrued landfill postclosure care costs		<u>4,000</u>
		(136,541)
Governmental funds report pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned, net of employee contributions, is reported as pension expense.		
Town pension contributions	\$	671,502
Cost of benefits earned, net of employee contributions		<u>(529,985)</u>
		141,517
Change in net position of governmental activities (Exhibit 2)		<u><u>\$ 1,393,274</u></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, 2016

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Taxes	\$ 10,824,228	\$ 10,824,228	\$ 10,878,374	\$ 54,146
Licenses, permits and fees	1,546,443	1,546,443	1,670,166	123,723
Intergovernmental	627,833	627,833	570,754	(57,079)
Charges for services	526,184	526,184	482,337	(43,847)
Miscellaneous	751,812	751,812	857,804	105,992
Total revenues	<u>14,276,500</u>	<u>14,276,500</u>	<u>14,459,435</u>	<u>182,935</u>
EXPENDITURES				
Current:				
General government	2,218,614	2,218,614	2,155,109	63,505
Public safety	4,341,623	4,341,623	4,195,987	145,636
Highways and streets	3,038,858	2,068,858	2,084,804	(15,946)
Sanitation	816,780	816,780	773,639	43,141
Health	133,964	133,964	132,668	1,296
Welfare	96,484	96,484	78,438	18,046
Culture and recreation	1,427,313	1,427,313	1,374,204	53,109
Conservation	9,441	9,441	8,822	619
Economic development	13,801	13,801	12,987	814
Debt service:				
Principal	696,822	696,822	696,823	(1)
Interest on long-term debt	328,441	328,441	328,441	-
Interest on tax anticipation note	2,500	2,500	-	2,500
Capital outlay	145,763	1,115,763	1,358,141	(242,378)
Total expenditures	<u>13,270,404</u>	<u>13,270,404</u>	<u>13,200,063</u>	<u>70,341</u>
Excess of revenues over expenditures	<u>1,006,096</u>	<u>1,006,096</u>	<u>1,259,372</u>	<u>253,276</u>
Other financing sources (uses):				
Transfers in	2,000	2,000	32,226	30,226
Transfers out	(1,510,620)	(1,510,620)	(1,510,620)	-
Total other financing sources and uses	<u>(1,508,620)</u>	<u>(1,508,620)</u>	<u>(1,478,394)</u>	<u>30,226</u>
Net change in fund balance	<u>\$ (502,524)</u>	<u>\$ (502,524)</u>	(219,022)	<u>\$ 283,502</u>
Increase in nonspendable fund balance			(53,479)	
Increase in restricted fund balance			(10,402)	
Unassigned fund balance, beginning			1,502,524	
Unassigned fund balance, ending			<u>\$ 1,219,621</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, 2016

	Business-type Activities - Enterprise Funds				Total
	Water Department	Sewer Department	Electric Department	Pop Whalen Ice Arena	
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 1,133,332	\$ 4,112,438	\$ 5,680,905	\$ 62,461	\$ 10,989,136
Accounts receivable	204,407	143,312	756,055	50,341	1,154,115
Intergovernmental receivable	375,982	1,484,194	-	-	1,860,176
Prepaid items	5,079	3,961	8,928	1,011	18,979
Inventory	-	-	376,299	-	376,299
Noncurrent assets:					
Capital assets, not being depreciated:					
Land	12,772	1,055,500	46,733	-	1,115,005
Construction in progress	-	321,118	84,407	-	405,525
Capital assets, net of accumulated depreciation:					
Buildings and building improvements	2,220,580	140,603	198,863	500,546	3,060,592
Machinery and equipment	221,951	351,049	5,345,187	486,369	6,404,556
Infrastructure	10,331,176	9,697,685	46,202	-	20,075,063
Total assets	<u>14,505,279</u>	<u>17,309,860</u>	<u>12,543,579</u>	<u>1,100,728</u>	<u>45,459,446</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred amounts related to pensions	<u>112,970</u>	<u>30,331</u>	<u>238,753</u>	<u>-</u>	<u>382,054</u>
LIABILITIES					
Current liabilities:					
Accounts payable	40,658	33,868	106,866	2,524	183,916
Intergovernmental payable	-	-	447	-	447
Accrued salaries and benefits	7,608	2,262	5,700	1,458	17,028
Accrued interest payable	87,083	152,675	10,590	6,029	256,377
Escrows and deposits	200	-	42,471	-	42,671
Noncurrent obligations:					
Due within one year:					
Bonds and notes payable	520,869	542,789	325,000	40,710	1,429,368
Unamortized bond premium	23,890	36,174	5,880	2,070	68,014
Unamortized loan forgiveness	16,985	-	-	-	16,985
Due in more than one year:					
Bonds and notes payable	4,277,794	5,594,505	1,870,000	286,390	12,028,689
Unamortized bond premium	195,535	500,884	24,460	9,746	730,625
Unamortized loan forgiveness	101,911	-	-	-	101,911
Compensated absences payable	37,381	12,535	62,116	-	112,032
Other postemployment benefits payable	46,667	12,518	104,010	3,774	166,969
Net pension liability	449,647	119,906	949,255	-	1,518,808
Total liabilities	<u>5,806,228</u>	<u>7,008,116</u>	<u>3,506,795</u>	<u>352,701</u>	<u>16,673,840</u>
DEFERRED INFLOWS OF RESOURCES					
Unearned revenue	10,108	3,787	43,908	-	57,803
Deferred amounts related to pensions	<u>10,753</u>	<u>2,868</u>	<u>22,701</u>	<u>-</u>	<u>36,322</u>
Total deferred inflows of resources	<u>20,861</u>	<u>6,655</u>	<u>66,609</u>	<u>-</u>	<u>94,125</u>
NET POSITION					
Net investment in capital assets	7,768,390	4,891,602	3,526,392	647,999	16,834,383
Unrestricted	<u>1,022,770</u>	<u>5,433,818</u>	<u>5,682,536</u>	<u>100,028</u>	<u>12,239,152</u>
Total net position	<u>\$ 8,791,160</u>	<u>\$ 10,325,420</u>	<u>\$ 9,208,928</u>	<u>\$ 748,027</u>	<u>\$ 29,073,535</u>

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

EXHIBIT 9
TOWN OF WOLFEBORO, NEW HAMPSHIRE
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2016

	Business-type Activities - Enterprise Funds				Total
	Water Department	Sewer Department	Electric Department	Pop Whalen Ice Arena	
Operating revenues:					
Charges for services	\$ 1,744,226	\$ 922,617	\$ 8,737,503	\$ 307,853	\$ 11,712,199
Miscellaneous	6,771	-	100,284	-	107,055
Total operating revenues	<u>1,750,997</u>	<u>922,617</u>	<u>8,837,787</u>	<u>307,853</u>	<u>11,819,254</u>
Operating expenses:					
Cost of operations	839,333	924,440	2,491,622	217,348	4,472,743
Cost of power	-	-	5,747,982	-	5,747,982
Depreciation expense	436,926	378,570	345,189	54,891	1,215,576
Total operating expenses	<u>1,276,259</u>	<u>1,303,010</u>	<u>8,584,793</u>	<u>272,239</u>	<u>11,436,301</u>
Operating income (loss)	<u>474,738</u>	<u>(380,393)</u>	<u>252,994</u>	<u>35,614</u>	<u>382,953</u>
Nonoperating revenue (expense):					
Intergovernmental	-	52,677	-	-	52,677
Interest income	-	39,217	-	-	39,217
Interest expense	(179,614)	(191,790)	(85,834)	(13,093)	(470,331)
Transfer from other funds	-	846,905	-	-	846,905
Total nonoperating revenue (expense)	<u>(179,614)</u>	<u>747,009</u>	<u>(85,834)</u>	<u>(13,093)</u>	<u>468,468</u>
Net change in fund balances	295,124	366,616	167,160	22,521	851,421
Net position, beginning, as restated, see note III.D.	8,496,036	9,958,804	9,041,768	725,506	28,222,114
Net position, ending	<u>\$ 8,791,160</u>	<u>\$ 10,325,420</u>	<u>\$ 9,208,928</u>	<u>\$ 748,027</u>	<u>\$ 29,073,535</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, 2016

	Business -type Activities - Enterprise Funds				Total
	Water Department	Sewer Department	Electric Department	Pop Whalen Ice Arena	
Cash flows from operating activities:					
Receipts from customers and users	\$ 1,772,953	\$ 939,560	\$ 8,830,654	\$ 273,556	\$ 11,816,723
Payments to suppliers and employees	(840,693)	(971,863)	(7,895,461)	(232,879)	(9,940,896)
Net cash provided (used) by operating activities	<u>932,260</u>	<u>(32,303)</u>	<u>935,193</u>	<u>40,677</u>	<u>1,875,827</u>
Cash flows from non-capital financing activities:					
Transfers from other fund	-	846,905	-	-	846,905
Cash flows from capital and related financing activities:					
Purchase of capital assets	(482,235)	(391,549)	(526,026)	-	(1,399,810)
Proceeds from federal grants	-	-	33,975	-	33,975
Proceeds from state grants	40,740	139,982	-	6,494	187,216
Principal paid on bonds and notes	(553,214)	(542,049)	(330,000)	(40,000)	(1,465,263)
Interest paid on bonds and notes	(231,920)	(240,821)	(95,378)	(15,896)	(584,015)
Net cash used in capital and related financing activities	<u>(1,226,629)</u>	<u>(1,034,437)</u>	<u>(917,429)</u>	<u>(49,402)</u>	<u>(3,227,897)</u>
Cash flows from investing activities:					
Interest and dividends received	-	39,217	-	-	39,217
Sale of investments	-	-	1,293,445	-	1,293,445
Net cash provided from investing activities	<u>-</u>	<u>39,217</u>	<u>1,293,445</u>	<u>-</u>	<u>1,332,662</u>
Increase (decrease) in cash	(294,369)	(180,618)	1,311,209	(8,725)	827,497
Cash and cash equivalents, beginning	1,427,701	4,293,056	4,369,696	71,186	10,161,639
Cash and cash equivalents, ending	<u>\$ 1,133,332</u>	<u>\$ 4,112,438</u>	<u>\$ 5,680,905</u>	<u>\$ 62,461</u>	<u>\$ 10,989,136</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ 474,738	\$ (380,393)	\$ 252,994	\$ 35,614	\$ 382,953
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation expense	436,926	378,570	345,189	54,891	1,215,576
(Increase) decrease in accounts receivable	27,415	18,071	(14,916)	(34,297)	(3,727)
(Decrease) increase in allowance for receivables	(5,000)	(2,300)	10,000	-	2,700
Increase in prepaid items	(332)	(259)	(584)	(63)	(1,238)
Increase in inventory	-	-	(86,946)	-	(86,946)
Increase (decrease) in accounts payable	23,681	(38,882)	(203,086)	(14,370)	(232,657)
Increase (decrease) in payroll related liabilities	(24,709)	(8,282)	634,759	(1,098)	600,670
Increase (decrease) in deferred revenue	(459)	1,172	(2,217)	-	(1,504)
Total adjustments	<u>457,522</u>	<u>348,090</u>	<u>682,199</u>	<u>5,063</u>	<u>1,492,874</u>
Net cash provided (used) by operating activities	<u>\$ 932,260</u>	<u>\$ (32,303)</u>	<u>\$ 935,193</u>	<u>\$ 40,677</u>	<u>\$ 1,875,827</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, 2016

	Private Purpose Trust	Agency
Assets:		
Cash and cash equivalents	\$ 3,524	\$ 72,494
Investments	384,935	1,237,776
Total assets	<u>388,459</u>	<u>1,310,270</u>
Liabilities:		
Due to other governmental units	-	1,297,307
Due to developers	-	12,963
Total liabilities	<u>-</u>	<u>1,310,270</u>
Net position:		
Held in trust for specific purposes	<u>\$ 388,459</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, 2016

	<u>Private Purpose Trust</u>
Additions:	
Investment earnings:	
Interest and dividends	\$ 14,119
Net change in fair value of investments	<u>11,184</u>
Total additions	25,303
Deductions:	
Trust distributions	<u>8,133</u>
Change in net position	17,170
Net position, beginning	<u>371,289</u>
Net position, ending	<u><u>\$ 388,459</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, 2016**

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, 2016.

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
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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
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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. On the generally accepted accounting principles (GAAP) basis, the Library, Josiah Brown and Expendable Trust funds are included in the General Fund.

The Town also reports seven nonmajor governmental funds.

Proprietary Funds

The Town reports the following major enterprise funds:

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.

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

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 acquisition value. 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

**TOWN OF WOLFEBORO, NEW HAMPSHIRE
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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.
- Restricted for endowments, nonexpendable, which consists of the principal balance of the permanent funds that must be permanently invested and cannot be expended; and the balance of unspent bond proceeds.
- Restricted for endowments, expendable, which consists of the balance of the permanent funds income that is allowed to be expended for Town purposes.

**TOWN OF WOLFEBORO, NEW HAMPSHIRE
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- 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 nonmajor (CDBG and miscellaneous grants) funds.

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

**TOWN OF WOLFEBORO, NEW HAMPSHIRE
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fund balance to balance the budget. In 2016, \$402,524 of the General Fund fund balance from 2015 was so used, and \$100,000 was appropriated from fund balance.

Encumbrance accounting is employed by the governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as commitments or 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.

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.

II.B. General Fund GAAP to Budgetary Basis Reconciliation

Revenues and other financing sources:	
Per Exhibit 7 (budgetary basis)	\$ 14,491,661
Adjustments:	
Basis difference:	
Grant revenue deferred in the prior year	150,000
Tax revenue deferred in the prior year	721,838
Tax revenue deferred in the current year	(514,566)
Perspective difference:	
Revenue from library fund	69,296
Revenue from Josiah Brown fund	20,001
Revenue from expendable trust fund	45,641
Transfer from permanent fund to library fund	20,620
Per Exhibit 5 (GAAP basis)	<u>\$ 15,004,491</u>

**TOWN OF WOLFEBORO, NEW HAMPSHIRE
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Expenditures and other financing uses:	
Per Exhibit 7 (budgetary basis)	\$ 14,710,683
Adjustments:	
Basis difference:	
Encumbrances, beginning	417,504
Encumbrances, ending	(676,861)
Perspective difference:	
Expenditures from library fund	80,203
Expenditures from Josiah Brown fund	18,000
Expenditures from expendable trust fund	258,461
Transfer from expendable trust fund to sewer department	64,035
Transfer to expendable trust fund	(727,750)
Per Exhibit 5 (GAAP basis)	<u>\$ 14,144,275</u>
Unassigned fund balance:	
Per Exhibit 7 (budgetary basis)	\$ 1,219,621
Adjustment:	
Basis difference:	
Deferred tax revenue, GAAP basis	(514,566)
Per Exhibit 3 (GAAP basis)	<u>\$ 705,055</u>

III. Detailed Notes on Funds and Government-Wide Statements

III.A. Assets

III.A.1. Investments

As of December 31, 2016, the Town's reporting entity had the following investments:

Fund reporting level:	
Governmental funds - balance sheet (Exhibit 3)	\$ 8,132,413
Fiduciary funds - statement of fiduciary net position (Exhibit 11)	<u>1,622,711</u>
Total	<u>\$ 9,755,124</u>

The investments appear in the financial statements as follow:

Certificates of Deposit	\$ 4,885,628
Mutual Funds	115,957
Fixed Income Funds	3,492,598
Equity Funds	<u>1,260,941</u>
	<u>\$ 9,755,124</u>

**TOWN OF WOLFEBORO, NEW HAMPSHIRE
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Investment Risks

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

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

Concentration of Credit Risk is the risk of loss attributed to the magnitude of the Town's investment in a single issuer. The Town does not have an investment policy that addresses concentration of credit risk. As of December 31, 2016, the Town had \$1,324,621 invested in the Vanguard Short-Term Investment-Grade Fund, \$919,025 invested in the Fidelity Short-Term Treasury Bond Index Fund, and \$579,985 invested in the TCW Total Return Bond Fund, representing 13.58%, 9.42%, and 5.95%, 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 \$9,755,124 of investments, \$4,753,536 has exposure to custodial credit risk because the related securities are uninsured and uncollateralized.

III.A.2. 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 2015 property taxes on April 29th.

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.

**TOWN OF WOLFEBORO, NEW HAMPSHIRE
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The net assessed valuation as of April 1, 2016, upon which the 2016 property tax levy was based was:

For the New Hampshire education tax	\$1,966,148,156
For all other taxes	\$1,966,408,256

The tax rates and amounts assessed for the year ended December 31, 2016 were as follow:

	<u>Per \$1,000 of Assessed Valuation</u>	
Municipal portion	\$5.62	\$ 11,044,814
School portion:		
State of New Hampshire	\$2.43	4,786,797
Local	\$5.19	10,202,619
County portion	\$1.39	2,733,690
Precinct portion:		
Lower Beech Pond	\$0.86	4,787
Total property taxes assessed		<u>\$ 28,772,707</u>

The following details the taxes receivable at year-end:

Property:	
Levy of 2016	\$ 1,094,737
Unredeemed (under tax lien):	
Levy of 2015	154,530
Levy of 2014	106,340
Levy of 2013	77,412
Levies of 2012 and prior	103,646
Betterment assessment	77,404
Less: allowance for estimated uncollectible taxes	(400,000)
Net taxes receivable	<u>\$ 1,214,069</u>

Other Receivables

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

Unearned and Deferred Revenue

Deferred revenue in the General Fund of \$627,957 at December 31, 2016 represents \$514,566 of 2016 property tax revenues that were not collected within 60 days of year-end, and therefore, are deferred in accordance with generally accepted accounting principles, \$75,901 in betterment assessments that will be invoiced in future years, \$30,000 received in advance of the Middleton Road Cemetery project activity, \$3,245 in donations for the Libby 100th celebration, and \$4,245 in miscellaneous items.

TOWN OF WOLFEBORO, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
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Deferred revenue of \$5,621 in the Nonmajor Funds represents prepayments of program fees. In the governmental activities, only \$43,111 is reported as unearned revenue. Unearned revenue in the Enterprise Funds represents prepayments of utility charges.

III.A.3. Capital Assets

Changes in Capital Assets

The following tables provide 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	\$ 6,739,466	\$ -	\$ -	\$ 6,739,466
Construction in progress	497,054	178,797	(171,631)	504,220
Total capital assets not being depreciated	<u>7,236,520</u>	<u>178,797</u>	<u>(171,631)</u>	<u>7,243,686</u>
Being depreciated:				
Land improvements	-	72,808	-	72,808
Buildings and building improvements	8,988,431	159,920	-	9,148,351
Machinery, vehicles and equipment	6,125,329	286,574	-	6,411,903
Infrastructure	26,413,057	826,797	-	27,239,854
Other improvements	2,002,077	18,454	-	2,020,531
Total capital assets being depreciated	<u>43,528,894</u>	<u>1,364,553</u>	<u>-</u>	<u>44,893,447</u>
Total all capital assets	<u>50,765,414</u>	<u>1,543,350</u>	<u>(171,631)</u>	<u>52,137,133</u>
Less accumulated depreciation:				
Land improvements	-	(1,539)	-	(1,539)
Buildings and building improvements	(1,498,319)	(373,896)	-	(1,872,215)
Machinery, vehicles and equipment	(4,366,856)	(238,016)	-	(4,604,872)
Infrastructure	(8,139,849)	(565,589)	-	(8,705,438)
Other improvements	(1,213,016)	(62,268)	-	(1,275,284)
Total accumulated depreciation	<u>(15,218,040)</u>	<u>(1,241,308)</u>	<u>-</u>	<u>(16,459,348)</u>
Net book value, capital assets being depreciated	28,310,854	123,245	-	28,434,099
Net book value, all capital assets	<u>\$ 35,547,374</u>	<u>\$ 302,042</u>	<u>\$ (171,631)</u>	<u>\$ 35,677,785</u>

**TOWN OF WOLFEBORO, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
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Business-type activities:

At cost:

Not being depreciated:

Land	\$ 1,115,005	\$ -	\$ -	\$ 1,115,005
Construction in progress	32,284	373,241	-	405,525
Total capital assets not being depreciated	<u>1,147,289</u>	<u>373,241</u>	<u>-</u>	<u>1,520,530</u>

Being depreciated:

Buildings and building improvements	5,214,788	-	-	5,214,788
Machinery, vehicles and equipment	14,592,294	659,293	(169,162)	15,082,425
Infrastructure	27,864,502	400,067	(32,791)	28,231,778
Total capital assets being depreciated	<u>47,671,584</u>	<u>1,059,360</u>	<u>(201,953)</u>	<u>48,528,991</u>

Total all capital assets

	<u>48,818,873</u>	<u>1,432,601</u>	<u>(201,953)</u>	<u>50,049,521</u>
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Less accumulated depreciation:

Buildings and building improvements	(2,030,087)	(124,109)	-	(2,154,196)
Machinery, vehicles and equipment	(8,380,864)	(466,167)	169,162	(8,677,869)
Infrastructure	(7,531,415)	(625,300)	-	(8,156,715)

Total accumulated depreciation

	<u>(17,942,366)</u>	<u>(1,215,576)</u>	<u>169,162</u>	<u>(18,988,780)</u>
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Net book value, capital assets being depreciated

	<u>29,729,218</u>	<u>(156,216)</u>	<u>(32,791)</u>	<u>29,540,211</u>
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Net book value, all capital assets

	<u>\$ 30,876,507</u>	<u>\$ 217,025</u>	<u>\$ (32,791)</u>	<u>\$ 31,060,741</u>
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Depreciation Expense

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

Governmental activities:

General government	\$ 236,460
Public safety	118,261
Highways and streets	749,595
Sanitation	19,952
Culture and recreation	117,040
Total depreciation expense	<u>\$ 1,241,308</u>

Business-type activities:

Water distribution and treatment	\$ 436,926
Sanitation	378,570
Electric distribution	345,189
Culture and recreation	54,891
Total depreciation expense	<u>\$ 1,215,576</u>

III.B. Liabilities

III.B.1. Intergovernmental Payable

The amount due to other governments at December 31, 2016 consists of \$7,362,557 due to the Governor Wentworth Regional School District for the balance of the 2016-2017 district assessment, and \$8,472 in fees collected on behalf of the State of New Hampshire.

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III.B.2. Long-Term Debt

General obligation bonds and notes are approved by the voters and repaid with general revenues (property taxes). These liabilities 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 12/31/2016	Current Portion
General obligation bonds/notes payable:						
Landfill closure	\$ 600,000	1997	2017	5.8	\$ 30,000	\$ 30,000
Public improvements	578,500	2000	2020	5.125-5.5	114,290	28,572
Sewall/Friend Street water systems	396,514	2006	2026	4.0-4.3	164,687	16,469
General projects	1,292,315	2007	2027	4.0-5.0	735,000	60,000
Town hall renovations	485,920	2008	2028	4.0-5.25	297,100	25,710
ADA restrooms compliance	301,800	2008	2028	4.0-5.25	187,100	15,710
Land purchase	131,500	2008	2028	4.0-5.25	67,100	5,710
Sidewalks	97,530	2008	2028	4.0-5.25	67,100	5,710
Repair/renovation railroad station	141,225	2009	2019	3.02-4.02	35,000	15,000
Parking lot purchase	243,325	2009	2019	3.02-4.02	70,000	25,000
Center Street drainage	566,000	2010	2020	3.0-5.0	220,000	55,000
Smith River streambank improvements	166,500	2010	2020	3.0-5.0	60,000	15,000
Pop Whalen ADA improvements	54,750	2010	2020	3.0-5.0	20,000	5,000
Public safety building repair	121,000	2012	2023	2.1-5.1	76,000	15,000
255 Main Street parking lot	144,000	2012	2023	2.1-5.1	99,000	15,000
Downtown street upgrades	717,500	2012	2033	2.1-5.1	597,500	40,000
Glendon Street parking lot	256,600	2012	2033	2.1-5.1	220,600	15,000
Public works garage upgrades	277,000	2014	2034	3.1-5.1	250,000	15,000
Construct parks maintenance building	176,000	2014	2024	5.1	140,000	20,000
Middleton Road construction	417,000	2014	2034	3.1-5.1	370,000	25,000
Center Street reconstruction	700,000	2015	2033	2.1-4.1	660,000	40,000
Renovation of Brewster Hall	3,130,000	2015	2033	2.1-4.1	2,955,000	175,000
Libby Museum	194,000	2015	2025	2.1-4.1	174,000	20,000
Stonehenge Road reconstruction	77,000	2015	2025	2.1-4.1	67,000	10,000
					<u>7,676,477</u>	<u>692,881</u>
Unamortized bond premium					<u>183,197</u>	<u>18,489</u>
Capital leases payable:						
Telephone system	\$ 13,440	2013	2018	5.62	4,435	2,915
Radio equipment	\$ 109,419	2015	2017	2.77	36,464	36,464
					<u>40,899</u>	<u>39,379</u>
Compensated absences payable:						
Accrued leave					541,871	-
Other postemployment benefits payable					753,475	-
Accrued landfill postclosure care costs					52,000	4,000
Net pension liability					8,473,347	-
					<u>\$ 17,721,266</u>	<u>\$ 754,749</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 12/31/2016	Current Portion
General obligation bonds/notes payable:						
Water system improvements	\$ 450,000	1996	2021	4.5	\$ 110,000	\$ 23,000
Water treatment facility	\$ 3,000,000	1996	2026	4.5	818,000	93,000
Water system improvements	\$ 550,000	1997	2025	4.5	153,000	17,000
Infiltration/inflow project	\$ 535,000	2000	2020	5.125-5.5	105,710	26,428
Electric distribution upgrade	\$ 5,281,000	2003	2023	2.25-4.25	1,835,000	265,000
Water system improvements	\$ 1,183,080	2004	2033	4.25	611,000	38,000
Sewall/Friend Streets water system	\$ 1,650,011	2006	2026	4.0-4.30	685,313	68,531
Water projects	\$ 2,816,295	2007	2027	4.0-5.0	1,520,000	145,000
Sewer infiltration/inflow project	\$ 592,990	2007	2027	4.0-5.0	330,000	30,000
Water system improvements	\$ 640,735	2008	2028	4.0-5.25	367,100	30,710
Sewer infiltration/inflow project	\$ 797,605	2008	2028	4.0-5.25	487,400	40,740
Pop Whalen rink	\$ 321,755	2008	2028	4.0-5.25	187,100	15,710
Water line replacement	\$ 253,010	2009	2019	3.02-4.02	75,000	25,000
Wastewater treatment facility upgrade	\$ 5,820,364	2009	2029	2.352	3,783,237	291,018
Sewer bond	\$ 793,000	2009	2020	3.0-4.0	315,000	80,000
Water line replacement	\$ 566,000	2010	2020	3.0-5.0	220,000	55,000
Pop Whalen ADA improvements	\$ 54,750	2010	2020	3.0-5.0	20,000	5,000
Pop Whalen fire protection project	\$ 206,800	2011	2022	3.0-5.0	120,000	20,000
Pleasant Valley Road MED upgrade	\$ 616,200	2011	2022	3.0-5.0	360,000	60,000
Wastewater treatment facility upgrade	\$ 592,063	2012	2031	1.104	444,047	29,603
Wastewater facility upgrades	\$ 170,400	2012	2033	2.1-5.1	140,400	10,000
Wastewater facility upgrades	\$ 246,500	2012	2033	2.1-5.1	201,500	15,000
Water meter project	\$ 436,764	2014	2024	1.94	239,250	25,628
Sewer collection system upgrades	\$ 370,000	2014	2034	3.1-5.1	330,000	20,000
					<u>13,458,057</u>	<u>1,429,368</u>
Unamortized bond premium					<u>798,639</u>	<u>68,014</u>
Unamortized loan forgiveness					<u>118,896</u>	<u>16,985</u>
Compensated absences payable:						
Accrued leave					<u>112,032</u>	<u>-</u>
Other postemployment benefits payable					<u>166,969</u>	<u>-</u>
Net pension liability					<u>1,518,808</u>	<u>-</u>
					<u>\$ 16,173,401</u>	<u>\$ 1,514,367</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, 2016:

	General Obligation Bonds/Notes Payable	Unamortized Bond Premium	Capital Leases Payable	Compensated Absences Payable	OPEB Liability	Accrued Landfill Postclosure Care Costs	Net Pension Liability	Total
Governmental activities:								
Balance, beginning	\$ 8,373,299	\$ 201,685	\$ 79,136	\$ 503,479	\$ 630,597	\$ 56,000	\$ 6,604,768	\$ 16,448,964
Additions	-	-	-	64,862	122,878	-	1,868,579	2,056,319
Reductions	(696,822)	(18,488)	(38,237)	(26,470)	-	(4,000)	-	(784,017)
Balance, ending	<u>\$ 7,676,477</u>	<u>\$ 183,197</u>	<u>\$ 40,899</u>	<u>\$ 541,871</u>	<u>\$ 753,475</u>	<u>\$ 52,000</u>	<u>\$ 8,473,347</u>	<u>\$ 17,721,266</u>

The following is a summary of changes in long-term liabilities in the business-type activities for the year ended December 31, 2016:

	General Obligation Bonds/Notes Payable	Unamortized Bond Premium	Unamortized Loan Forgiveness	Compensated Absences Payable	OPEB Liability	Net Pension Liability	Total
Business-type activities:							
Balance, beginning	\$ 14,923,320	\$ 868,653	\$ 137,581	\$ 92,661	\$ 95,769	\$ 621,519	\$ 16,739,503
Additions	-	-	-	23,696	71,200	897,289	992,185
Reductions	(1,465,263)	(70,014)	(18,685)	(4,325)	-	-	(1,558,287)
Balance, ending	<u>\$ 13,458,057</u>	<u>\$ 798,639</u>	<u>\$ 118,896</u>	<u>\$ 112,032</u>	<u>\$ 166,969</u>	<u>\$ 1,518,808</u>	<u>\$ 16,173,401</u>

Debt Service Requirements to Maturity

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

Year Ending December 31,	Governmental Activities		
	Principal	Interest	Total
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	509,309	174,556	683,865
2022-2026	2,366,864	604,411	2,971,275
2027-2031	1,620,680	246,645	1,867,325
2032-2034	583,100	31,364	614,464
Totals	<u>\$ 7,676,477</u>	<u>\$ 2,033,890</u>	<u>\$ 9,710,367</u>

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Year Ending December 31,	Business-type Activities		
	Principal	Interest	Total
2017	\$ 1,429,368	\$ 527,519	\$ 1,956,887
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	1,211,788	296,957	1,508,745
2022-2026	4,719,335	828,587	5,547,922
2027-2031	1,706,390	158,948	1,865,338
2032-2034	136,900	8,843	145,743
Totals	<u>\$ 13,458,057</u>	<u>\$ 3,053,785</u>	<u>\$ 16,511,842</u>

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

Year Ending December 31,	Principal	Interest	Total
2017	\$ 39,379	\$ 1,185	\$ 40,564
2018	1,520	26	1,546
Totals	<u>\$ 40,899</u>	<u>\$ 1,211</u>	<u>\$ 42,110</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 \$52,000 as of December 31, 2016, 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, 2016. 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 \$33,938 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	Total
	General Fund	Sewer Department	
Transfers out:			
General fund	\$ -	\$ 846,905	\$ 846,905
Nonmajor funds	52,846	-	52,846
	\$ 52,846	\$ 846,905	\$ 899,751

The amounts transferred to 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 Net Position

The beginning net position was restated as follows:

	Business-type Activities	Sewer Fund
To record long-term receivable	\$ 1,571,499	\$ 1,571,499
Net position, as previously reported	26,650,615	8,387,305
Net position, as restated	\$ 28,222,114	\$ 9,958,804

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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	Nonmajor Funds
Nonspendable:		
Endowments	\$ -	\$ 753,597
Prepaid items	61,842	-
Tax deeded property	55,620	-
Total nonspendable	117,462	753,597
Restricted:		
General government	10,402	263,417
Culture and recreation	365,028	-
Capital outlay	-	764,532
Total restricted	375,430	1,027,949
Committed:		
Public safety	-	54,651
Culture and recreation	13,298	1,000
Conservation	-	252,721
Capital outlay	2,192,908	-
Total committed	2,206,206	308,372
Assigned:		
Highways and streets	24,134	-
Sanitation	10,190	-
Culture and recreation	3,620	-
Capital outlay	357,791	-
Total assigned	395,735	-
Unassigned	705,055	(5,766)
Total fund balance	\$ 3,799,888	\$ 2,084,152

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, and various amounts of coverage for liability and property losses.

Contributions paid in 2016 to be recorded as an insurance expenditure/expense totaled \$137,071 for property/liability and \$104,474 for workers' compensation. There were no unpaid contributions for the year ended December 31, 2016. 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 or by contacting the NHRS at 54 Regional Drive, Concord, NH 03301.

Both the members and the Town make contributions to the NHRS. Member rates of contribution are set by the Legislature. Employer rates are determined by the NHRS trustees based on an actuarial valuation. The rates of contribution for police officers, firefighters and other employees are 11.55%, 11.8% and 7% of gross earnings, respectively. The rates of contribution from the Town were 26.38% for police officers, 29.16% for firefighters and 11.17% for other employees. The rates are actuarially determined to generate an amount, that when combined with employee contributions, is expected to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employer contributions from the Town during the years 2014, 2015 and 2016 were \$664,662, \$734,301 and \$792,455, 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, 2016, the Town reported a liability of \$9,992,155 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating municipalities and school districts, actuarially determined. As of June 30, 2016, the Town's proportion was 0.1879%, which was an increase of 0.0055% from its proportion measured as of June 30, 2015.

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For 2016, the Town recognized pension expense of \$1,162,352. At year-end, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in proportion and differences between employer contributions and proportionate share of contributions	\$ 214,973	\$ 112,783
Net differences between projected and actual earnings on pension plan investments	625,161	-
Differences between expected and actual experience	27,768	126,176
Changes in assumptions	1,229,717	-
Town contributions subsequent to the measurement date	<u>414,175</u>	<u>-</u>
	<u>\$ 2,511,794</u>	<u>\$ 238,959</u>

The Town reported \$414,175 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:

<u>Year Ended June 30,</u>	
2017	\$ 355,821
2018	355,821
2019	598,409
2020	522,088
2021	<u>26,521</u>
	<u>\$ 1,858,660</u>

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Actuarial Assumptions

The total pension liability in the June 30, 2016 actuarial valuation was determined using the actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016, using the following actuarial assumptions:

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

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

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Town's proportionate share of net pension liability	\$ 12,839,237	\$ 9,992,154	\$ 7,630,950

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.

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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, 2016, the actuarial valuation date, participants of the postretirement plan that meet eligibility requirements are comprised of 8 retirees and 73 active employees. The plan does not issue a separate financial report.

Annual OPEB Cost and Net OPEB Obligation

The Town's 2016 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, 2016 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, 2016 are as follow:

Annual Required Contribution (ARC)	\$ 213,966
Interest on net OPEB obligation	29,259
Adjustment of ARC	(41,479)
Annual OPEB cost	<u>201,746</u>
Contributions made	(12,771)
Increase in net OPEB obligation	<u>188,975</u>
Net OPEB obligation - beginning of year	731,469
Net OPEB obligation - end of year	<u><u>\$ 920,444</u></u>

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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 2016 are as follow:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2009	\$ 237,797	33.3%	\$ 158,675
12/31/2010	\$ 235,711	27.5%	\$ 329,600
12/31/2011	\$ 228,102	28.4%	\$ 492,826
12/31/2012	\$ 79,986	77.2%	\$ 511,064
12/31/2013	\$ 77,313	31.4%	\$ 525,052
12/31/2014	\$ 77,753	82.9%	\$ 539,235
12/31/2015	\$ 197,398	2.6%	\$ 731,469
12/31/2016	\$ 201,746	6.3%	\$ 920,444

Funded Status and Funding Progress for OPEB

The most recent actuarial valuation date was January 1, 2016, and included roll forward calculations for the subsequent two periods. The funded status of the plan as of December 31, 2016 is as follows:

Actuarial Accrued Liability (AAL)	\$ 2,017,503
Actuarial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability	<u>\$ 2,017,503</u>
Funded ratio (actuarial value of plan assets/AAL)	0.0%
Covered payroll (active plan members)	\$ 4,745,564
UAAL as a percentage of covered payroll	42.5%

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.

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

TOWN OF WOLFEBORO, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2016

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.

The method used in the January 1, 2016 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, 2016

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded AAL	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
1/1/2009	\$ -	\$ 1,908,441	\$ 1,908,441	0.0%	\$ 3,241,432	58.9%
1/1/2010	\$ -	\$ 1,923,612	\$ 1,923,612	0.0%	\$ 3,716,670	51.8%
1/1/2011	\$ -	\$ 1,930,030	\$ 1,930,030	0.0%	\$ 3,733,491	51.7%
1/1/2012	\$ -	\$ 1,606,177	\$ 1,606,177	0.0%	\$ 3,906,727	41.1%
1/1/2013	\$ -	\$ 1,628,024	\$ 1,628,024	0.0%	\$ 4,056,487	40.1%
1/1/2014	\$ -	\$ 1,649,136	\$ 1,649,136	0.0%	\$ 4,067,663	40.5%
1/1/2015	\$ -	\$ 1,843,441	\$ 1,843,441	0.0%	\$ 4,320,142	42.7%
1/1/2016	\$ -	\$ 2,017,503	\$ 2,017,503	0.0%	\$ 4,745,564	42.5%

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

For the year ended December 31,	Town's proportion of net pension liability	Town's proportionate share of the net pension liability	Town's covered- employee payroll	Town's proportionate share of the net pension liability as a percentage of covered-employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2014	0.1812%	\$ 6,802,385	\$ 4,067,663	167.23%	66.32%
2015	0.1824%	\$ 7,226,287	\$ 4,320,142	167.27%	65.47%
2016	0.1879%	\$ 9,992,155	\$ 4,745,564	210.56%	58.30%

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

EXHIBIT 15
TOWN OF WOLFEBORO, NEW HAMPSHIRE
Schedule of the Town's Pension Contributions
New Hampshire Retirement System

For the year ended December 31,	Contractually required contribution	Contribution in relation to the contractually required contribution	Contribution deficiency	Town's covered- employee payroll	Contributions as a percentage of covered- employee payroll
2014	\$ 663,823	\$ (663,823)	\$ -	\$ 4,067,663	16.32%
2015	\$ 734,301	\$ (734,301)	\$ -	\$ 4,320,142	17.00%
2016	\$ 792,455	\$ (792,455)	\$ -	\$ 4,745,564	16.70%

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, 2016**

The Schedule of Funding Progress, the Schedule of the Town's Proportionate Share of the Net Pension Liability and the Schedule of the Town's 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 second first year that the Town has presented the pension schedules, only eight and three 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, 2016

	Special Revenue Funds					Capital Project Fund	Permanent Fund	Total
	Police Detail	Recreation Revolving	Conservation Commission	Miscellaneous Grants	CDBG			
ASSETS								
Cash and cash equivalents	\$ 53,847	\$ -	\$ 252,721	\$ -	\$ -	\$ 679,187	\$ 8,925	\$ 994,680
Investments	-	-	-	-	-	-	974,889	974,889
Receivables:								
Accounts	804	12,824	-	-	-	-	-	13,628
Intergovernmental	-	-	-	30,697	-	114,859	-	145,556
Prepaid items	-	-	-	-	-	-	30,000	30,000
Total assets	\$ 54,651	\$ 12,824	\$ 252,721	\$ 30,697	\$ -	\$ 794,046	\$ 1,013,814	\$ 2,158,753
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES								
Liabilities:								
Accounts payable	\$ -	\$ 1,131	\$ -	\$ 4,397	\$ -	\$ 29,514	\$ -	\$ 35,042
Interfund payable	-	5,072	-	28,766	100	-	-	33,938
Total liabilities	-	6,203	-	33,163	100	29,514	-	68,980
Deferred inflows of resources:								
Deferred revenue	-	5,621	-	-	-	-	-	5,621
Fund balances:								
Nonspendable	-	-	-	-	-	-	753,597	753,597
Restricted	-	-	-	3,200	-	764,532	260,217	1,027,949
Committed	54,651	1,000	252,721	-	-	-	-	308,372
Unassigned	-	-	-	(5,666)	(100)	-	-	(5,766)
Total fund balances	54,651	1,000	252,721	(2,466)	(100)	764,532	1,013,814	2,084,152
Total liabilities, deferred inflows of resources, and fund balances	\$ 54,651	\$ 12,824	\$ 252,721	\$ 30,697	\$ -	\$ 794,046	\$ 1,013,814	\$ 2,158,753

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, 2016

	Special Revenue Funds					Capital Project Fund	Permanent Fund	Total
	Police Detail	Recreation Revolving	Conservation Commission	Miscellaneous Grants	CDBG			
REVENUES								
Taxes	\$ -	\$ -	\$ 2,500	\$ -	\$ -	\$ -	\$ -	\$ 2,500
Intergovernmental	-	-	-	47,723	-	43,525	-	91,248
Charges for services	46,149	99,268	-	-	-	-	-	145,417
Miscellaneous	-	-	407	2,998	-	-	97,599	101,004
Total revenues	<u>46,149</u>	<u>99,268</u>	<u>2,907</u>	<u>50,721</u>	<u>-</u>	<u>43,525</u>	<u>97,599</u>	<u>340,169</u>
EXPENDITURES								
Current:								
General government	-	-	-	-	-	-	61,912	61,912
Public safety	29,539	-	-	26,549	-	-	-	56,088
Water distribution and treatment	-	-	-	1,642	-	-	-	1,642
Culture and recreation	-	101,281	-	-	-	-	301	101,582
Conservation	-	-	23,111	19,830	-	-	-	42,941
Capital outlay	-	-	-	-	-	86,709	-	86,709
Total expenditures	<u>29,539</u>	<u>101,281</u>	<u>23,111</u>	<u>48,021</u>	<u>-</u>	<u>86,709</u>	<u>62,213</u>	<u>350,874</u>
Excess (deficiency) of revenues over (under) expenditures	16,610	(2,013)	(20,204)	2,700	-	(43,184)	35,386	(10,705)
Other financing uses:								
Transfers out	-	-	-	-	-	-	(52,846)	(52,846)
Net change in fund balances	16,610	(2,013)	(20,204)	2,700	-	(43,184)	(17,460)	(63,551)
Fund balances, beginning	38,041	3,013	272,925	(5,166)	(100)	807,716	1,031,274	2,147,703
Fund balances, ending	<u>\$ 54,651</u>	<u>\$ 1,000</u>	<u>\$ 252,721</u>	<u>\$ (2,466)</u>	<u>\$ (100)</u>	<u>\$ 764,532</u>	<u>\$ 1,013,814</u>	<u>\$ 2,084,152</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, 2016

	Estimated	Actual	Variance Positive (Negative)
Taxes:			
Property	\$ 10,655,462	\$ 10,667,481	\$ 12,019
Timber	21,550	23,610	2,060
Excavation	150	-	(150)
Payments in lieu of taxes	27,066	27,208	142
Interest and penalties on delinquent taxes	120,000	160,075	40,075
Total taxes	<u>10,824,228</u>	<u>10,878,374</u>	<u>54,146</u>
Licenses, permits and fees:			
Business licenses and permits	35,160	28,147	(7,013)
Motor vehicle permits	1,300,000	1,405,973	105,973
Building permits	60,000	73,193	13,193
Other	151,283	162,853	11,570
Total licenses, permits and fees	<u>1,546,443</u>	<u>1,670,166</u>	<u>123,723</u>
Intergovernmental:			
State sources:			
Meals and rooms distributions	323,081	323,081	-
Highway block grant	177,732	177,732	-
Water pollution grant	-	7,179	7,179
State and federal forest land	39	68	29
Flood control reimbursement	-	2,532	2,532
Bridge aid	126,981	-	(126,981)
Landfill closure grant	-	6,522	6,522
Other government sources:			
Payments in lieu of taxes	-	53,640	53,640
Total intergovernmental	<u>627,833</u>	<u>570,754</u>	<u>(57,079)</u>
Charges for services:			
Income from departments	<u>526,184</u>	<u>482,337</u>	<u>(43,847)</u>
Miscellaneous:			
Special assessments	-	13,230	13,230
Sale of property	71	71	-
Interest on investments	4,000	23,612	19,612
Rent of property	113,247	126,456	13,209
Fines and forfeits	3,903	4,627	724
Insurance dividends and reimbursements	12,828	27,359	14,531
Contributions and donations	-	27,722	27,722
Other	617,763	634,727	16,964
Total miscellaneous	<u>751,812</u>	<u>857,804</u>	<u>105,992</u>
Other financing sources:			
Transfers in:			
Nonmajor funds	<u>2,000</u>	<u>32,226</u>	<u>30,226</u>
Total revenues and other financing sources	14,278,500	<u>\$ 14,491,661</u>	<u>\$ 213,161</u>
Use of fund balance	502,524		
Total revenues, other financing sources and use of fund balance	<u>\$ 14,781,024</u>		

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, 2016

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
General government:					
Executive	\$ 9,000	\$ 608,508	\$ 637,019	\$ -	\$ (19,511)
Election and registration	-	241,896	231,884	-	10,012
Financial administration	-	869,722	838,872	-	30,850
Planning and zoning	-	211,591	178,436	-	33,155
General government buildings	4,996	79,056	80,445	-	3,607
Cemeteries	-	8,419	4,002	-	4,417
Other	-	199,422	198,447	-	975
Total general government	<u>13,996</u>	<u>2,218,614</u>	<u>2,169,105</u>	<u>-</u>	<u>63,505</u>
Public safety:					
Police	-	1,800,995	1,775,466	-	25,529
Fire	3,775	1,860,563	1,777,112	-	87,226
Building inspection	-	140,607	125,469	-	15,138
Emergency management	-	5,192	3,534	-	1,658
Other	-	534,266	518,181	-	16,085
Total public safety	<u>3,775</u>	<u>4,341,623</u>	<u>4,199,762</u>	<u>-</u>	<u>145,636</u>
Highways and streets:					
Administration	1,150	223,585	224,294	-	441
Highways and streets	-	1,342,837	1,417,379	2,200	(76,742)
Other	5,296	502,436	425,443	21,934	60,355
Total highways and streets	<u>6,446</u>	<u>2,068,858</u>	<u>2,067,116</u>	<u>24,134</u>	<u>(15,946)</u>
Sanitation:					
Solid waste disposal	<u>10,900</u>	<u>816,780</u>	<u>774,349</u>	<u>10,190</u>	<u>43,141</u>
Health:					
Administration	-	6,301	6,288	-	13
Pest control	-	22,324	21,001	-	1,323
Health agencies and hospitals	-	105,339	105,379	-	(40)
Total health	<u>-</u>	<u>133,964</u>	<u>132,668</u>	<u>-</u>	<u>1,296</u>
Welfare:					
Administration and direct assistance	<u>-</u>	<u>96,484</u>	<u>78,438</u>	<u>-</u>	<u>18,046</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, 2016

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Culture and recreation:					
Parks and recreation	-	859,937	827,353	1,120	31,464
Public library	-	487,855	487,837	-	18
Patriotic purposes	-	15,345	15,345	-	-
Other	-	64,176	40,049	2,500	21,627
Total culture and recreation	-	<u>1,427,313</u>	<u>1,370,584</u>	<u>3,620</u>	<u>53,109</u>
Conservation	-	<u>9,441</u>	<u>8,822</u>	-	<u>619</u>
Economic development	-	<u>13,801</u>	<u>12,987</u>	-	<u>814</u>
Debt service:					
Principal	-	696,822	696,823	-	(1)
Interest on long-term debt	-	328,441	328,441	-	-
Interest on tax anticipation note	-	2,500	-	-	2,500
Total debt service	-	<u>1,027,763</u>	<u>1,025,264</u>	-	<u>2,499</u>
Capital outlay:					
Land	-	140,000	125,000	-	15,000
Machinery, vehicles and equipment	14,985	37,155	57,620	182,868	(188,348)
Buildings	12,100	7,624	35,771	66,180	(82,227)
Improvements other than buildings	355,302	930,984	883,220	389,869	13,197
Total capital outlay	<u>382,387</u>	<u>1,115,763</u>	<u>1,101,611</u>	<u>638,917</u>	<u>(242,378)</u>
Other financing uses:					
Transfers out:					
Expendable trust funds	-	727,750	727,750	-	-
Nonmajor funds	-	782,870	782,870	-	-
Total other financing uses	-	<u>1,510,620</u>	<u>1,510,620</u>	-	-
Total encumbrances, appropriations, expenditures and other financing uses	<u>\$ 417,504</u>	<u>\$ 14,781,024</u>	<u>\$ 14,451,326</u>	<u>\$ 676,861</u>	<u>\$ 70,341</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, 2016

Unassigned fund balance, beginning		\$ 1,502,524
Changes:		
Unassigned fund balance used to reduce tax rate		(402,524)
Unassigned fund balance appropriated		(100,000)
Budget summary:		
Revenue surplus (Exhibit 18)	\$ 213,161	
Unexpended balance of appropriations (Exhibit 19)	<u>70,341</u>	
Budget surplus		283,502
Increase in nonspendable fund balance		(53,479)
Increase in restricted fund balance		<u>(10,402)</u>
Unassigned fund balance, ending		<u><u>\$ 1,219,621</u></u>



Roberts & Greene, PLLC

INDEPENDENT AUDITOR'S COMMUNICATION TO MANAGEMENT

To the 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, 2016, 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.

Roberts & Greene, PLLC

Concord, New Hampshire

July 10, 2017