

TOWN OF WOLFEBORO, NEW HAMPSHIRE

FINANCIAL REPORT

AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2017

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Wolfeboro, New Hampshire, as of and for the year ended December 31, 2017, 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 the management's discussion and analysis, schedule of funding progress and pension information on pages 3-12 and 49-52 be

*Town of Wolfeboro
Independent Auditor's Report*

presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, 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 & Heine, PLLC

Concord, New Hampshire
June 12, 2018

TOWN OF WOLFEBORO, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ending December 31, 2017

Presented herewith please find the Management Discussion & Analysis Report for the Town of Wolfeboro for the year ended December 31, 2017. 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
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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, 2017

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 17) (Page 54). 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, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Current and other assets:		
Capital assets, net	\$ 28,609,409	\$ 28,434,099
Other assets	<u>23,016,693</u>	<u>21,781,949</u>
Total assets	\$ 51,626,102	\$ 50,216,048
Deferred Outflows of Resources	\$ 1,888,961	\$ 2,129,740
Long-term liabilities	\$ 16,584,286	\$ 16,966,517
Other liabilities	<u>9,150,497</u>	<u>8,885,479</u>
Total liabilities	<u>\$ 25,734,783</u>	<u>\$ 25,851,996</u>
Deferred Inflows of Resources	\$ 317,671	\$ 245,748
Net position:		
Net investment in capital assets	\$ 29,496,401	\$ 27,777,212
Restricted	2,067,533	1,378,842
Unrestricted	<u>(4,103,325)</u>	<u>(2,908,010)</u>
Total net position	<u>\$ 27,460,609</u>	<u>\$ 26,248,044</u>

TOWN OF WOLFEBORO, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ending December 31, 2017

The Town's net position totaled \$ 27,460,609 at the end of fiscal year 2017, an increase of \$1,212,565 when compared to the end of the previous fiscal year. This total includes an increase in the Town's net investment in capital assets of \$1,719,189, an increase in restricted net position of \$688,691 as well as an increase in unrestricted net position of \$1,195,315.

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, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Program revenues:		
Charges for services	\$ 767,129	\$ 627,754
Operating grants and contributions	220,427	328,401
Capital grants and contributions	<u>678,873</u>	<u>43,525</u>
Total program revenues	<u>1,666,429</u>	<u>999,680</u>
General revenues:		
Property and other taxes	11,244,139	11,023,645
Licenses and permits	1,815,695	1,670,166
Grants and Contributions	322,066	323,081
Miscellaneous	1,062,936	982,917
Transfers	<u>(803,315)</u>	<u>(846,905)</u>
Total general revenues and transfers	<u>13,641,521</u>	<u>13,152,904</u>
Total revenues	<u>15,307,950</u>	<u>14,152,904</u>
Program expenses:		
General government	2,577,196	2,562,163
Public safety	4,955,511	4,278,999
Highways and streets	3,000,345	2,800,455
Water Distribution & Treatment	13,358	1,642
Health and welfare	223,454	213,012
Sanitation	772,451	789,428
Culture and recreation	1,783,280	1,624,586
Economic development	12,489	12,987
Conservation	107,835	51,763
Interest and fiscal charges	257,525	289,225
Capital Outlay	<u>331,211</u>	<u>135,050</u>
Total expenses	<u>14,034,665</u>	<u>12,759,310</u>
Change in position	1,273,295	1,393,274
Net Position - beginning of year	<u>26,187,314</u>	<u>24,854,770</u>
Net Position - ending of year	<u>\$ 27,460,609</u>	<u>\$ 26,248,044</u>

TOWN OF WOLFEBORO, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ending December 31, 2017

During the year ended December 31, 2017, program revenues covered only 12.0% of program expenses, while the remaining 88% 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 (18%), public safety (35%), culture and recreation (13%), and highways and streets (21%) which accounted for 87% 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, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Current and other assets:		
Capital assets, net	\$ 30,068,215	\$ 29,540,211
Other assets	<u>15,990,103</u>	<u>15,919,235</u>
Total assets	<u>\$ 46,058,318</u>	<u>\$ 45,459,446</u>
Deferred Outflows of Resources	325,155	382,054
Long-term liabilities	\$ 13,715,451	\$ 14,633,406
Other liabilities	<u>2,435,646</u>	<u>2,040,434</u>
Total liabilities	<u>\$ 16,151,097</u>	<u>\$ 16,673,840</u>
Deferred inflows of resources	<u>\$ 112,806</u>	<u>\$ 94,125</u>
Net position:		
Invested in capital assets, net of related debt	\$ 17,888,597	\$ 16,834,383
Unrestricted	<u>12,230,973</u>	<u>12,239,152</u>
Total net position	<u>\$ 30,119,570</u>	<u>\$ 29,073,535</u>

The Town's business-type activities net position totaled \$30,119,570 at the end of fiscal year 2017, an increase of \$ 1,046,035 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 \$ 1,054,214 in addition to a decrease in unrestricted net position of (\$8,179).

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, 2017

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, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Program revenues:		
Charges for services	\$ 12,601,636	\$ 11,712,199
Grants and contributions	<u>79,750</u>	<u>52,677</u>
Total program revenues	<u>12,681,386</u>	<u>11,764,876</u>
General revenues:		
Miscellaneous	49,653	146,272
Transfers	<u>803,315</u>	<u>846,905</u>
Total general revenues and transfers	<u>852,968</u>	<u>993,177</u>
Total revenues	<u>13,534,354</u>	<u>12,758,053</u>
Program expenses:		
Electric	8,875,358	8,670,627
Water	1,629,006	1,455,873
Sewer	1,562,795	1,494,800
Pop Whalen	<u>284,541</u>	<u>285,332</u>
Total program expenses	<u>12,351,700</u>	<u>11,906,632</u>
Change in net position	1,182,654	851,421
Net position – beginning of year	<u>28,936,916</u>	<u>28,222,114</u>
Net position - ending of year	<u>\$ 30,119,570</u>	<u>\$ 29,073,535</u>

The primary funding source for business-type activities is charges for services, which comprises 93% of all funding sources. Program revenues provided funding for 102% of total program expenses. Net position increased a total of \$ 1,182,654, 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
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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 \$1,043,912, while total fund equity was \$4,018,885. The total fund equity also includes a Non-spendable fund balance of \$112,451, a Restricted fund balance of \$384,577, as well as an Assigned fund balance of \$286,281 and a Committed fund balance of \$2,191,664. The General Fund total fund balance increased \$218,997 from December 31, 2016.

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 2017 \$200,000 was used to offset the tax rate. Please see (Exhibit 20) (Page 58) of the financial statements for a reconciliation of changes in fund balance from the prior year.

Other Governmental Funds

According to Exhibit 16 Combining Balance Sheet – Non- Governmental Funds, the total fund balance in Other Governmental Funds is \$1,987,115 at year end, a reduction of (\$97,037) 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 \$236,099 in Committed fund balance; Police Detail Fund \$64,691 in Committed fund balance; Recreation Revolving Account \$2,000 in Committed Fund balance; Miscellaneous Grant Funds with an Unassigned deficit of (\$1,372) and a Restricted Fund Balance of \$ 2,841, as well as the CDBG Fund with an Unassigned deficit of (\$100). The Permanent Fund totals \$1,022,904 of which \$763,879 is Non-spendable fund balance with the remaining \$259,025 being Restricted fund balance. The Capital Projects Fund totals \$660,052 in Restricted Fund balance.

Proprietary Funds

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

The Town of Wolfeboro's proprietary funds consist of the Water Department, Sewer Department, Electric Department and Pop Whalen Ice Arena. According to Exhibit 9 the Statement of Revenues, Expenses and Changes in Net Position, total net position increased \$ 1,182,654 from December 31, 2016 to December 31, 2017 to a total of \$30,119,570. The Income (Loss) before capital contributions and transfers was as follows: Electric Department \$ 962,792; Water Department \$196,828; Sewer Department (\$487,099) and Pop Whalen Ice Arena (\$33,282). Please note that after applying the effect of capital contributions and

**TOWN OF WOLFEBORO, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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transfers in from the general fund changes in net position were as follows: Electric Department \$885,302; Water Department \$29,583; Sewer Department \$312,071 and Pop Whalen Fund (\$44,302).

Rates for the Municipal Electric Fund were increased in early fiscal 2017. Rates for the Pop Whalen Fund were increased also increased in 2017. No rate increases for the Water and Sewer Funds were approved, however, they were both increased in early 2018.

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 \$314,134. Revenues exceeded estimations in all categories, with the exception of Interest & Penalties (\$2,280); Miscellaneous Grants (\$30,000) and Other Financing Sources (\$13,640). Net Departmental totals are as follows: Taxes \$7,390; Licenses and permits \$203,846; Intergovernmental revenues (\$21,882); Charges for services \$28,278; Miscellaneous income \$110,142 and Other Financing Sources (\$13,640).

Expenditures for the year remained within appropriated amounts overall. The Town remained within its total expenditure budget by \$278,737 which resulted in excess anticipated revenues over anticipated expenditures (Budget Surplus) of \$592,871.

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, 2017 amounts to \$29,496,401 and \$17,888,597, 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, 2017 the Town of Wolfeboro had total outstanding bonded debt and other long-term obligations of \$7,676,477 and \$13,458,057 in the governmental activities and business-type activities, respectively. Principal payments during the year reduced outstanding general obligation debt of the Town by (\$692,881) leaving a balance at year-end of \$6,983,596. . In business-type activities, \$489,750 in additional debt was issued while (\$1,429,368) was retired leaving a balance at year-end of \$12,518,439. The combined total outstanding balance at year-end was \$19,502,035. 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).

**TOWN OF WOLFEBORO, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Year Ending December 31, 2017

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.

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 increased from \$1,966,408,256 to \$1,982,632,300 or \$16,224,044 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.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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The overall tax rate remained relatively low at \$ 14.98 compared with the 2016 rate of \$14.63 per thousand. Totals for uncollected taxes at year end remained low.

Total voted appropriation for 2017 was \$ 29,226,774. 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, 2017. The average unemployment rate for the year was 3.0 % for the Wolfeboro NH LMA; lower than the national average of 4.4%. The yearly Northeast Consumer Price Index increase was 1.7%.

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, 2017

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 4,925,328	\$ 11,335,765	\$ 16,261,093
Investments	7,930,170	-	7,930,170
Intergovernmental receivable	576,923	1,725,603	2,302,526
Other receivables, net of allowance for uncollectibles	1,406,341	1,243,989	2,650,330
Prepaid items	61,547	20,691	82,238
Inventory	-	430,339	430,339
Tax dedeed property held for resale	53,026	-	53,026
Capital assets, not being depreciated:			
Land	6,739,466	1,115,005	7,854,471
Construction in progress	1,323,892	118,711	1,442,603
Capital assets, net of accumulated depreciation:			
Land improvements	69,587	-	69,587
Buildings and building improvements	6,891,528	2,958,333	9,849,861
Machinery, vehicles and equipment	1,944,551	6,741,757	8,686,308
Infrastructure	18,996,877	20,368,125	39,365,002
Improvements other than buildings	706,866	-	706,866
Total assets	<u>51,626,102</u>	<u>46,058,318</u>	<u>97,684,420</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amounts related to pensions	<u>1,886,961</u>	<u>325,155</u>	<u>2,212,116</u>
LIABILITIES			
Accounts payable	657,572	576,973	1,234,545
Accrued payroll and benefits	123,972	28,706	152,678
Accrued interest payable	98,627	239,565	338,192
Intergovernmental payable	7,514,875	943	7,515,818
Performance and escrow deposits	24,073	46,147	70,220
Noncurrent obligations:			
Due within one year:			
Bonds and notes payable	652,881	1,455,300	2,108,181
Unamortized bond premium	18,489	88,012	106,501
Capital leases payable	9,957	-	9,957
Compensated absences payable	45,051	-	45,051
Accrued landfill postclosure care costs	5,000	-	5,000
Due in more than one year:			
Bonds and notes payable	6,330,715	11,063,139	17,393,854
Unamortized bond premium	146,219	806,774	952,993
Capital leases payable	18,105	-	18,105
Compensated absences payable	585,218	146,390	731,608
Other postemployment benefits payable	876,021	221,736	1,097,757
Accrued landfill postclosure care costs	55,000	-	55,000
Net pension liability	8,573,008	1,477,412	10,050,420
Total liabilities	<u>25,734,783</u>	<u>16,151,097</u>	<u>41,885,880</u>
DEFERRED INFLOWS OF RESOURCES			
Unearned revenue	40,069	64,966	105,035
Deferred amounts related to pensions	<u>277,602</u>	<u>47,840</u>	<u>325,442</u>
Total deferred inflows of resources	<u>317,671</u>	<u>112,806</u>	<u>430,477</u>
NET POSITION			
Net investment in capital assets	29,496,401	17,888,597	47,384,998
Restricted for:			
Endowments:			
Nonexpendable	763,879	-	763,879
Expendable	259,025	-	259,025
Other purposes	1,044,629	-	1,044,629
Unrestricted	<u>(4,103,325)</u>	<u>12,230,973</u>	<u>8,127,648</u>
Total net position	<u>\$ 27,460,609</u>	<u>\$ 30,119,570</u>	<u>\$ 57,580,179</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, 2017

	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	\$ 2,577,196	\$ 65,850	\$ 83,724	\$ -	\$ (2,427,622)	\$ -	\$ (2,427,622)
Public safety	4,955,511	79,948	24,888	-	(4,850,675)	-	(4,850,675)
Highways and streets	3,000,345	-	-	332,344	(2,668,001)	-	(2,668,001)
Sanitation	772,451	352,345	6,174	-	(413,932)	-	(413,932)
Water distribution and treatment	13,358	-	20,279	-	6,921	-	6,921
Health	158,025	-	-	-	(158,025)	-	(158,025)
Welfare	65,429	-	-	-	(65,429)	-	(65,429)
Culture and recreation	1,783,280	248,094	-	-	(1,535,186)	-	(1,535,186)
Conservation	107,835	20,892	85,362	-	(1,581)	-	(1,581)
Economic development	12,489	-	-	-	(12,489)	-	(12,489)
Interest on long-term debt	257,525	-	-	-	(257,525)	-	(257,525)
Capital outlay	331,211	-	-	346,529	15,318	-	15,318
Total governmental activities	<u>14,034,655</u>	<u>767,129</u>	<u>220,427</u>	<u>678,873</u>	<u>(12,368,226)</u>	<u>-</u>	<u>(12,368,226)</u>
Business-type activities:							
Water department	1,629,006	1,658,589	-	-	-	29,583	29,583
Electric department	8,875,358	9,760,660	-	-	-	885,302	885,302
Sewer department	1,562,795	942,148	-	79,750	-	(540,897)	(540,897)
Pop Whalen ice arena	284,541	240,239	-	-	-	(44,302)	(44,302)
Total business-type activities	<u>12,351,700</u>	<u>12,601,636</u>	<u>-</u>	<u>79,750</u>	<u>-</u>	<u>329,686</u>	<u>329,686</u>
Total primary government	<u>\$ 26,386,355</u>	<u>\$ 13,368,765</u>	<u>\$ 220,427</u>	<u>\$ 758,623</u>	<u>(12,368,226)</u>	<u>329,686</u>	<u>(12,038,540)</u>
General revenues:							
Property taxes					11,061,434	-	11,061,434
Other taxes					182,705	-	182,705
Licenses and permits					1,815,695	-	1,815,695
Grants and contributions not restricted to specific programs					322,066	-	322,066
Miscellaneous					1,062,936	49,653	1,112,589
Transfers					(803,315)	803,315	-
Total general revenues and transfers					<u>13,641,521</u>	<u>852,968</u>	<u>14,494,489</u>
Change in net position					1,273,295	1,182,654	2,455,949
Net position, beginning, as restated, see Note III.D.					26,187,314	28,936,916	55,124,230
Net position, ending					<u>\$ 27,460,609</u>	<u>\$ 30,119,570</u>	<u>\$ 57,580,179</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, 2017

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 4,403,057	\$ 522,271	\$ 4,925,328
Investments	6,905,742	1,024,428	7,930,170
Receivables, net of allowance for uncollectibles:			
Interest	128	-	128
Taxes	1,328,732	-	1,328,732
Accounts	68,317	9,164	77,481
Intergovernmental	8,214	568,709	576,923
Interfund receivable	122,125	-	122,125
Prepaid items	59,425	2,122	61,547
Tax deeded property held for resale	53,026	-	53,026
Total assets	<u>\$ 12,948,766</u>	<u>\$ 2,126,694</u>	<u>\$ 15,075,460</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 645,694	\$ 11,878	\$ 657,572
Accrued salaries and benefits	123,972	-	123,972
Intergovernmental payable	7,514,875	-	7,514,875
Interfund payable	-	122,125	122,125
Escrow and performance deposits	24,073	-	24,073
Total liabilities	<u>8,308,614</u>	<u>134,003</u>	<u>8,442,617</u>
Deferred inflows of resources:			
Deferred revenue	<u>621,267</u>	<u>5,576</u>	<u>626,843</u>
Fund balances:			
Nonspendable	112,451	763,879	876,330
Restricted	384,577	921,918	1,306,495
Committed	2,191,664	302,790	2,494,454
Assigned	286,281	-	286,281
Unassigned	1,043,912	(1,472)	1,042,440
Total fund balances	<u>4,018,885</u>	<u>1,987,115</u>	<u>6,006,000</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 12,948,766</u>	<u>\$ 2,126,694</u>	<u>\$ 15,075,460</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, 2017

Total fund balances of governmental funds (Exhibit 3)	\$	6,006,000
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	\$	54,303,677
Less accumulated depreciation		<u>(17,630,910)</u>
		36,672,767
Interfund receivables and payables between governmental funds are eliminated on the statement of net position.		
Receivables	\$	(122,125)
Payables		<u>122,125</u>
		-
Revenues that are not available to pay for current period expenditures are deferred in the funds.		
Deferred tax revenue	\$	523,263
Deferred betterment assessment		<u>63,511</u>
		586,774
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(98,627)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Bonds and notes outstanding	\$	6,983,596
Unamortized bond premium		164,708
Capital leases outstanding		28,062
Compensated absences payable		630,269
Other postemployment benefits payable		876,021
Accrued landfill postclosure care costs		60,000
Net pension liability		<u>8,573,008</u>
		(17,315,664)
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	\$	1,886,961
Deferred inflows of resources related to pensions		<u>(277,602)</u>
		1,609,359
Total net position of governmental activities (Exhibit 1)	\$	<u><u>27,460,609</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, 2017

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$ 11,232,612	\$ 2,830	\$ 11,235,442
Licenses, permits and fees	1,815,695	-	1,815,695
Intergovernmental	671,180	466,462	1,137,642
Charges for services	567,262	199,867	767,129
Miscellaneous	1,059,711	85,339	1,145,050
Total revenues	<u>15,346,460</u>	<u>754,498</u>	<u>16,100,958</u>
Expenditures:			
Current:			
General government	2,232,574	19,509	2,252,083
Public safety	4,410,297	57,738	4,468,035
Highways and streets	3,024,835	-	3,024,835
Sanitation	728,803	-	728,803
Water distribution and treatment	-	13,358	13,358
Health	157,693	-	157,693
Welfare	65,636	-	65,636
Culture and recreation	1,633,853	156,477	1,790,330
Conservation	10,376	97,459	107,835
Economic development	12,489	-	12,489
Debt service:			
Principal	692,881	-	692,881
Interest	287,472	-	287,472
Capital outlay	956,844	592,909	1,549,753
Total expenditures	<u>14,213,753</u>	<u>937,450</u>	<u>15,151,203</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,132,707</u>	<u>(182,952)</u>	<u>949,755</u>
Other financing sources (uses):			
Transfers in	14,085	100,000	114,085
Transfers out	(903,315)	(14,085)	(917,400)
Inception of capital leases	36,250	-	36,250
Total other financing sources and uses	<u>(852,980)</u>	<u>85,915</u>	<u>(767,065)</u>
Net change in fund balances	279,727	(97,037)	182,690
Fund balances, beginning, as restated, see Note III.D.	3,739,158	2,084,152	5,823,310
Fund balances, ending	<u>\$ 4,018,885</u>	<u>\$ 1,987,115</u>	<u>\$ 6,006,000</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, 2017

Net change in fund balances of governmental funds (Exhibit 5)	\$	182,690
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	\$ 2,318,899	
Depreciation expense	<u>(1,323,917)</u>	994,982
Transfers in and out between governmental funds are eliminated on the operating statement.		
Transfers in	\$ (114,085)	
Transfers out	<u>114,085</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	\$ 8,697	
Change in deferred betterment assessments	<u>(12,390)</u>	(3,693)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.		
Inception of capital lease	\$ (36,250)	
Repayment of bond and note principal	692,881	
Amortization of bond premium	18,489	
Repayment of capital lease principal	<u>49,087</u>	724,207
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	\$ 11,458	
Increase in compensated absences payable	(88,398)	
Increase in other postemployment benefits payable	(122,546)	
Increase in accrued landfill postclosure care costs	<u>(8,000)</u>	(207,486)
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	\$ 736,922	
Cost of benefits earned, net of employee contributions	<u>(1,154,327)</u>	(417,405)
Change in net position of governmental activities (Exhibit 2)		<u><u>\$ 1,273,295</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, 2017

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Taxes	\$ 11,233,919	\$ 11,233,919	\$ 11,241,309	\$ 7,390
Licenses, permits and fees	1,611,849	1,611,849	1,815,695	203,846
Intergovernmental	983,307	693,062	671,180	(21,882)
Charges for services	538,984	538,984	567,262	28,278
Miscellaneous	788,224	788,224	898,366	110,142
Total revenues	<u>15,156,283</u>	<u>14,866,038</u>	<u>15,193,812</u>	<u>327,774</u>
EXPENDITURES				
Current:				
General government	2,209,716	2,209,716	2,254,642	(44,926)
Public safety	4,484,143	4,484,143	4,410,297	73,846
Highways and streets	3,100,396	3,100,396	3,124,763	(24,367)
Sanitation	771,084	771,084	734,303	36,781
Health	139,158	139,158	157,693	(18,535)
Welfare	91,838	91,838	65,636	26,202
Culture and recreation	1,748,104	1,748,104	1,705,182	42,922
Conservation	10,056	10,056	10,376	(320)
Economic development	13,722	13,722	12,489	1,233
Debt service:				
Principal	692,881	692,881	692,881	-
Interest on long-term debt	288,366	288,366	287,472	894
Interest on tax anticipation note	2,500	2,500	-	2,500
Capital outlay	78,241	231,329	48,822	182,507
Total expenditures	<u>13,630,205</u>	<u>13,783,293</u>	<u>13,504,556</u>	<u>278,737</u>
Excess of revenues over expenditures	<u>1,526,078</u>	<u>1,082,745</u>	<u>1,689,256</u>	<u>606,511</u>
Other financing sources (uses):				
Transfers in	199,320	199,320	185,680	(13,640)
Transfers out	(1,925,398)	(1,482,065)	(1,482,065)	-
Total other financing sources and uses	<u>(1,726,078)</u>	<u>(1,282,745)</u>	<u>(1,296,385)</u>	<u>(13,640)</u>
Net change in fund balance	<u>\$ (200,000)</u>	<u>\$ (200,000)</u>	392,871	<u>\$ 592,871</u>
Decrease in nonspendable fund balance			5,011	
Decrease in restricted fund balance			10,402	
Unassigned fund balance, beginning			<u>1,158,891</u>	
Unassigned fund balance, ending			<u>\$ 1,567,175</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, 2017

	Business-type Activities - Enterprise Funds				Total
	Water Department	Electric Department	Sewer Department	Pop Whalen Ice Arena	
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 1,479,939	\$ 6,046,473	\$ 3,797,263	\$ 12,090	\$ 11,335,765
Accounts receivable	209,502	828,078	154,359	52,050	1,243,989
Intergovernmental receivable	298,714	-	1,426,889	-	1,725,603
Prepaid items	5,537	9,732	4,316	1,106	20,691
Inventory	-	430,339	-	-	430,339
Noncurrent assets:					
Capital assets, not being depreciated:					
Land	12,772	46,733	1,055,500	-	1,115,005
Construction in progress	965	86,872	30,874	-	118,711
Capital assets, net of accumulated depreciation:					
Buildings and building improvements	2,142,697	186,137	129,021	500,478	2,958,333
Machinery and equipment	224,239	5,758,500	305,624	453,394	6,741,757
Infrastructure	10,178,910	42,177	10,147,038	-	20,368,125
Total assets	<u>14,553,275</u>	<u>13,435,041</u>	<u>17,050,884</u>	<u>1,019,118</u>	<u>46,058,318</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred amounts related to pensions	<u>104,089</u>	<u>194,587</u>	<u>26,479</u>	<u>-</u>	<u>325,155</u>
LIABILITIES					
Current liabilities:					
Accounts payable	6,921	520,862	43,152	6,038	576,973
Accrued payroll and benefits	9,061	15,346	2,443	1,856	28,706
Accrued interest payable	85,873	9,022	139,428	5,242	239,565
Intergovernmental payable	-	943	-	-	943
Performance and escrow deposits	200	45,947	-	-	46,147
Internal balances	(1,235)	-	1,235	-	-
Noncurrent obligations:					
Bonds and notes payable	546,801	325,000	542,789	40,710	1,455,300
Unamortized bond premium	43,888	5,880	36,174	2,070	88,012
Due in more than one year:					
Bonds and notes payable	4,220,743	1,545,000	5,051,716	245,680	11,063,139
Unamortized bond premium	313,808	20,580	464,710	7,676	806,774
Compensated absences	47,481	84,144	14,765	-	146,390
Other postemployment benefits payable	65,332	134,032	16,251	6,121	221,736
Net pension liability	472,370	884,437	120,605	-	1,477,412
Total liabilities	<u>5,811,243</u>	<u>3,591,193</u>	<u>6,433,268</u>	<u>315,393</u>	<u>16,151,097</u>
DEFERRED INFLOWS OF RESOURCES					
Unearned revenue	10,082	52,185	2,699	-	64,966
Deferred amounts related to pensions	<u>15,296</u>	<u>28,639</u>	<u>3,905</u>	<u>-</u>	<u>47,840</u>
Total deferred inflows of resources	<u>25,378</u>	<u>80,824</u>	<u>6,604</u>	<u>-</u>	<u>112,806</u>
NET POSITION					
Net investment in capital assets	7,434,241	4,223,954	5,572,667	657,735	17,888,597
Unrestricted	<u>1,386,502</u>	<u>5,733,657</u>	<u>5,064,824</u>	<u>45,990</u>	<u>12,230,973</u>
Total net position	<u>\$ 8,820,743</u>	<u>\$ 9,957,611</u>	<u>\$ 10,637,491</u>	<u>\$ 703,725</u>	<u>\$ 30,119,570</u>

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

EXHIBIT 9
TOWN OF WOLFEBORO, NEW HAMPSHIRE
Statement of Revenues, Expenditures and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2017

	Business-type Activities - Enterprise Funds				Total
	Water Department	Electric Department	Sewer Department	Pop Whalen Ice Arena	
Operating revenues:					
Charges for services	\$ 1,658,589	\$ 9,760,660	\$ 942,148	\$ 240,239	\$ 12,601,636
Miscellaneous	-	-	7,650	-	7,650
Total operating revenues	<u>1,658,589</u>	<u>9,760,660</u>	<u>949,798</u>	<u>240,239</u>	<u>12,609,286</u>
Operating expenses:					
Cost of operations	1,009,511	2,160,491	1,035,840	218,357	4,424,199
Cost of power	-	6,276,069	-	-	6,276,069
Depreciation expense	452,250	361,308	401,057	55,164	1,269,779
Total operating expenses	<u>1,461,761</u>	<u>8,797,868</u>	<u>1,436,897</u>	<u>273,521</u>	<u>11,970,047</u>
Operating income (loss)	<u>196,828</u>	<u>962,792</u>	<u>(487,099)</u>	<u>(33,282)</u>	<u>639,239</u>
Non-operating revenue (expense):					
Intergovernmental	-	-	79,750	-	79,750
Interest income	-	-	42,003	-	42,003
Interest expense	(167,245)	(77,490)	(125,898)	(11,020)	(381,653)
Transfer from General Fund	-	-	803,315	-	803,315
Total nonoperating income (expense)	<u>(167,245)</u>	<u>(77,490)</u>	<u>799,170</u>	<u>(11,020)</u>	<u>543,415</u>
Net change in net position	29,583	885,302	312,071	(44,302)	1,182,654
Net position, beginning	8,791,160	9,072,309	10,325,420	748,027	28,936,916
Net position, ending	<u>\$ 8,820,743</u>	<u>\$ 9,957,611</u>	<u>\$ 10,637,491</u>	<u>\$ 703,725</u>	<u>\$ 30,119,570</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, 2017

	Business -type Activities - Enterprise Funds				Total
	Water Department	Electric Department	Sewer Department	Pop Whalen Ice Arena	
Cash flows from operating activities:					
Receipts from customers and users	\$ 1,653,468	\$ 9,700,390	\$ 937,663	\$ 238,530	\$ 12,530,051
Payments to suppliers and employees	(977,341)	(8,166,549)	(1,015,179)	(212,193)	(10,371,262)
Net cash provided (used) by operating activities	<u>676,127</u>	<u>1,533,841</u>	<u>(77,516)</u>	<u>26,337</u>	<u>2,158,789</u>
Cash flows from non-capital financing activities:					
Transfers (to)/from other funds	<u>(1,235)</u>	<u>-</u>	<u>804,550</u>	<u>-</u>	<u>803,315</u>
Cash flows from capital and related financing activities:					
Purchase of capital assets	(225,354)	(760,335)	(503,160)	(22,120)	(1,510,969)
Proceeds from state grants	77,268	-	137,055	-	214,323
Proceeds from bonds and notes	550,000	-	-	-	550,000
Principal paid on bonds and notes	(520,869)	(325,000)	(542,789)	(40,710)	(1,429,368)
Interest paid on bonds and notes	(209,330)	(82,938)	(175,318)	(13,878)	(481,464)
Net cash used in capital and related financing activities	<u>(328,285)</u>	<u>(1,168,273)</u>	<u>(1,084,212)</u>	<u>(76,708)</u>	<u>(2,657,478)</u>
Cash flows from investing activities:					
Interest and dividends received	<u>-</u>	<u>-</u>	<u>42,003</u>	<u>-</u>	<u>42,003</u>
Increase (decrease) in cash	346,607	365,568	(315,175)	(50,371)	346,629
Cash and cash equivalents, beginning	<u>1,133,332</u>	<u>5,680,905</u>	<u>4,112,438</u>	<u>62,461</u>	<u>10,989,136</u>
Cash and cash equivalents, ending	<u><u>\$ 1,479,939</u></u>	<u><u>\$ 6,046,473</u></u>	<u><u>\$ 3,797,263</u></u>	<u><u>\$ 12,090</u></u>	<u><u>\$ 11,335,765</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	<u>\$ 196,828</u>	<u>\$ 962,792</u>	<u>\$ (487,099)</u>	<u>\$ (33,282)</u>	<u>\$ 639,239</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation expense	452,250	361,308	401,057	55,164	1,269,779
Increase in accounts receivable	(5,095)	(68,547)	(11,047)	(1,709)	(86,398)
Increase in inventory	-	(54,040)	-	-	(54,040)
Increase in prepaid items	(458)	(804)	(355)	(95)	(1,712)
Increase (decrease) in accounts payable	(33,737)	277,873	9,284	3,514	256,934
Increase in payroll related liabilities	66,365	46,982	11,732	2,745	127,824
Increase (decrease) in deferred revenue	(26)	8,277	(1,088)	-	7,163
Total adjustments	<u>479,299</u>	<u>571,049</u>	<u>409,583</u>	<u>59,619</u>	<u>1,519,550</u>
Net cash provided (used) by operating activities	<u><u>\$ 676,127</u></u>	<u><u>\$ 1,533,841</u></u>	<u><u>\$ (77,516)</u></u>	<u><u>\$ 26,337</u></u>	<u><u>\$ 2,158,789</u></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, 2017

	Private Purpose Trust	Agency
Assets:		
Cash and cash equivalents	\$ 4,999	\$ 105,790
Investments	408,874	1,355,012
Total assets	<u>413,873</u>	<u>1,460,802</u>
Liabilities:		
Due to other governmental unit	-	1,396,001
Due to developers	-	64,801
Total liabilities	<u>-</u>	<u>1,460,802</u>
Net position:		
Held in trust for specific purposes	<u>\$ 413,873</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, 2017

	Private Purpose Trust
Additions:	
New funds	\$ 750
Investment earnings:	
Interest and dividends	13,388
Net change in fair value of investments	18,283
Total additions	32,421
Deductions:	
Trust distributions	7,007
Change in net position	25,414
Net position, beginning	388,459
Net position, ending	\$ 413,873

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, 2017**

I. Summary of Significant Accounting Principles

I.A. Introduction

The accounting and reporting framework and the more significant accounting principles and practices of the Town of 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, 2017.

I.B. Financial Reporting Entity – Basis of Presentation

I.B.1. *Entity Defined*

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

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

Government-Wide Financial Statements

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

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

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

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

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

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

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

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

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

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

I.B.4. Fund Types and Major Funds

Governmental Funds

The Town reports the following major governmental 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.

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

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

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

Fiduciary Funds

The Town reports the following fiduciary funds:

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

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

**TOWN OF WOLFEBORO, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
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DECEMBER 31, 2017**

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

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
Land improvements	5-20
Buildings and building improvements	5-75
Machinery, vehicles and equipment	5-50
Infrastructure	5-75
Improvements other than buildings	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.
- 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
NOTES TO THE FINANCIAL STATEMENTS
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- Restricted for other purposes, which consists of the balance of the library fund resources, whose use is restricted by law; and unspent bond proceeds.
- 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 and the balance of unspent bond proceeds in the capital projects fund, all whose use is limited by law.
- Committed, which consists of balances for which the intended use has been established by Town Meeting vote, or by the Board of Selectmen, and would require an equally formal action to remove those commitments. Committed balances represent continuing appropriations, 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 2017, \$200,000 of the General Fund fund balance from 2016 was so used.

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)	\$ 15,379,492
Adjustments:	
Basis difference:	
Capital lease inception	36,250
Tax revenue deferred in the prior year	514,566
Tax revenue deferred in the current year	(523,263)
Perspective difference:	
Revenue from library fund	59,837
Revenue from Josiah Brown fund	20,002
Revenue from expendable trust fund	81,506
Transfer from permanent fund to library fund	5,065
Transfer from expendable trust fund	(176,660)
Per Exhibit 5 (GAAP basis)	<u><u>\$ 15,396,795</u></u>

**TOWN OF WOLFEBORO, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
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Expenditures and other financing uses:	
Per Exhibit 7 (budgetary basis)	\$ 14,986,621
Adjustments:	
Basis difference:	
Encumbrances, beginning	676,861
Encumbrances, ending	(613,528)
Capital lease inception	36,250
Perspective difference:	
Expenditures from library fund	45,353
Expenditures from Josiah Brown fund	17,500
Expenditures from expendable trust fund	546,761
Transfer to expendable trust fund	(578,750)
Per Exhibit 5 (GAAP basis)	<u>\$ 15,117,068</u>
Unassigned fund balance:	
Per Exhibit 7 (budgetary basis)	\$ 1,567,175
Adjustment:	
Basis difference:	
Deferred tax revenue, GAAP basis	(523,263)
Per Exhibit 3 (GAAP basis)	<u>\$ 1,043,912</u>

III. Detailed Notes on Funds and Government-Wide Statements

III.A. Assets

III.A.1. Investments

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

Certificates of Deposit	\$ 4,423,951
Fixed Income Funds	3,710,668
Equity Funds	1,442,477
Exchange Traded Funds	116,960
	<u>\$ 9,694,056</u>

The investments appear in the financial statements as follow:

Fund reporting level:	
Governmental funds - balance sheet (Exhibit 3)	\$ 7,930,170
Fiduciary funds - statement of fiduciary net position (Exhibit 11)	1,763,886
Total	<u>\$ 9,694,056</u>

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

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. The Town does not have any investments with credit ratings.

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. The Town does not have any investments subject to interest rate risks.

Concentration of Credit Risk is the risk of loss attributed to the magnitude of the Town's investment in a single issuer. The Town does not have an investment policy that addresses concentration of credit risk. As of December 31, 2017, the Town had \$1,462,829 invested in the Vanguard Short-Term Investment-Grade Fund, \$968,593 invested in the Fidelity Short-Term Treasury Bond Index Fund, \$598,034 invested in the TCW Total Return Bond Fund, and \$536,748 invested in the Fidelity 500 Index Fund representing 15.09%, 9.99%, 6.17% and 5.54% 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 \$9,694,056 of investments, \$5,270,105 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 lien 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 2016 property taxes on April 28th.

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

**TOWN OF WOLFEBORO, NEW HAMPSHIRE
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setting process, the Town sets an amount for potential abatements and tax deedings, known as overlay. Overlay is raised through taxation and is reported as a reduction in tax revenue.

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

For the New Hampshire education tax	\$ 1,982,380,000
For all other taxes	\$ 1,982,632,300

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

	<u>Per \$1,000 of Assessed Valuation</u>	
Municipal portion	\$5.76	\$ 11,413,621
School portion:		
State of New Hampshire	\$2.28	4,521,281
Local	\$5.55	11,004,012
County portion	\$1.39	2,760,342
Precinct portion:		
Lower Beech Pond	\$0.90	5,012
Total property taxes assessed		<u>\$ 29,704,268</u>

The following details the taxes receivable at year-end:

Property:		
Levy of 2017		\$ 1,232,829
Unredeemed (under tax lien):		
Levy of 2016		142,737
Levy of 2015		104,806
Levy of 2014		75,762
Levies of 2013 and prior		104,946
Timber		2,452
Betterment assessment		65,200
Less: allowance for estimated uncollectible taxes		<u>(400,000)</u>
Net taxes receivable		<u>\$ 1,328,732</u>

Other Receivables

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

TOWN OF WOLFEBORO, NEW HAMPSHIRE
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Deferred Revenue

Deferred revenue in the General Fund of \$621,267 at December 31, 2017 represents \$523,263 of 2017 property taxes that were not collected within 60 days of year-end, and therefore, are deferred in accordance with generally accepted accounting principles, \$63,511 in betterment assessments that will be invoiced in future years, \$24,841 held for future milfoil eradication as part of the joint board project, \$4,766 in taxes prepaid for the 2018 tax levy, \$2,122 received in advance of the Middleton Road Cemetery project activity, \$392 in donations for the Libby 100th celebration, and \$2,372 in miscellaneous items. Deferred revenue of \$5,576 in the Nonmajor Funds represents prepayments of program fees. In the governmental activities, only \$40,069 is reported as unearned revenue, represented the milfoil eradication balance, prepaid taxes, advance payments, donations, prepaid program fees, and miscellaneous items. 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:

	Balance, beginning	Additions	Deletions	Balance, ending
Governmental activities:				
At cost:				
Not being depreciated:				
Land	\$ 6,739,466	\$ -	\$ -	\$ 6,739,466
Construction in progress	504,220	842,594	(22,922)	1,323,892
Total capital assets not being depreciated	<u>7,243,686</u>	<u>842,594</u>	<u>(22,922)</u>	<u>8,063,358</u>
Being depreciated:				
Land improvements	72,808	-	-	72,808
Buildings and building improvements	9,148,351	1,437	-	9,149,788
Machinery, vehicles and equipment	6,411,903	411,466	(152,355)	6,671,014
Infrastructure	27,239,854	1,061,883	-	28,301,737
Other improvements	2,020,531	24,441	-	2,044,972
Total capital assets being depreciated	<u>44,893,447</u>	<u>1,499,227</u>	<u>(152,355)</u>	<u>46,240,319</u>
Total all capital assets	<u>52,137,133</u>	<u>2,341,821</u>	<u>(175,277)</u>	<u>54,303,677</u>
Less accumulated depreciation:				
Land improvements	(1,539)	(1,682)	-	(3,221)
Buildings and building improvements	(1,872,215)	(386,045)	-	(2,258,260)
Machinery, vehicles and equipment	(4,604,872)	(273,946)	152,355	(4,726,463)
Infrastructure	(8,705,438)	(599,422)	-	(9,304,860)
Other improvements	(1,275,284)	(62,822)	-	(1,338,106)
Total accumulated depreciation	<u>(16,459,348)</u>	<u>(1,323,917)</u>	<u>152,355</u>	<u>(17,630,910)</u>
Net book value, capital assets being depreciated	<u>28,434,099</u>	<u>175,310</u>	<u>-</u>	<u>28,609,409</u>
Net book value, all capital assets	<u>\$ 35,677,785</u>	<u>\$ 1,017,904</u>	<u>\$ (22,922)</u>	<u>\$ 36,672,767</u>

TOWN OF WOLFEBORO, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
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	<u>Balance, beginning</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance, ending</u>
Business-type activities:				
At cost:				
Not being depreciated:				
Land	\$ 1,115,005	\$ -	\$ -	\$ 1,115,005
Construction in progress	405,525	118,711	(405,525)	118,711
Total capital assets not being depreciated	<u>1,520,530</u>	<u>118,711</u>	<u>(405,525)</u>	<u>1,233,716</u>
Being depreciated:				
Buildings and building improvements	5,214,788	22,120	-	5,236,908
Machinery, vehicles and equipment	15,082,425	797,481	(27,851)	15,852,055
Infrastructure	28,231,778	978,182	-	29,209,960
Total capital assets being depreciated	<u>48,528,991</u>	<u>1,797,783</u>	<u>(27,851)</u>	<u>50,298,923</u>
Total all capital assets	<u>50,049,521</u>	<u>1,916,494</u>	<u>(433,376)</u>	<u>51,532,639</u>
Less accumulated depreciation:				
Buildings and building improvements	(2,154,196)	(124,379)	-	(2,278,575)
Machinery, vehicles and equipment	(8,677,869)	(460,280)	27,851	(9,110,298)
Infrastructure	(8,156,715)	(685,120)	-	(8,841,835)
Total accumulated depreciation	<u>(18,988,780)</u>	<u>(1,269,779)</u>	<u>27,851</u>	<u>(20,230,708)</u>
Net book value, capital assets being depreciated	<u>29,540,211</u>	<u>528,004</u>	<u>-</u>	<u>30,068,215</u>
Net book value, all capital assets	<u>\$ 31,060,741</u>	<u>\$ 646,715</u>	<u>\$ (405,525)</u>	<u>\$ 31,301,931</u>

Depreciation Expense

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

Governmental activities:	
General government	\$ 260,029
Public safety	125,831
Highways and streets	798,565
Sanitation	20,989
Culture and recreation	118,503
Total depreciation expense	<u>\$ 1,323,917</u>
Business-type activities:	
Sanitation	\$ 401,057
Water distribution and treatment	452,250
Electric distribution	361,308
Culture and recreation	55,164
Total depreciation expense	<u>\$ 1,269,779</u>

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III.B. Liabilities

III.B.1. Intergovernmental Payable

The amount due to other governments at December 31, 2017 consists of \$7,501,116 due to the Governor Wentworth Regional School District for the balance of the 2017-2018 district assessment, \$5,012 for the 2017 Lower Beech Pond district assessment, and \$8,747 in fees collected on behalf of the State of New Hampshire.

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 are as follow:

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at 12/31/2017	Current Portion
Governmental activities:						
General obligation bonds/notes payable:						
Public improvements	\$ 578,500	2000	2020	5.125-5.5	\$ 85,717	\$ 28,572
Sewall/Friend Street water systems	\$ 396,514	2006	2026	4.0-4.3	148,219	16,469
General projects	\$ 1,292,315	2007	2027	4.0-5.0	675,000	60,000
Town hall renovations	\$ 485,920	2008	2028	4.0-5.25	271,390	25,710
ADA restrooms compliance	\$ 301,800	2008	2028	4.0-5.25	171,390	15,710
Land purchase	\$ 131,500	2008	2028	4.0-5.25	61,390	5,710
Sidewalks	\$ 97,530	2008	2028	4.0-5.25	61,390	5,710
Repair/renovation railroad station	\$ 141,225	2009	2019	3.02-4.02	20,000	10,000
Parking lot purchase	\$ 243,325	2009	2019	3.02-4.02	45,000	25,000
Center Street drainage	\$ 566,000	2010	2020	3.0-5.0	165,000	55,000
Smith River streambank improvements	\$ 166,500	2010	2020	3.0-5.0	45,000	15,000
Pop Whalen ADA improvements	\$ 54,750	2010	2020	3.0-5.0	15,000	5,000
Public safety building repair	\$ 121,000	2012	2023	2.1-5.1	61,000	15,000
255 Main Street parking lot	\$ 144,000	2012	2023	2.1-5.1	84,000	15,000
Downtown street upgrades	\$ 717,500	2012	2033	2.1-5.1	557,500	35,000
Glendon Street parking lot	\$ 256,600	2012	2033	2.1-5.1	205,600	15,000
Public works garage upgrades	\$ 277,000	2014	2034	3.1-5.1	235,000	15,000
Construct parks maintenance building	\$ 176,000	2014	2024	5.1	120,000	20,000
Middleton Road construction	\$ 417,000	2014	2034	3.1-5.1	345,000	25,000
Center Street reconstruction	\$ 700,000	2015	2033	2.1-4.1	620,000	40,000
Renovation of Brewster Hall	\$ 3,130,000	2015	2033	2.1-4.1	2,780,000	175,000
Libby Museum	\$ 194,000	2015	2025	2.1-4.1	154,000	20,000
Stonehenge Road reconstruction	\$ 77,000	2015	2025	2.1-4.1	57,000	10,000
					<u>6,983,596</u>	<u>652,881</u>
Unamortized bond premium					<u>164,708</u>	<u>18,489</u>

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Capital leases payable:							
Telephone system	\$	13,440	2013	2018	5.62	1,520	1,520
Public safety server	\$	36,250	2017	2020	4.79	26,542	8,437
						<u>28,062</u>	<u>9,957</u>
Compensated absences payable:							
Accrued vacation leave						630,269	45,051
Other postemployment benefits payable						876,021	-
Accrued landfill postclosure care costs						60,000	5,000
Net pension liability						8,573,008	-
						<u>\$ 17,315,664</u>	<u>\$ 731,378</u>

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at 12/31/2017	Current Portion
Business-type activities:						
General obligation bonds/notes payable:						
Water system improvements	\$ 450,000	1996	2021	4.5	\$ 87,000	\$ 24,000
Water treatment facility	\$ 3,000,000	1996	2026	4.5	725,000	92,000
Water system improvements	\$ 550,000	1997	2025	4.5	136,000	17,000
Infiltration/inflow project	\$ 535,000	2000	2020	5.125-5.5	79,283	26,428
Electric distribution upgrade	\$ 5,281,000	2003	2023	2.25-4.25	1,570,000	265,000
Water system improvements	\$ 1,183,080	2004	2033	4.25	573,000	38,000
Sewall/Friend Streets water system	\$ 1,650,011	2006	2026	4.0-4.30	616,781	68,531
Water projects	\$ 2,816,295	2007	2027	4.0-5.0	1,375,000	145,000
Sewer infiltration/inflow project	\$ 592,990	2007	2027	4.0-5.0	300,000	30,000
Water system improvements	\$ 640,735	2008	2028	4.0-5.25	336,390	30,710
Sewer infiltration/inflow project	\$ 797,605	2008	2028	4.0-5.25	446,660	40,740
Pop Whalen rink	\$ 321,755	2008	2028	4.0-5.25	171,390	15,710
Water line replacement	\$ 253,010	2009	2019	3.02-4.02	50,000	25,000
Wastewater treatment facility upgrade	\$ 5,820,364	2009	2029	2.352	3,492,219	291,018
Sewer	\$ 793,000	2009	2020	3.0-4.0	235,000	80,000
Water line replacement	\$ 566,000	2010	2020	3.0-5.0	165,000	55,000
Pop Whalen ADA improvements	\$ 54,750	2010	2020	3.0-5.0	15,000	5,000
Pop Whalen fire protection project	\$ 206,800	2011	2022	3.0-5.0	100,000	20,000
Pleasant Valley Road MED upgrade	\$ 616,200	2011	2022	3.0-5.0	300,000	60,000
Wastewater treatment facility upgrade	\$ 592,063	2012	2031	1.104	414,444	29,603
Wastewater facility upgrades	\$ 170,400	2012	2033	2.1-5.1	130,400	10,000
Wastewater facility upgrades	\$ 246,500	2012	2033	2.1-5.1	186,500	15,000
Water meter project	\$ 436,764	2014	2024	1.94	213,622	26,810
Sewer collection system upgrades	\$ 370,000	2014	2034	3.1-5.1	310,000	20,000
Whiten Neck Road water line upgrade	\$ 489,750	2017	2037	2.66	489,750	24,750
					<u>12,518,439</u>	<u>1,455,300</u>
Unamortized bond premium					792,875	71,027
Unamortized loan forgiveness					101,911	16,985
Compensated absences payable:						
Accrued vacation leave					146,390	-
Other postemployment benefits payable					221,736	-
Net pension liability					1,477,412	-
					<u>\$ 15,258,763</u>	<u>\$ 1,543,312</u>

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Changes in Long-Term Liabilities

The following is a summary of changes in long-term liabilities of the governmental activities for the year ended December 31, 2017:

	General Obligation Bonds and Notes Payable	Unamortized Bond Premium	Capital Leases Payable	Compensated Absences Payable	OPEB Liability	Accrued Landfill Postclosure Care Costs	Net Pension Liability	Total
Balance, beginning	\$ 7,676,477	\$ 183,197	\$ 40,899	\$ 541,871	\$ 753,475	\$ 52,000	\$ 8,473,347	\$ 17,721,266
Additions	-	-	36,250	88,398	122,546	8,000	99,661	354,855
Reductions	(692,881)	(18,489)	(49,087)	-	-	-	-	(760,457)
Balance, ending	<u>\$ 6,983,596</u>	<u>\$ 164,708</u>	<u>\$ 28,062</u>	<u>\$ 630,269</u>	<u>\$ 876,021</u>	<u>\$ 60,000</u>	<u>\$ 8,573,008</u>	<u>\$ 17,315,664</u>

The following is a summary of changes in long-term liabilities of the business-type activities for the year ended December 31, 2017:

	General Obligation Bonds and Notes Payable	Unamortized Bond Premium	Unamortized Loan Forgiveness	Compensated Absences Payable	OPEB Liability	Net Pension Liability	Total
Balance, beginning	\$ 13,458,057	\$ 798,639	\$ 118,896	\$ 112,032	\$ 166,969	\$ 1,518,800	\$ 16,173,393
Additions	489,750	60,250	-	34,358	54,767	-	639,125
Reductions	(1,429,368)	(66,014)	(16,985)	-	-	(41,388)	(1,553,755)
Balance, ending	<u>\$ 12,518,439</u>	<u>\$ 792,875</u>	<u>\$ 101,911</u>	<u>\$ 146,390</u>	<u>\$ 221,736</u>	<u>\$ 1,477,412</u>	<u>\$ 15,258,763</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
2018	\$ 652,881	\$ 256,242	\$ 909,123
2019	637,881	230,510	868,391
2020	612,881	239,549	852,430
2021	509,309	174,556	683,865
2022	504,309	154,394	658,703
2023-2027	2,280,396	523,390	2,803,786
2028-2032	1,482,840	193,962	1,676,802
2033-2034	303,099	11,661	314,760
Totals	<u>\$ 6,983,596</u>	<u>\$ 1,784,264</u>	<u>\$ 8,767,860</u>

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Year Ending December 31,	Business-type Activities		
	Principal	Interest	Total
2018	\$ 1,455,300	\$ 489,508	\$ 1,944,808
2019	1,456,752	431,567	1,888,319
2020	1,416,974	371,918	1,788,892
2021	1,236,788	314,821	1,551,609
2022	1,226,051	264,350	1,490,401
2023-2027	4,292,063	710,210	5,002,273
2028-2032	1,247,608	129,274	1,376,882
2033-2037	186,903	13,932	200,835
Totals	<u>\$ 12,518,439</u>	<u>\$ 2,725,580</u>	<u>\$ 15,244,019</u>

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

Year Ending December 31,	Principal	Interest	Total
	2018	\$ 9,957	\$ 1,297
2019	8,841	867	9,708
2020	9,264	444	9,708
Totals	<u>\$ 28,062</u>	<u>\$ 2,608</u>	<u>\$ 30,670</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 \$60,000 as of December 31, 2017, 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, 2017. 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 \$122,125 from the nonmajor funds represents \$105,953 from overdrafts of pooled cash and \$16,172 in reimbursements from the permanent fund for various Town projects.

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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 Funds		Enterprise Fund	
	General	Nonmajor	Sewer Department	Total
Transfers out:				
General fund	\$ -	\$ 100,000	\$ 803,315	\$ 903,315
Nonmajor funds	14,085	-	-	14,085
	\$ 14,085	\$ 100,000	\$ 803,315	\$ 917,400

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

III.D. Restatement of Beginning Equity

The beginning equity was restated as follows:

	Governmental Activities	Business-type Activities	General Fund	Electric Department Fund
To correct accounts payable	\$ (60,730)	\$ (136,619)	\$ (60,730)	\$ (136,619)
Net position/fund balance, as previously reported	26,248,044	29,073,535	3,799,888	9,208,928
Net position/fund balance, as restated	\$ 26,187,314	\$ 28,936,916	\$ 3,739,158	\$ 9,072,309

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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	\$ -	\$ 763,879
Prepaid items	59,425	-
Tax deeded property	53,026	-
Total nonspendable	112,451	763,879
Restricted:		
General government	-	261,866
Culture and recreation	384,577	-
Capital outlay	-	660,052
Total restricted	384,577	921,918
Committed:		
Public safety	-	64,691
Highways and streets	22,549	-
Culture and recreation	104,765	2,000
Conservation	-	236,099
Capital outlay	2,064,350	-
Total committed	2,191,664	302,790
Assigned:		
General government	22,068	-
Highways and streets	101,513	-
Sanitation	15,690	-
Culture and recreation	39,025	-
Capital outlay	107,985	-
Total assigned	286,281	-
Unassigned	1,043,912	(1,472)
Total fund balance	\$ 4,018,885	\$ 1,987,115

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 2017 to be recorded as an insurance expenditure/expense totaled \$143,238 for property/liability and \$111,161 for workers' compensation. There were no unpaid contributions for the year ended December 31, 2017. 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 for the period of January 1 to June 30 were 26.38% for police officers, 29.16% for firefighters and 11.17% for other employees, increasing on July 1 to 29.43% for police officers, 31.89% for firefighters, and 11.38% for other employees. The rates are actuarially determined to generate an amount, that when combined with employee contributions, is expected to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employer contributions from the Town during the years 2015, 2016 and 2017 were \$734,301, \$792,455 and \$863,859, respectively. The amounts are paid on a monthly basis as due.

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

At December 31, 2017, the Town reported a liability of \$10,050,420 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016, rolled forward. 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

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June 30, 2017, the Town's proportion was 0.2044%, which was an increase of 0.0165% from its proportion measured as of June 30, 2016.

For 2017, the Town recognized pension expense of \$1,308,285, split between governmental activities (\$1,154,327) and business-type activities (\$153,958). At year-end, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion and differences between employer contributions and proportionate share of contributions	\$ 737,166	\$ 69,532
Net differences between projected and actual earnings on pension plan investments	-	127,997
Differences between expected and actual experience	22,789	127,913
Changes in assumptions	1,009,195	-
Town contributions subsequent to the measurement date	<u>442,966</u>	<u>-</u>
	<u>\$ 2,212,116</u>	<u>\$ 325,442</u>

The Town reported \$442,966 as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date, which will be recognized as a reduction of the net pension liability in the following year.

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

Year Ended <u>December 31,</u>	
2018	\$ 340,768
2019	603,110
2020	518,300
2021	<u>(18,470)</u>
	<u>\$ 1,443,708</u>

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Actuarial Assumptions

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

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

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

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

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	\$ 13,240,924	\$ 10,050,420	\$ 7,435,928

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.

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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.

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 SchoolCare. 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, 2017, 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 2017 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, 2017 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, 2017 are as follow:

Annual Required Contribution (ARC)	\$ 210,174
Interest on net OPEB obligation	36,818
Adjustment of ARC	<u>(52,196)</u>
Annual OPEB cost	194,796
Contributions made	<u>(17,483)</u>
Increase in net OPEB obligation	177,313
Net OPEB obligation - beginning of year	<u>920,444</u>
Net OPEB obligation - end of year	<u><u>\$ 1,097,757</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 2017 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	32.5%	\$ 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
12/31/2017	\$ 194,796	9.0%	\$ 1,097,757

Funded Status and Funding Progress for OPEB

The most recent actuarial valuation date was January 1, 2017, and included roll forward calculations for the subsequent two periods. The funded status of the plan as of December 31, 2017 is as follows:

Actuarial Accrued Liability (AAL)	\$ 2,185,349
Actuarial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability	<u>\$ 2,185,349</u>
Funded ratio (actuarial value of plan assets/AAL)	0.0%
Covered payroll (active plan members)	\$ 5,022,891
UAAL as a percentage of covered payroll	43.5%

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 provides 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 includes the types of benefits provided at the time of each valuation

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

and the historical pattern of sharing of benefit costs between the Town and plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

The method used in the January 1, 2017 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, 2017

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%
1/1/2017	\$ -	\$ 2,185,349	\$ 2,185,349	0.0%	\$ 5,022,891	43.5%

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%
2017	0.2044%	\$ 10,050,420	\$ 5,022,891	200.09%	62.66%

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%
2017	\$ 863,859	\$ (863,859)	\$ -	\$ 5,022,891	17.20%

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, 2017**

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 eighth year that the Town has reported the OPEB schedule, and third year that the Town has presented the pension schedules, only nine and four 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, 2017

	Special Revenue Funds					Capital Project Fund	Permanent Fund	Total
	Recreation Revolving	Police Detail	Conservation Commission	CDBG	Miscellaneous Grants			
ASSETS								
Cash and cash equivalents	\$ 11,530	\$ 63,451	\$ 236,099	\$ -	\$ -	\$ 198,665	\$ 12,526	\$ 522,271
Investments	-	-	-	-	-	-	1,024,428	1,024,428
Receivables:								
Accounts	7,924	1,240	-	-	-	-	-	9,164
Intergovernmental	-	-	-	-	107,322	461,387	-	568,709
Prepaid items	-	-	-	-	-	-	2,122	2,122
Total assets	<u>\$ 19,454</u>	<u>\$ 64,691</u>	<u>\$ 236,099</u>	<u>\$ -</u>	<u>\$ 107,322</u>	<u>\$ 660,052</u>	<u>\$ 1,039,076</u>	<u>\$ 2,126,694</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES								
Liabilities:								
Accounts payable	\$ 11,878	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,878
Interfund payable	-	-	-	100	105,853	-	16,172	122,125
Total liabilities	<u>11,878</u>	<u>-</u>	<u>-</u>	<u>100</u>	<u>105,853</u>	<u>-</u>	<u>16,172</u>	<u>134,003</u>
Deferred inflows of resources:								
Deferred revenue	<u>5,576</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,576</u>
Fund balances:								
Nonspendable	-	-	-	-	-	-	763,879	763,879
Restricted	-	-	-	-	2,841	660,052	259,025	921,918
Committed	2,000	64,691	236,099	-	-	-	-	302,790
Unassigned	-	-	-	(100)	(1,372)	-	-	(1,472)
Total fund balances	<u>2,000</u>	<u>64,691</u>	<u>236,099</u>	<u>(100)</u>	<u>1,469</u>	<u>660,052</u>	<u>1,022,904</u>	<u>1,987,115</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 19,454</u>	<u>\$ 64,691</u>	<u>\$ 236,099</u>	<u>\$ -</u>	<u>\$ 107,322</u>	<u>\$ 660,052</u>	<u>\$ 1,039,076</u>	<u>\$ 2,126,694</u>

EXHIBIT 17
TOWN OF WOLFEBORO, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended December 31, 2017

	Special Revenue Funds				Capital Project Fund	Permanent Fund	Total
	Recreation Revolving	Police Detail	Conservation Commission	CDBG			
REVENUES							
Taxes	\$ -	\$ -	\$ 2,830	\$ -	\$ -	\$ -	\$ 2,830
Intergovernmental	-	-	-	-	119,933	346,529	466,462
Charges for services	157,477	42,390	-	-	-	-	199,867
Miscellaneous	-	-	615	-	1,000	-	85,339
Total revenues	<u>157,477</u>	<u>42,390</u>	<u>3,445</u>	<u>-</u>	<u>120,933</u>	<u>346,529</u>	<u>754,498</u>
EXPENDITURES							
Current:							
General government	-	-	-	-	860	-	19,509
Public safety	-	32,350	-	-	25,388	-	57,738
Water distribution and treatment	-	-	-	-	13,358	-	13,358
Culture and recreation	156,477	-	-	-	-	-	156,477
Conservation	-	-	20,067	-	77,392	-	97,459
Capital outlay	-	-	-	-	-	551,009	592,909
Total expenditures	<u>156,477</u>	<u>32,350</u>	<u>20,067</u>	<u>-</u>	<u>116,998</u>	<u>551,009</u>	<u>937,450</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,000</u>	<u>10,040</u>	<u>(16,622)</u>	<u>-</u>	<u>3,935</u>	<u>(204,480)</u>	<u>(182,952)</u>
Other financing uses:							
Transfers in	-	-	-	-	-	100,000	100,000
Transfers out	-	-	-	-	-	-	(14,085)
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>100,000</u>	<u>85,915</u>
Net change in fund balances	1,000	10,040	(16,622)	-	3,935	(104,480)	(97,037)
Fund balances, beginning	1,000	54,651	252,721	(100)	(2,466)	764,532	2,084,152
Fund balances, ending	<u>\$ 2,000</u>	<u>\$ 64,691</u>	<u>\$ 236,099</u>	<u>\$ (100)</u>	<u>\$ 1,469</u>	<u>\$ 660,052</u>	<u>\$ 1,987,115</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, 2017

	Estimated	Actual	Variance Positive (Negative)
Taxes:			
Property	\$ 11,055,302	\$ 11,061,434	\$ 6,132
Land use change	-	2,830	2,830
Timber	21,550	21,968	418
Payments in lieu of taxes	27,067	27,357	290
Interest and penalties on delinquent taxes	130,000	127,720	(2,280)
Total taxes	11,233,919	11,241,309	7,390
Licenses, permits and fees:			
Business licenses and permits	34,165	27,598	(6,567)
Motor vehicle permits	1,350,000	1,531,482	181,482
Building permits	70,000	83,874	13,874
Other	157,684	172,741	15,057
Total licenses, permits and fees	1,611,849	1,815,695	203,846
Intergovernmental:			
State sources:			
Shared revenue	321,964	321,964	-
Highway block grant	179,259	179,256	(3)
Additional highway block grant	153,088	153,088	-
Water pollution grant	-	6,921	6,921
State and federal forest land	45	45	-
Landfill closure grant	6,174	6,174	-
Milfoil grant	2,532	3,732	1,200
Other grants	30,000	-	(30,000)
Total intergovernmental	693,062	671,180	(21,882)
Charges for services:			
Income from departments	538,984	567,262	28,278
Miscellaneous:			
Special assessments	-	12,390	12,390
Sale of property	28,271	11,280	(16,991)
Interest on investments	13,000	38,618	25,618
Rent of property	113,643	147,194	33,551
Insurance dividends and reimbursements	-	44,951	44,951
Contributions and donations	-	6,430	6,430
Other	633,310	637,503	4,193
Total miscellaneous	788,224	898,366	110,142
Other financing sources:			
Transfers in:			
Nonmajor funds	199,320	185,680	(13,640)
Total revenues and other financing sources	15,065,358	\$ 15,379,492	\$ 314,134
Use of fund balance to reduce taxes	200,000		
Total revenues, other financing sources and use of fund balance	\$ 15,265,358		

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, 2017

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
General government:					
Executive	\$ -	\$ 366,138	\$ 400,439	\$ 4,098	\$ (38,399)
Financial administration	-	333,611	343,228	-	(9,617)
Planning and zoning	-	194,490	179,084	14,970	436
General government buildings	-	102,227	113,145	3,000	(13,918)
Cemeteries	-	9,634	8,423	-	1,211
Other	-	1,203,616	1,188,255	-	15,361
Total general government	-	<u>2,209,716</u>	<u>2,232,574</u>	<u>22,068</u>	<u>(44,926)</u>
Public safety:					
Police	-	1,860,251	1,834,672	-	25,579
Fire	-	1,914,761	1,891,589	-	23,172
Building inspection	-	145,504	131,008	-	14,496
Emergency management	-	5,221	3,248	-	1,973
Other	-	558,406	549,780	-	8,626
Total public safety	-	<u>4,484,143</u>	<u>4,410,297</u>	-	<u>73,846</u>
Highways and streets:					
Administration	-	202,852	229,208	1,043	(27,399)
Highways and streets	2,200	2,116,421	2,109,276	35,953	(26,608)
Other	21,934	781,123	686,351	87,066	29,640
Total highways and streets	<u>24,134</u>	<u>3,100,396</u>	<u>3,024,835</u>	<u>124,062</u>	<u>(24,367)</u>
Sanitation:					
Solid waste disposal	<u>10,190</u>	<u>771,084</u>	<u>728,803</u>	<u>15,690</u>	<u>36,781</u>
Health:					
Administration	-	6,246	6,178	-	68
Pest control	-	22,581	23,934	-	(1,353)
Health agencies and hospitals	-	110,331	127,581	-	(17,250)
Total health	-	<u>139,158</u>	<u>157,693</u>	-	<u>(18,535)</u>
Welfare:					
Administration and direct assistance	-	<u>91,838</u>	<u>65,636</u>	-	<u>26,202</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, 2017

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Culture and recreation:					
Parks and recreation	1,120	1,182,673	1,021,412	125,490	36,891
Public library	-	505,392	500,086	-	5,306
Patriotic purposes	-	15,656	15,650	-	6
Other	2,500	44,383	43,664	2,500	719
Total culture and recreation	<u>3,620</u>	<u>1,748,104</u>	<u>1,580,812</u>	<u>127,990</u>	<u>42,922</u>
Conservation	-	10,056	10,376	-	(320)
Economic development	-	13,722	12,489	-	1,233
Debt service:					
Principal	-	692,881	692,881	-	-
Interest on long-term debt	-	288,366	287,472	-	894
Interest on tax anticipation note	-	2,500	-	-	2,500
Total debt service	<u>-</u>	<u>983,747</u>	<u>980,353</u>	<u>-</u>	<u>3,394</u>
Capital outlay:					
Machinery, vehicles and equipment	182,868	16,527	7,565	2,270	189,560
Buildings	66,180	31,714	35,493	18,352	44,049
Improvements other than buildings	389,869	183,088	320,963	303,096	(51,102)
Total capital outlay	<u>638,917</u>	<u>231,329</u>	<u>364,021</u>	<u>323,718</u>	<u>182,507</u>
Other financing uses:					
Transfers out:					
Expendable trust fund	-	578,750	578,750	-	-
Capital project fund	-	100,000	100,000	-	-
Sewer department fund	-	803,315	803,315	-	-
Total other financing uses	<u>-</u>	<u>1,482,065</u>	<u>1,482,065</u>	<u>-</u>	<u>-</u>
Total encumbrances, appropriations, expenditures and other financing uses	<u>\$ 676,861</u>	<u>\$ 15,265,358</u>	<u>\$ 15,049,954</u>	<u>\$ 613,528</u>	<u>\$ 278,737</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, 2017

Unassigned fund balance, beginning		\$ 1,158,891
Changes:		
Unassigned fund balance used to reduce tax rate		(200,000)
Budget summary:		
Revenue surplus (Exhibit 18)	\$ 314,134	
Unexpended balance of appropriations (Exhibit 19)	<u>278,737</u>	
Budget surplus		592,871
Decrease in nonspendable fund balance		5,011
Decrease in restricted fund balance		<u>10,402</u>
Unassigned fund balance, ending		<u><u>\$ 1,567,175</u></u>



Roberts & Greene, PLLC

INDEPENDENT AUDITOR'S COMMUNICATION TO MANAGEMENT

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

In planning and performing our audit of the financial statements of the governmental activities, 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, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered the Town's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

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

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.

We do want to discuss the following other matter:

Financial Policies

There was some confusion evident regarding the use of restricted funds before unrestricted funds when it concerned donations for welfare. The Town should have a policy that defines whether restricted funds are to be used first, prior to using unrestricted funds. The Town should be reviewing its financial policies on an annual basis to ensure those policies are relevant, effective, and are being implemented. The Town's investment policy is required to be reviewed annually in accordance with NH RSA 41:9.

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
June 12, 2018