

TOWN OF WOLFEBORO, NEW HAMPSHIRE

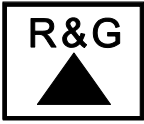
FINANCIAL REPORT

AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2018

**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, 2018, 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, 2018, and the respective changes in financial position thereof, and where applicable, cash flows, 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.

Emphasis of Matter

Change in Accounting Principle

As discussed in Note I.B.5. to the financial statements, in the year 2018, the Town adopted new accounting guidance regarding the accounting and reporting for postemployment benefits other than pensions (OPEB). Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and pension and OPEB information on pages 3-12 and 54-57 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting 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 & Heene, PLLC

Concord, New Hampshire
December 11, 2019

TOWN OF WOLFEBORO, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ending December 31, 2018

Presented herewith please find the Management Discussion & Analysis Report for the Town of Wolfeboro for the year ended December 31, 2018. The responsibility for accuracy of the data, the completeness and fairness of this documentation (including all disclosures) rests with management. To the best of our knowledge and belief, the data contained herein is accurate in all material aspects. This report and its content have been designed to fairly present the Town's financial position, including the results of operations of all the funds of the Town. All the disclosures necessary to enable and to assist the reader in acquiring an accurate understanding of the Town's financial activities have been included.

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

Overview of the Financial Statements

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

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

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

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

Government-Wide Financial Statements

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

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

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

TOWN OF WOLFEBORO, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ending December 31, 2018

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, 2018**

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 59). 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, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Current and other assets:		
Capital assets, net	\$ 38,822,777	\$ 28,609,409
Other assets	<u>16,753,683</u>	<u>23,016,693</u>
Total assets	\$ 55,576,460	\$ 51,626,102
Deferred Outflows of Resources	\$ 2,096,152	\$ 1,886,961
Long-term liabilities	\$ 18,547,443	\$ 18,300,347
Other liabilities	<u>9,325,032</u>	<u>9,150,497</u>
Total liabilities	<u>\$ 27,872,475</u>	<u>\$ 27,450,844</u>
Deferred Inflows of Resources	\$ 777,275	\$ 317,671
Net position:		
Net investment in capital assets	\$ 32,311,650	\$ 29,496,401
Restricted	1,545,725	2,067,533
Unrestricted	<u>(4,834,513)</u>	<u>(5,819,386)</u>
Total net position	<u>\$ 29,022,862</u>	<u>\$ 25,744,548</u>

TOWN OF WOLFEBORO, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ending December 31, 2018

Beginning net position as of January 1, 2018 was restated to reflect the change in accounting principle as noted in Note I.B.5. of the notes to the financial statements. The Town's net position totaled \$ 29,022,862 at the end of fiscal year 2018, an increase of \$3,278,314 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 \$2,815,249, a decrease in restricted net position of \$(521,808) as well as a decrease in unrestricted net position of \$731,188.

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, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Program revenues:		
Charges for services	\$ 741,794	\$ 767,129
Operating grants and contributions	263,474	220,427
Capital grants and contributions	<u>1,060,518</u>	<u>678,873</u>
Total program revenues	<u>2,065,786</u>	<u>1,666,429</u>
General revenues:		
Property and other taxes	11,957,268	11,244,139
Licenses and permits	1,869,729	1,815,695
Grants and Contributions	320,746	322,066
Miscellaneous	1,909,400	1,062,936
Transfers	<u>(566,303)</u>	<u>(803,315)</u>
Total general revenues and transfers	<u>15,490,840</u>	<u>13,641,521</u>
Total revenues	<u>17,556,626</u>	<u>15,307,950</u>
Program expenses:		
General government	2,617,068	2,577,196
Public safety	5,117,059	4,955,511
Highways and streets	3,127,516	3,000,345
Water Distribution & Treatment	0	13,358
Health and welfare	241,742	223,454
Sanitation	755,490	772,451
Culture and recreation	1,791,680	1,783,280
Economic development	12,453	12,489
Conservation	48,917	107,835
Interest and fiscal charges	227,859	257,525
Capital Outlay	<u>338,528</u>	<u>331,211</u>
Total expenses	<u>14,278,312</u>	<u>14,034,665</u>

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

Year Ending December 31, 2018

Change in position	3,278,314	1,273,295
Net Position - beginning of year	<u>25,744,548</u>	<u>26,187,314</u>
Net Position - ending of year	<u>\$ 29,022,862</u>	<u>\$ 27,460,609</u>

During the year ended December 31, 2018 program revenues covered only 15.0% of program expenses, while the remaining 85% 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 (36%), culture and recreation (13%), and highways and streets (22%) which accounted for 89% 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, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Current and other assets:		
Capital assets, net	\$ 31,869,469	\$ 30,068,215
Other assets	<u>13,529,724</u>	<u>15,990,103</u>
Total assets	<u>\$ 45,399,193</u>	<u>\$ 46,058,318</u>
Deferred Outflows of Resources	352,426	325,155
Long-term liabilities	\$ 13,850,760	\$ 14,137,826
Other liabilities	<u>1,026,767</u>	<u>2,435,646</u>
Total liabilities	<u>\$ 14,877,527</u>	<u>\$ 16,573,472</u>
Deferred inflows of resources	<u>\$ 177,252</u>	<u>\$ 112,806</u>
Net position:		
Invested in capital assets, net of related debt	\$ 19,937,798	\$ 17,888,597
Unrestricted	<u>10,759,042</u>	<u>11,808,598</u>
Total net position	<u>\$ 30,696,840</u>	<u>\$ 29,697,195</u>

Beginning net position of the business-type activities as of January 1, 2018 was restated to reflect the change in accounting principle as noted in Note I.B.5. of the notes to the financial statements. The Town's business-type activities net position totaled \$31,027,119 at the end of fiscal year 2018, an increase of \$ 907,549 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 \$ 2,049,201 in addition to a decrease in unrestricted net position of (\$1,141,652).

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, 2018

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, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Program revenues:		
Charges for services	\$ 13,264,977	\$ 12,601,636
Grants and contributions	<u>150,993</u>	<u>79,750</u>
Total program revenues	<u>13,415,970</u>	<u>12,681,386</u>
General revenues:		
Miscellaneous	63,739	49,653
Transfers	<u>566,303</u>	<u>803,315</u>
Total general revenues and transfers	<u>630,042</u>	<u>852,968</u>
Total revenues	<u>14,046,012</u>	<u>13,534,354</u>
Program expenses:		
Electric	9,737,328	8,875,358
Water	1,514,053	1,629,006
Sewer	1,505,434	1,562,795
Pop Whalen	<u>289,552</u>	<u>284,541</u>
Total program expenses	<u>13,046,367</u>	<u>12,351,700</u>
Change in net position	999,645	1,182,654
Net position – beginning of year	<u>29,697,195</u>	<u>28,936,916</u>
Net position - ending of year	<u>\$ 31,027,119</u>	<u>\$ 30,119,570</u>

The primary funding source for business-type activities is charges for services, which comprises 96% of all funding sources. Program revenues provided funding for 109% of total program expenses. Net position increased a total of \$ 999,645 primarily due to Total Revenues exceeding Program Expenses for the year.

Financial Analysis of the Town's Funds

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

Governmental Funds

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

TOWN OF WOLFEBORO, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ending December 31, 2018

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 \$2,050,434, while total fund equity was \$5,498,528. The total fund equity also includes a Non-spendable fund balance of \$158,136, a Restricted fund balance of \$457,340, as well as an Assigned fund balance of \$399,035 and a Committed fund balance of \$2,433,583. The General Fund total fund balance increased \$1,479,643 from December 31, 2017.

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 2018 \$0.00 was used to offset the tax rate. Please see (Exhibit 20) (Page 61) of the financial statements for a reconciliation of changes in fund balance from the prior year.

Other Governmental Funds

According to Exhibit 17 Combining Balance Sheet – Non- Governmental Funds, the total fund balance in Other Governmental Funds is \$1,380,417 at year end, a reduction of (\$606,698) 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 \$225,263 in Committed fund balance; Police Detail Fund \$61,433 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 \$ 5,000, as well as the CDBG Fund with an Unassigned deficit of (\$292). The Permanent Fund totals \$1,088,385 of which \$866,365 is Non-spendable fund balance with the remaining \$222,020 being Restricted fund balance.

Proprietary Funds

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

The Town of Wolfeboro's proprietary funds consist of the Water Department, Sewer Department, Electric Department and Pop Whalen Ice Arena. According to Exhibit 9 the Statement of Revenues, Expenses and Changes in Net Position, total net position increased \$ 999,645 from December 31, 2017 to December 31, 2018 to a total of \$30,696,840. The Income (Loss) before capital contributions and transfers was as follows: Electric Department \$ 631,426; Water Department \$271,922; Sewer Department (\$440,673) and Pop Whalen Ice Arena (\$29,333). Please note that after applying the effect of capital contributions and transfers in from the general fund changes in net position were as follows: Electric Department \$631,426; Water Department \$221,922; Sewer Department \$175,630 and Pop Whalen Fund (\$29,333).

Rates for the Municipal Electric Fund were flat in 2018. Rates for the Pop Whalen Fund were increased in 2018. Water and Sewer Funds were increased in early 2018.

TOWN OF WOLFEBORO, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
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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 \$610,652. Revenues exceeded estimations in all categories, with the exception of Interest & Penalties (\$514); Business Licenses and Permits (\$2,222); Highway Block Grant (\$103); Railroad Grant (\$3,340); Miscellaneous Grants (\$19,946); Rent of Property (\$2,642); Other (\$33,722) and Long-Term Debt Issued (\$293,000). Net Departmental totals are as follows: Taxes \$216,519; Licenses and permits \$186,285; Intergovernmental revenues (\$9,669); Charges for services \$53,445; Miscellaneous income \$47,995 and Other Financing Sources \$116,077.

Expenditures for the year remained within appropriated amounts overall. The Town remained within its total expenditure budget by \$572,129 which resulted in excess anticipated revenues over anticipated expenditures (Budget Surplus) of \$1,182,781.

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, 2018 amounts to \$32,311,650 and \$19,937,798, 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 \$6,983,596 and \$12,518,439 in the governmental activities and business-type activities, respectively. Principal payments during the year reduced outstanding general obligation debt of the Town by (\$652,881) leaving a balance at year-end of \$6,330,715. In business-type activities, (\$1,455,300) was retired leaving a balance at year-end of \$11,063,139. The combined total outstanding balance at year-end was \$17,393,854. 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 42 of the Notes to the Financial Statements.

Other information

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

In 2015, GASB Statement No. 68 went into effect. GASB's stated intent is to increase transparency, consistency and comparability of pension information across governments. GASB 68 impacts financial reporting for participating employers of the New Hampshire Retirement System (NHRS). The change in standard will revise the way that pension plan financial information is reported, however it does not change the funding mechanism

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

Year Ending December 31, 2018

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 \$1,982,632,300 to \$1,977,540,743 or a decrease of \$5,091,557 as a result of fluctuations in the housing market, as reflected in the Town's revaluation of property by the Assessing Department. The next scheduled full revaluation of property is scheduled for April 1, 2020.

The overall tax rate increased by \$.82 at \$ 15.80 compared with the 2017 rate of \$14.98 per thousand. Totals for uncollected taxes at year end remained low.

Total voted appropriation for 2018 was \$ 27,340,249. 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, 2018. The average unemployment rate for the year was 2.6 % for the Wolfeboro NH LMA; lower than the national average of 4.0%. The yearly Northeast Consumer Price Index increase was 1.7%.

TOWN OF WOLFEBORO, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ending December 31, 2018

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: Troy E. Neff, 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, 2018

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 7,159,525	\$ 10,208,515	\$ 17,368,040
Investments	7,672,423	-	7,672,423
Intergovernmental receivable	527,903	1,571,752	2,099,655
Other receivables, net of allowance for uncollectibles	1,233,574	1,336,487	2,570,061
Inventory	-	381,527	381,527
Prepaid items	107,232	31,443	138,675
Tax deeded 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	376,940	1,395,392	1,772,332
Capital assets, net of accumulated depreciation:			
Land improvements	72,980	-	72,980
Buildings and building improvements	7,483,358	2,936,062	10,419,420
Machinery, vehicles and equipment	1,873,036	6,693,913	8,566,949
Infrastructure	21,421,313	19,729,097	41,150,410
Improvements other than buildings	855,684	-	855,684
Total assets	<u>55,576,460</u>	<u>45,399,193</u>	<u>100,975,653</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amounts related to pensions	1,496,549	237,571	1,734,120
Deferred amounts related to OPEB	599,603	114,855	714,458
Total deferred outflows of resources	<u>2,096,152</u>	<u>352,426</u>	<u>2,448,578</u>
LIABILITIES			
Accounts payable	369,301	691,018	1,060,319
Accrued payroll and benefits	140,082	31,420	171,502
Contract payable	221,544	-	221,544
Accrued interest payable	88,733	213,076	301,809
Intergovernmental payable	8,507,744	631	8,508,375
Retainage payable	25,630	-	25,630
Performance and escrow deposits	12,660	49,960	62,620
Internal balances	(40,662)	40,662	-
Noncurrent obligations:			
Due within one year:			
Bonds and notes payable	637,881	1,456,753	2,094,634
Unamortized bond premium	18,489	88,012	106,501
Capital leases payable	13,986	-	13,986
Compensated absences payable	34,092	-	34,092
Accrued landfill postclosure care costs	5,000	-	5,000
Due in more than one year:			
Bonds and notes payable	5,692,834	9,606,386	15,299,220
Unamortized bond premium	127,730	718,764	846,494
Capital leases payable	20,207	-	20,207
Compensated absences payable	480,031	50,745	530,776
Accrued landfill postclosure care costs	50,000	-	50,000
Net pension liability	8,123,011	640,583	8,763,594
Other postemployment benefits liability	3,344,182	1,289,517	4,633,699
Total liabilities	<u>27,872,475</u>	<u>14,877,527</u>	<u>42,750,002</u>

(continued)

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

EXHIBIT 1 (continued)
TOWN OF WOLFEBORO, NEW HAMPSHIRE
Statement of Net Position
December 31, 2018

	Governmental Activities	Business-type Activities	Total
DEFERRED INFLOWS OF RESOURCES			
Unearned revenue	88,621	63,427	152,048
Deferred amounts related to pensions	551,423	87,538	638,961
Deferred amounts related to OPEB	137,231	26,287	163,518
Total deferred inflows of resources	<u>777,275</u>	<u>177,252</u>	<u>954,527</u>
NET POSITION			
Net investment in capital assets	32,311,650	19,937,798	52,249,448
Restricted for:			
Endowments:			
Nonexpendable	866,365	-	866,365
Expendable	222,020	-	222,020
Other purposes	457,340	-	457,340
Unrestricted	(4,834,513)	10,759,042	5,924,529
Total net position	<u>\$ 29,022,862</u>	<u>\$ 30,696,840</u>	<u>\$ 59,719,702</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, 2018

	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	\$ 2,617,068	\$ 64,372	\$ 112,396	\$ -	\$ (2,440,300)	\$ -	\$ (2,440,300)
Public safety	5,117,059	98,028	124,925	-	(4,894,106)	-	(4,894,106)
Highways and streets	3,127,516	-	-	182,141	(2,945,375)	-	(2,945,375)
Sanitation	755,490	346,180	-	6,775	(402,535)	-	(402,535)
Health	143,222	-	-	-	(143,222)	-	(143,222)
Welfare	98,520	-	-	-	(98,520)	-	(98,520)
Culture and recreation	1,791,680	216,419	-	-	(1,575,261)	-	(1,575,261)
Conservation	48,917	16,795	26,153	-	(5,969)	-	(5,969)
Economic development	12,453	-	-	-	(12,453)	-	(12,453)
Interest on long-term debt	227,859	-	-	-	(227,859)	-	(227,859)
Capital outlay	338,528	-	-	871,602	533,074	-	533,074
Total governmental activities	<u>14,278,312</u>	<u>741,794</u>	<u>263,474</u>	<u>1,060,518</u>	<u>(12,212,526)</u>	<u>-</u>	<u>(12,212,526)</u>
Business-type activities:							
Water department	1,514,053	1,785,975	-	-	-	271,922	271,922
Electric department	9,737,328	10,264,585	104,169	-	-	631,426	631,426
Sewer department	1,505,434	1,017,937	46,824	-	-	(440,673)	(440,673)
Pop Whalen ice arena	289,552	260,219	-	-	-	(29,333)	(29,333)
Total business-type activities	<u>13,046,367</u>	<u>13,328,716</u>	<u>150,993</u>	<u>-</u>	<u>-</u>	<u>433,342</u>	<u>433,342</u>
Total primary government	<u>\$ 27,324,679</u>	<u>\$ 14,070,510</u>	<u>\$ 414,467</u>	<u>\$ 1,060,518</u>	<u>(12,212,526)</u>	<u>433,342</u>	<u>(11,779,184)</u>
General revenues:							
Property taxes					11,765,044	-	11,765,044
Other taxes					192,224	-	192,224
Licenses and permits					1,869,729	-	1,869,729
Grants and contributions not restricted to specific programs					320,746	-	320,746
Miscellaneous					1,909,400	-	1,909,400
Transfers					(566,303)	566,303	-
Total general revenues and transfers					<u>15,490,840</u>	<u>566,303</u>	<u>16,057,143</u>
Change in net position					3,278,314	999,645	4,277,959
Net position, beginning					25,744,548	29,697,195	55,441,743
Net position, ending					<u>\$ 29,022,862</u>	<u>\$ 30,696,840</u>	<u>\$ 59,719,702</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, 2018

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 6,846,520	\$ -	\$ 313,005	\$ 7,159,525
Investments	6,587,325	-	1,085,098	7,672,423
Receivables, net of allowance for uncollectibles:				
Interest	128	-	-	128
Taxes	1,200,971	-	-	1,200,971
Accounts	29,675	-	2,800	32,475
Intergovernmental	8,214	519,689	-	527,903
Interfund receivable	482,726	-	1,870	484,596
Prepaid items	105,110	-	2,122	107,232
Tax deeded property held for resale	53,026	-	-	53,026
Total assets	<u>\$ 15,313,695</u>	<u>\$ 519,689</u>	<u>\$ 1,404,895</u>	<u>\$ 17,238,279</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 360,703	\$ -	\$ 8,598	\$ 369,301
Accrued salaries and benefits	140,082	-	-	140,082
Contracts payable	-	221,544	-	221,544
Intergovernmental payable	8,507,744	-	-	8,507,744
Retainage payable	-	25,630	-	25,630
Interfund payable	1,870	428,065	13,999	443,934
Escrow and performance deposits	12,660	-	-	12,660
Total liabilities	<u>9,023,059</u>	<u>675,239</u>	<u>22,597</u>	<u>9,720,895</u>
Deferred inflows of resources:				
Deferred revenue	792,108	-	1,881	793,989
Fund balances:				
Nonspendable	158,136	-	866,365	1,024,501
Restricted	457,340	-	227,020	684,360
Committed	2,433,583	-	288,696	2,722,279
Assigned	399,035	-	-	399,035
Unassigned	2,050,434	(155,550)	(1,664)	1,893,220
Total fund balances	<u>5,498,528</u>	<u>(155,550)</u>	<u>1,380,417</u>	<u>6,723,395</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 15,313,695</u>	<u>\$ 519,689</u>	<u>\$ 1,404,895</u>	<u>\$ 17,238,279</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, 2018

Total fund balances of governmental funds (Exhibit 3)	\$	6,723,395
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	\$	57,650,780
Less accumulated depreciation		<u>(18,828,003)</u>
		38,822,777
Interfund receivables and payables between governmental funds are eliminated on the statement of net position.		
Receivables	\$	(445,169)
Payables		<u>445,169</u>
		-
Revenues that are not available to pay for current period expenditures are deferred in the funds.		
Unavailable tax revenue	\$	653,837
Unavailable betterment assessments		<u>51,531</u>
		705,368
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(88,733)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Bonds and notes outstanding	\$	6,330,715
Unamortized bond premium		146,219
Capital leases outstanding		34,193
Compensated absences payable		514,123
Accrued landfill postclosure care costs		55,000
Net pension liability		8,123,011
Other postemployment benefits liability		<u>3,344,182</u>
		(18,547,443)
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	\$	1,496,549
Deferred outflows of resources related to OPEB		599,603
Deferred inflows of resources related to pensions		(551,423)
Deferred inflows of resources related to OPEB		<u>(137,231)</u>
		1,407,498
Total net position of governmental activities (Exhibit 1)	\$	<u><u>29,022,862</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, 2018

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 11,824,824	\$ -	\$ 1,870	\$ 11,826,694
Licenses, permits and fees	1,869,729	-	-	1,869,729
Intergovernmental	536,032	871,602	147,828	1,555,462
Charges for services	595,641	-	146,153	741,794
Miscellaneous	1,168,586	750,000	90,734	2,009,320
Total revenues	<u>15,994,812</u>	<u>1,621,602</u>	<u>386,585</u>	<u>18,002,999</u>
Expenditures:				
Current:				
General government	2,333,509	-	18,798	2,352,307
Public safety	4,555,997	-	177,679	4,733,676
Highways and streets	3,145,498	-	-	3,145,498
Sanitation	720,785	-	-	720,785
Health	141,151	-	-	141,151
Welfare	98,402	-	-	98,402
Culture and recreation	1,648,197	-	96,321	1,744,518
Conservation	13,808	-	34,239	48,047
Economic development	12,453	-	-	12,453
Debt service:				
Principal	652,881	-	-	652,881
Interest	256,242	-	-	256,242
Capital outlay	395,420	2,437,204	2,566	2,835,190
Total expenditures	<u>13,974,343</u>	<u>2,437,204</u>	<u>329,603</u>	<u>16,741,150</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,020,469</u>	<u>(815,602)</u>	<u>56,982</u>	<u>1,261,849</u>
Other financing sources (uses):				
Transfers in	178,628	-	-	178,628
Transfers out	(741,303)	-	(3,628)	(744,931)
Inception of capital lease	21,849	-	-	21,849
Total other financing sources and uses	<u>(540,826)</u>	<u>-</u>	<u>(3,628)</u>	<u>(544,454)</u>
Net change in fund balances	1,479,643	(815,602)	53,354	717,395
Fund balances, beginning	4,018,885	660,052	1,327,063	6,006,000
Fund balances, ending	<u>\$ 5,498,528</u>	<u>\$ (155,550)</u>	<u>\$ 1,380,417</u>	<u>\$ 6,723,395</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, 2018

Net change in fund balances of governmental funds (Exhibit 5)	\$	717,395
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capitalized capital outlay exceeded depreciation expense in the current period.</p>		
Capitalized capital outlay	\$	3,573,805
Depreciation expense		<u>(1,423,795)</u>
		2,150,010
<p>Transfers in and out between governmental funds are eliminated on the operating statement.</p>		
Transfers in	\$	(3,628)
Transfers out		<u>3,628</u>
		-
<p>Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in governmental funds.</p>		
Change in unavailable tax revenue	\$	130,574
Change in unavailable betterment assessments		<u>(11,980)</u>
		118,594
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.</p>		
Inception of capital lease	\$	(21,849)
Repayment of bonds and notes principal		652,881
Amortization of bond premium		18,489
Repayment of capital lease principal		<u>15,718</u>
		665,239
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Decrease in accrued interest expense	\$	9,894
Decrease in compensated absences payable		116,146
Decrease in accrued landfill postclosure care costs		5,000
Change in OPEB related balances		<u>(289,728)</u>
		(158,688)
<p>Governmental funds report pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned, net of employee contributions, is reported as pension expense.</p>		
Town pension contributions	\$	798,439
Cost of benefits earned, net of employee contributions		<u>(1,012,675)</u>
		(214,236)
Change in net position of governmental activities (Exhibit 2)	\$	<u><u>3,278,314</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, 2018

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Taxes	\$ 11,738,879	\$ 11,955,398	\$ 216,519
Licenses, permits and fees	1,683,444	1,869,729	186,285
Intergovernmental	545,701	536,032	(9,669)
Charges for services	542,196	595,641	53,445
Miscellaneous	963,879	1,011,874	47,995
Total revenues	<u>15,474,099</u>	<u>15,968,674</u>	<u>494,575</u>
EXPENDITURES			
Current:			
General government	2,355,128	2,333,571	21,557
Public safety	4,632,086	4,567,497	64,589
Highways and streets	3,622,442	3,463,100	159,342
Sanitation	811,164	705,095	106,069
Health	143,876	141,151	2,725
Welfare	81,851	98,402	(16,551)
Culture and recreation	1,595,117	1,465,271	129,846
Conservation	9,999	13,808	(3,809)
Economic development	13,789	12,453	1,336
Debt service:			
Principal	652,881	652,881	-
Interest on long-term debt	256,242	256,242	-
Interest on tax anticipation note	2,500	-	2,500
Capital outlay	127,971	148,446	(20,475)
Total expenditures	<u>14,305,046</u>	<u>13,857,917</u>	<u>447,129</u>
Excess of revenues over expenditures	<u>1,169,053</u>	<u>2,110,757</u>	<u>941,704</u>
Other financing sources (uses):			
Transfers in	2,000	411,077	409,077
Transfers out	(1,464,053)	(1,339,053)	125,000
Long-term debt issued	293,000	-	(293,000)
Total other financing sources and uses	<u>(1,169,053)</u>	<u>(927,976)</u>	<u>241,077</u>
Net change in fund balance	<u>\$ -</u>	1,182,781	<u>\$ 1,182,781</u>
Increase in nonspendable fund balance		(45,685)	
Unassigned fund balance, beginning		1,567,175	
Unassigned fund balance, ending		<u>\$ 2,704,271</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, 2018

	Business-type Activities - Enterprise Funds				Total
	Water Department	Electric Department	Sewer Department	Pop Whalen Ice Arena	
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 1,144,130	\$ 5,876,832	\$ 3,187,553	\$ -	\$ 10,208,515
Accounts receivable	209,539	923,936	146,432	56,580	1,336,487
Intergovernmental receivable	262,168	-	1,309,584	-	1,571,752
Prepaid items	8,593	16,158	5,152	1,540	31,443
Inventory	-	381,527	-	-	381,527
Noncurrent assets:					
Land	12,772	46,733	1,055,500	-	1,115,005
Construction in progress	965	567,501	826,926	-	1,395,392
Capital assets, net of accumulated depreciation:					
Buildings and building improvements	2,064,977	173,411	204,679	492,995	2,936,062
Machinery, vehicles and equipment	260,656	5,672,097	334,300	426,860	6,693,913
Infrastructure	10,190,341	38,152	9,500,604	-	19,729,097
Total assets	<u>14,154,141</u>	<u>13,696,347</u>	<u>16,570,730</u>	<u>977,975</u>	<u>45,399,193</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred amounts related to pensions	78,034	140,462	19,075	-	237,571
Deferred amounts related to OPEB	38,957	70,665	5,233	-	114,855
Total deferred outflows	<u>116,991</u>	<u>211,127</u>	<u>24,308</u>	<u>-</u>	<u>352,426</u>
LIABILITIES					
Current liabilities:					
Accounts payable	20,690	650,498	16,798	3,032	691,018
Accrued payroll and benefits	9,524	18,514	2,342	1,040	31,420
Accrued interest payable	74,868	7,448	126,267	4,493	213,076
Intergovernmental payable	-	631	-	-	631
Performance and escrow deposits	200	49,760	-	-	49,960
Interfund payable	-	-	-	40,662	40,662
Internal balances	(1,235)	-	1,235	-	-
Noncurrent obligations:					
Due within one year:					
Bonds and notes payable	548,253	325,000	542,790	40,710	1,456,753
Unamortized bond premium	43,888	5,880	36,174	2,070	88,012
Due in more than one year:					
Bonds and notes payable	3,672,490	1,220,000	4,508,926	204,970	9,606,386
Unamortized bond premium	269,921	14,700	428,537	5,606	718,764
Compensated absences payable	27,261	17,383	6,101	-	50,745
Net pension liability	423,564	762,415	103,538	-	1,289,517
Other postemployment benefits liability	217,278	394,121	29,184	-	640,583
Total liabilities	<u>5,306,702</u>	<u>3,466,350</u>	<u>5,801,892</u>	<u>302,583</u>	<u>14,877,527</u>
DEFERRED INFLOWS OF RESOURCES					
Unearned revenue	12,077	46,717	3,633	1,000	63,427
Deferred amounts related to pensions	28,753	51,756	7,029	-	87,538
Deferred amounts related to OPEB	8,916	16,173	1,198	-	26,287
Total deferred inflows of resources	<u>49,746</u>	<u>114,646</u>	<u>11,860</u>	<u>1,000</u>	<u>177,252</u>
NET POSITION					
Net investment in capital assets	7,995,158	4,932,310	6,343,832	666,498	19,937,798
Unrestricted	919,526	5,394,168	4,437,454	7,894	10,759,042
Total net position	<u>\$ 8,914,684</u>	<u>\$ 10,326,478</u>	<u>\$ 10,781,286</u>	<u>\$ 674,392</u>	<u>\$ 30,696,840</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, 2018

	Business-type Activities - Enterprise Funds				Total
	Water Department	Electric Department	Sewer Department	Pop Whalen Ice Arena	
Operating revenues:					
Charges for services	\$ 1,785,975	\$ 10,264,585	\$ 954,198	\$ 260,219	\$ 13,264,977
Operating expenses:					
Cost of operations	866,568	2,022,051	930,213	223,660	4,042,492
Cost of power	-	7,282,342	-	-	7,282,342
Depreciation expense	463,705	369,854	426,041	56,992	1,316,592
Total operating expenses	1,330,273	9,674,247	1,356,254	280,652	12,641,426
Operating income (loss)	455,702	590,338	(402,056)	(20,433)	623,551
Nonoperating revenue (expense):					
Intergovernmental	-	104,169	46,824	-	150,993
Interest income	-	-	63,739	-	63,739
Interest expense	(183,780)	(63,081)	(149,180)	(8,900)	(404,941)
Transfer from other funds	-	-	741,303	-	741,303
Transfer to other funds	(50,000)	-	(125,000)	-	(175,000)
Total nonoperating revenue (expense)	(233,780)	41,088	577,686	(8,900)	376,094
Net change in fund balances	221,922	631,426	175,630	(29,333)	999,645
Net position, beginning	8,692,762	9,695,052	10,605,656	703,725	29,697,195
Net position, ending	\$ 8,914,684	\$ 10,326,478	\$ 10,781,286	\$ 674,392	\$ 30,696,840

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, 2018

	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	\$ 1,787,933	\$ 10,167,072	\$ 963,059	\$ 256,689	\$ 13,174,753
Payments to suppliers and employees	(917,036)	(9,298,018)	(995,644)	(234,037)	(11,444,735)
Net cash provided (used) by operating activities	<u>870,897</u>	<u>869,054</u>	<u>(32,585)</u>	<u>22,652</u>	<u>1,730,018</u>
Cash flows from non-capital financing activities:					
Transfers from other funds	-	-	741,303	40,662	781,965
Cash flows from capital and related financing activities:					
Purchase of capital assets	(437,711)	(747,329)	(679,991)	(22,975)	(1,888,006)
Proceeds from federal grants	-	104,169	-	-	104,169
Proceeds from state grants	36,546	-	164,129	-	200,675
Principal paid on bonds and notes	(546,801)	(325,000)	(542,789)	(40,710)	(1,455,300)
Interest paid on bonds and notes	(208,740)	(70,535)	(198,516)	(11,719)	(489,510)
Net cash used in capital and related financing activities	<u>(1,156,706)</u>	<u>(1,038,695)</u>	<u>(1,257,167)</u>	<u>(75,404)</u>	<u>(3,527,972)</u>
Cash flows from investing activities:					
Interest and dividends received	-	-	63,739	-	63,739
Purchase of investments	(50,000)	-	(125,000)	-	(175,000)
Net cash used for investing activities	<u>(50,000)</u>	<u>-</u>	<u>(61,261)</u>	<u>-</u>	<u>(111,261)</u>
Decrease in cash	(335,809)	(169,641)	(609,710)	(12,090)	(1,127,250)
Cash and cash equivalents, beginning	1,479,939	6,046,473	3,797,263	12,090	11,335,765
Cash and cash equivalents, ending	<u>\$ 1,144,130</u>	<u>\$ 5,876,832</u>	<u>\$ 3,187,553</u>	<u>\$ -</u>	<u>\$ 10,208,515</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ 455,702	\$ 590,338	\$ (402,056)	\$ (20,433)	\$ 623,551
Adjustments to reconcile operating (income) loss to net cash provided (used) by operating activities:					
Depreciation expense	463,705	369,854	426,041	56,992	1,316,592
(Increase) decrease in accounts receivable	(37)	(95,858)	7,927	(4,530)	(92,498)
Decrease in inventory	-	48,812	-	-	48,812
Increase in prepaid items	(3,056)	(6,426)	(836)	(434)	(10,752)
Increase (decrease) in accounts payable	13,770	129,324	(26,354)	(3,006)	113,734
Decrease in payroll related liabilities	(61,182)	(165,335)	(38,241)	(6,937)	(271,695)
Increase in customer deposits	-	3,813	-	-	3,813
Increase (decrease) in deferred revenue	1,995	(5,468)	934	1,000	(1,539)
Total adjustments	415,195	278,716	369,471	43,085	1,106,467
Net cash provided (used) by operating activities	<u>\$ 870,897</u>	<u>\$ 869,054</u>	<u>\$ (32,585)</u>	<u>\$ 22,652</u>	<u>\$ 1,730,018</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, 2018

	Private Purpose Trust	Agency
Assets:		
Cash and cash equivalents	\$ 5,295	\$ 131,696
Investments	386,359	1,368,932
Total assets	<u>391,654</u>	<u>1,500,628</u>
Liabilities:		
Due to other governmental units	-	1,473,698
Due to developers	-	26,930
Total liabilities	<u>-</u>	<u>1,500,628</u>
Net position:		
Held in trust for specific purposes	<u>\$ 391,654</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, 2018

	Private Purpose Trust
Additions:	
New funds	\$ 40
Investment earnings:	
Interest and dividends	6,792
Net change in fair value of investments	(19,440)
Total additions	(12,608)
Deductions:	
Trust distributions	9,611
Change in net position	(22,219)
Net position, beginning	413,873
Net position, ending	\$ 391,654

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, 2018**

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, 2018.

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
AS OF AND FOR THE YEAR ENDED
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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, 2018**

I.B.4. Fund Types and Major Funds

Governmental Funds

The Town reports the following major governmental funds:

General Fund – Reports as the primary fund of the Town. This fund is used to account for all financial resources not reported in other funds. On the generally accepted accounting principles (GAAP) basis, the Library, Josiah Brown and Expendable Trust funds are included in the General Fund.

Capital Projects Fund – Accounts for the Town’s ongoing capital projects that are funded in part or entirely by the issuance of bonds or notes.

The Town also reports six 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
AS OF AND FOR THE YEAR ENDED
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I.B.5. *Change in Accounting Principle*

During the year, the Town adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. This results in the measurement and presentation of the Town's OPEB liability reported in the Statement of Net Position. The prior year's net position was restated as shown in Note III.D. to reflect this change.

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

I.C.1. *Cash and Investments*

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

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

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

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

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

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

**TOWN OF WOLFEBORO, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2018**

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 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.

**TOWN OF WOLFEBORO, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
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- 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.
- Restricted for other purposes, which consists of the balance of the library fund's resources, whose use is restricted by law.
- Unrestricted, which consists of the remaining balance of net position.

The governmental funds report the following components of fund balance:

- Nonspendable, which consists of endowments in the permanent funds; and prepaid items and tax deeded property held for resale in the general fund, whose resources are in a nonspendable form.
- Restricted, which represents the expendable income from permanent funds and the library fund, all whose use is limited by law.
- 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 capital projects and 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.

**TOWN OF WOLFEBORO, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
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II. Stewardship, Compliance and Accountability

II.A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and Enterprise Funds. A project length budget was adopted for the Capital Projects Fund. Unless encumbered, all appropriations lapse at year-end. The Town is allowed to use beginning fund balance to balance the budget. In 2018, none of the General Fund fund balance from 2017 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.

**TOWN OF WOLFEBORO, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
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II.B. General Fund GAAP to Budgetary Basis Reconciliation

Revenues and other financing sources:	
Per Exhibit 7 (budgetary basis)	\$ 16,379,751
Adjustments:	
Basis difference:	
Capital lease inception	21,849
Tax revenue deferred in the prior year	523,263
Tax revenue deferred in the current year	(653,837)
Perspective difference:	
Revenue from library fund	126,941
Revenue from Josiah Brown fund	15,001
Revenue from expendable trust fund	14,770
Transfer from permanent fund to library fund	1,372
Transfer from expendable trust fund	(233,821)
Per Exhibit 5 (GAAP basis)	<u>\$ 16,195,289</u>
Expenditures and other financing uses:	
Per Exhibit 7 (budgetary basis)	\$ 15,196,970
Adjustments:	
Basis difference:	
Encumbrances, beginning	613,528
Encumbrances, ending	(590,501)
Capital lease inception	21,849
Perspective difference:	
Expenditures from Josiah Brown fund	16,000
Expenditures from library fund	55,550
Transfers to expendable trust fund	(597,750)
Per Exhibit 5 (GAAP basis)	<u>\$ 14,715,646</u>
Unassigned fund balance:	
Per Exhibit 7 (budgetary basis)	\$ 2,704,271
Adjustment:	
Basis difference:	
Deferred tax revenue, GAAP basis	(653,837)
Per Exhibit 3 (GAAP basis)	<u>\$ 2,050,434</u>

II.C. Deficit Fund Balances

The Capital Projects Fund reports an unassigned fund deficit at year-end of \$155,550 that can be attributed to expenditures for the 2018 Westwood Drive construction project which will be funded by the issuance of bonds and notes in a future year.

**TOWN OF WOLFEBORO, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2018**

III. Detailed Notes on Funds and Government-Wide Statements

III.A. Assets

III.A.1. Investments

As of December 31, 2018, the Town’s reporting entity had the following investments:

Certificates of Deposit	\$ 3,937,690
Fixed Income Funds	4,040,591
Equity Funds	1,321,571
Exchange Traded Funds	127,862
	<u>\$ 9,427,714</u>

The investments appear in the financial statements as follow:

Fund reporting level:	
Governmental funds - balance sheet (Exhibit 3)	\$ 7,672,423
Fiduciary funds - statement of fiduciary net position (Exhibit 11)	1,755,291
Total	<u>\$ 9,427,714</u>

Investment Risks

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. New Hampshire law limits investments to those described in Note I.C.1. The Town does not have an investment policy that places any further restrictions on its investment choices. 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, 2018, the Town had \$1,594,638 invested in the Vanguard Short-Term Investment-Grade Fund, \$1,088,825 invested in the Fidelity Short-Term Treasury Bond Index Fund, \$676,693 invested in the Baird Aggregate Bond Fund , and \$524,344 invested in the Fidelity 500 Index Fund representing 16.45%, 11.23%, 6.98% and 5.41% 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 \$9,427,714 of investments, \$5,490,024 has exposure to custodial credit risk because the related securities are uninsured and uncollateralized.

**TOWN OF WOLFEBORO, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
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III.A.2. Receivables, Uncollectible Accounts and Deferred Revenue

Property Taxes Receivable and Property Tax Calendar

Property taxes are levied and collected by the Town on a semi-annual basis. Tax bills are due on or around July 1 and December 1, with interest of 12% per annum on all taxes not received by the due date. The first billing is an estimate only based on half of the previous year’s billing. The final billing is levied based on an inventory taken in April of each year (the tax year runs from April 1 to March 31), and is assessed after the tax rate has been calculated and set by the New Hampshire Department of Revenue Administration. A lien is executed on any unpaid property taxes in the following year and this lien takes priority over any others. Interest of 18% per annum is charged upon redemption of liened taxes. Properties not redeemed within two years of the date of the tax lien should be deeded to the Town. During the current year, the tax collector executed a lien for uncollected 2017 property taxes on April 27th.

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

The net assessed valuation as of April 1, 2018, upon which the 2018 property tax levy was based was:

For the New Hampshire education tax	\$ 1,977,376,243
For all other taxes	\$ 1,977,540,743

The tax rates and amounts assessed for the year ended December 31, 2018 were as follow:

	<u>Per \$1,000 of Assessed Valuation</u>	
Municipal portion	\$5.98	\$ 11,843,103
School portion:		
State of New Hampshire	\$2.26	4,462,742
Local	\$6.25	12,354,413
County portion	\$1.31	2,584,514
Precinct portion:		
Lower Beech Pond	\$0.85	4,733
Total property taxes assessed		<u>\$ 31,249,505</u>

**TOWN OF WOLFEBORO, NEW HAMPSHIRE
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The following details the taxes receivable at year-end:

Property:	
Levy of 2018	\$ 998,293
Unredeemed (under tax lien):	
Levy of 2017	151,730
Levy of 2016	85,841
Levy of 2015	30,931
Levies of 2014 and prior	112,645
Betterment assessments	51,531
Less: allowance for estimated uncollectible taxes	(230,000)
Net taxes receivable	<u>\$ 1,200,971</u>

Other Receivables

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

Deferred Revenue

Deferred revenue in the General Fund of \$792,108 at December 31, 2018 represents \$653,837 of 2018 property taxes that were not collected within 60 days of year-end, and therefore, are deferred in accordance with generally accepted accounting principles, \$51,531 in betterment assessments that will be invoiced in future years, \$24,299 held for future milfoil eradication as part of the joint board project, \$55,486 in taxes prepaid for the 2019 tax levy, \$2,122 received in advance of the Middleton Road Cemetery project activity, \$467 in donations for the Libby 100th celebration, and \$4,366 in miscellaneous items. Deferred revenue of \$1,881 in the Nonmajor Funds represents prepayments of program fees. In the governmental activities, only \$88,621 is reported as unearned revenue, representing 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.

**TOWN OF WOLFEBORO, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
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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	1,323,892	246,968	(1,193,920)	376,940
Total capital assets not being depreciated	<u>8,063,358</u>	<u>246,968</u>	<u>(1,193,920)</u>	<u>7,116,406</u>
Being depreciated:				
Land improvements	72,808	5,100	-	77,908
Buildings and building improvements	9,149,788	984,125	-	10,133,913
Machinery, vehicles and equipment	6,671,014	209,495	(226,702)	6,653,807
Infrastructure	28,301,737	3,096,057	-	31,397,794
Other improvements	2,044,972	225,980	-	2,270,952
Total capital assets being depreciated	<u>46,240,319</u>	<u>4,520,757</u>	<u>(226,702)</u>	<u>50,534,374</u>
Total all capital assets	<u>54,303,677</u>	<u>4,767,725</u>	<u>(1,420,622)</u>	<u>57,650,780</u>
Less accumulated depreciation:				
Land improvements	(3,221)	(1,707)	-	(4,928)
Buildings and building improvements	(2,258,260)	(392,295)	-	(2,650,555)
Machinery, vehicles and equipment	(4,726,463)	(281,010)	226,702	(4,780,771)
Infrastructure	(9,304,860)	(671,621)	-	(9,976,481)
Other improvements	(1,338,106)	(77,162)	-	(1,415,268)
Total accumulated depreciation	<u>(17,630,910)</u>	<u>(1,423,795)</u>	<u>226,702</u>	<u>(18,828,003)</u>
Net book value, capital assets being depreciated	<u>28,609,409</u>	<u>3,096,962</u>	<u>-</u>	<u>31,706,371</u>
Net book value, all capital assets	<u>\$ 36,672,767</u>	<u>\$ 3,343,930</u>	<u>\$ (1,193,920)</u>	<u>\$ 38,822,777</u>

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	<u>Balance, beginning</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance, ending</u>
Business-type activities:				
At cost:				
Not being depreciated:				
Land	\$ 1,115,005	\$ -	\$ -	\$ 1,115,005
Construction in progress	<u>118,711</u>	<u>1,394,427</u>	<u>(117,746)</u>	<u>1,395,392</u>
Total capital assets not being depreciated	<u>1,233,716</u>	<u>1,394,427</u>	<u>(117,746)</u>	<u>2,510,397</u>
Being depreciated:				
Buildings and building improvements	5,236,908	103,189	-	5,340,097
Machinery, vehicles and equipment	15,852,055	425,238	(46,492)	16,230,801
Infrastructure	<u>29,209,960</u>	<u>457,119</u>	<u>(405,272)</u>	<u>29,261,807</u>
Total capital assets being depreciated	<u>50,298,923</u>	<u>985,546</u>	<u>(451,764)</u>	<u>50,832,705</u>
Total all capital assets	<u>51,532,639</u>	<u>2,379,973</u>	<u>(569,510)</u>	<u>53,343,102</u>
Less accumulated depreciation:				
Buildings and building improvements	(2,278,575)	(125,460)	-	(2,404,035)
Machinery, vehicles and equipment	(9,110,298)	(469,385)	42,795	(9,536,888)
Infrastructure	<u>(8,841,835)</u>	<u>(721,747)</u>	<u>30,872</u>	<u>(9,532,710)</u>
Total accumulated depreciation	<u>(20,230,708)</u>	<u>(1,316,592)</u>	<u>73,667</u>	<u>(21,473,633)</u>
Net book value, capital assets being depreciated	<u>30,068,215</u>	<u>(331,046)</u>	<u>(378,097)</u>	<u>29,359,072</u>
Net book value, all capital assets	<u>\$ 31,301,931</u>	<u>\$ 1,063,381</u>	<u>\$ (495,843)</u>	<u>\$ 31,869,469</u>

Depreciation Expense

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

Governmental activities:	
General government	\$ 252,544
Public safety	129,027
Highways and streets	893,281
Sanitation	20,989
Culture and recreation	127,084
Conservation	870
Total depreciation expense	<u>\$ 1,423,795</u>
Business-type activities:	
Sanitation	\$ 426,041
Water distribution and treatment	463,705
Electric distribution	369,854
Culture and recreation	56,992
Total depreciation expense	<u>\$ 1,316,592</u>

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III.B. Liabilities

III.B.1. Intergovernmental Payable

The amount due to other governments at December 31, 2018 consists of \$8,500,351 due to the Governor Wentworth Regional School District for the balance of the 2018-2019 district assessment and \$7,393 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 12/31/2018	Current Portion
Governmental activities:						
General obligation bonds/notes payable:						
Public improvements	\$ 578,500	2000	2020	5.125-5.5	\$ 57,145	\$ 28,572
Sewall/Friend Street water systems	\$ 396,514	2006	2026	4.0-4.3	131,750	16,469
General projects	\$ 1,292,315	2007	2027	4.0-5.0	615,000	60,000
Town hall renovations	\$ 485,920	2008	2028	4.0-5.25	245,680	25,710
ADA restrooms compliance	\$ 301,800	2008	2028	4.0-5.25	155,680	15,710
Land purchase	\$ 131,500	2008	2028	4.0-5.25	55,680	5,710
Sidewalks	\$ 97,530	2008	2028	4.0-5.25	55,680	5,710
Repair/renovation railroad station	\$ 141,225	2009	2019	3.02-4.02	10,000	10,000
Parking lot purchase	\$ 243,325	2009	2019	3.02-4.02	20,000	20,000
Center Street drainage	\$ 566,000	2010	2020	3.0-5.0	110,000	55,000
Smith River streambank improvements	\$ 166,500	2010	2020	3.0-5.0	30,000	15,000
Pop Whalen ADA improvements	\$ 54,750	2010	2020	3.0-5.0	10,000	5,000
Public safety building repair	\$ 121,000	2012	2023	2.1-5.1	46,000	10,000
255 Main Street parking lot	\$ 144,000	2012	2023	2.1-5.1	69,000	15,000
Downtown street upgrades	\$ 717,500	2012	2033	2.1-5.1	522,500	35,000
Glendon Street parking lot	\$ 256,600	2012	2033	2.1-5.1	190,600	15,000
Public works garage updates	\$ 277,000	2014	2034	3.1-5.1	220,000	15,000
Construct parks maintenance building	\$ 176,000	2014	2024	5.1	100,000	20,000
Middleton Road construction	\$ 417,000	2014	2034	3.1-5.1	320,000	20,000
Center Street reconstruction	\$ 700,000	2015	2033	2.1-4.1	580,000	40,000
Renovation of Brewster Hall	\$ 3,130,000	2015	2033	2.1-4.1	2,605,000	175,000
Libby Museum	\$ 194,000	2015	2025	2.1-4.1	134,000	20,000
Stonehenge Road reconstruction	\$ 77,000	2015	2025	2.1-4.1	47,000	10,000
					<u>6,330,715</u>	<u>637,881</u>
Unamortized bond premium					<u>146,219</u>	<u>18,489</u>

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Capital leases payable:							
Public safety server	\$	36,250	2017	2020	4.79	18,105	8,841
Van	\$	21,849	2018	2021	4.17	16,088	5,145
						<u>34,193</u>	<u>13,986</u>
Compensated absences payable:							
Accrued vacation leave						514,123	34,092
Accrued landfill postclosure care costs						55,000	5,000
Net pension liability						8,123,011	-
Other postemployment benefits payable						3,344,182	-
	\$					<u>18,547,443</u>	<u>709,448</u>

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at 12/31/2018	Current Portion
Business-type activities:						
General obligation bonds/notes payable:						
Water system improvements	\$ 450,000	1996	2021	4.5	\$ 63,000	\$ 25,000
Water treatment facility	\$ 3,000,000	1996	2026	4.5	633,000	92,000
Water system improvements	\$ 550,000	1997	2025	4.5	119,000	17,000
Infiltration/inflow project	\$ 535,000	2000	2020	5.125-5.5	52,855	26,428
Electric distribution upgrade	\$ 5,281,000	2003	2023	2.25-4.25	1,305,000	265,000
Water system improvements	\$ 1,183,080	2004	2033	4.25	535,000	37,000
Sewall/Friend Streets water system	\$ 1,650,011	2006	2026	4.0-4.30	548,250	68,531
Water projects	\$ 2,816,295	2007	2027	4.0-5.0	1,230,000	145,000
Sewer infiltration/inflow project	\$ 592,990	2007	2027	4.0-5.0	270,000	30,000
Water system improvements	\$ 640,735	2008	2028	4.0-5.25	305,680	30,710
Sewer infiltration/inflow project	\$ 797,605	2008	2028	4.0-5.25	405,920	40,740
Pop Whalen rink	\$ 321,755	2008	2028	4.0-5.25	155,680	15,710
Water line replacement	\$ 253,010	2009	2019	3.02-4.02	25,000	25,000
Wastewater treatment facility upgrade	\$ 5,820,364	2009	2029	2.352	3,201,201	291,019
Sewer	\$ 793,000	2009	2020	3.0-4.0	155,000	80,000
Water line replacement	\$ 566,000	2010	2020	3.0-5.0	110,000	55,000
Pop Whalen ADA improvements	\$ 54,750	2010	2020	3.0-5.0	10,000	5,000
Pop Whalen fire protection project	\$ 206,800	2011	2022	3.0-5.0	80,000	20,000
Pleasant Valley Road MED upgrade	\$ 616,200	2011	2022	3.0-5.0	240,000	60,000
Wastewater treatment facility upgrade	\$ 592,063	2012	2031	1.104	384,841	29,603
Wastewater facility upgrades	\$ 170,400	2012	2033	2.1-5.1	120,400	10,000
Wastewater facility upgrades	\$ 246,500	2012	2033	2.1-5.1	171,500	15,000
Water meter project	\$ 436,764	2014	2024	1.94	186,812	28,012
Sewer collection system upgrades	\$ 370,000	2014	2034	3.1-5.1	290,000	20,000
Whiten Neck Road water line upgrades	\$ 489,750	2017	2037	2.66	465,000	25,000
					<u>11,063,139</u>	<u>1,456,753</u>
Unamortized bond premium					806,776	88,012
Compensated absences payable:						
Accrued vacation leave					50,745	-
Net pension liability					1,289,517	-
Other postemployment benefits payable					640,583	-
	\$				<u>13,850,760</u>	<u>1,544,765</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, 2018:

	General Obligation Bonds and Notes Payable	Unamortized Bond Premium	Capital Leases Payable	Compensated Absences Payable	Accrued Landfill Postclosure Care Costs	Net Pension Liability	OPEB Liability	Total
Balance, beginning	\$ 6,983,596	\$ 164,708	\$ 28,062	\$ 630,269	\$ 60,000	\$ 8,573,008	\$ 2,592,082	\$ 19,031,725
Additions	-	-	21,849	-	-	-	752,100	773,949
Reductions	(652,881)	(18,489)	(15,718)	(116,146)	(5,000)	(449,997)	-	(1,258,231)
Balance, ending	<u>\$ 6,330,715</u>	<u>\$ 146,219</u>	<u>\$ 34,193</u>	<u>\$ 514,123</u>	<u>\$ 55,000</u>	<u>\$ 8,123,011</u>	<u>\$ 3,344,182</u>	<u>\$ 18,547,443</u>

The following is a summary of changes in long-term liabilities of the business-type activities for the year ended December 31, 2018:

	General Obligation Bonds and Notes Payable	Unamortized Bond Premium	Compensated Absences Payable	Net Pension Liability	OPEB Liability	Total
Balance, beginning	\$ 12,518,439	\$ 894,786	\$ 146,390	\$ 1,477,412	\$ 644,111	\$ 15,681,138
Additions	-	-	2,571	-	-	2,571
Reductions	(1,455,300)	(88,010)	(98,216)	(187,895)	(3,528)	(1,832,949)
Balance, ending	<u>\$ 11,063,139</u>	<u>\$ 806,776</u>	<u>\$ 50,745</u>	<u>\$ 1,289,517</u>	<u>\$ 640,583</u>	<u>\$ 13,850,760</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
2019	\$ 637,881	\$ 230,510	\$ 868,391
2020	612,880	239,549	852,429
2021	509,309	174,556	683,865
2022	504,309	154,394	658,703
2023	494,309	137,292	631,601
2024-2028	2,128,927	445,797	2,574,724
2029-2033	1,413,100	144,694	1,557,794
2034	30,000	1,230	31,230
Totals	<u>\$ 6,330,715</u>	<u>\$ 1,528,022</u>	<u>\$ 7,858,737</u>

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Year Ending December 31,	Business-type Activities		
	Principal	Interest	Total
2019	\$ 1,456,753	\$ 431,567	\$ 1,888,320
2020	1,416,974	371,918	1,788,892
2021	1,236,788	314,822	1,551,610
2022	1,226,052	264,351	1,490,403
2023	1,147,336	215,807	1,363,143
2024-2028	3,652,510	546,821	4,199,331
2029-2033	821,726	83,507	905,233
2034-2037	105,000	7,280	112,280
Totals	<u>\$ 11,063,139</u>	<u>\$ 2,236,073</u>	<u>\$ 13,299,212</u>

Bonds and notes authorized and unissued as of December 31, 2018 were as follow:

Per Town Meeting Vote of	Purpose	Unissued Amount
March 13, 2018	Library renovations	\$ 4,855,000
March 13, 2018	Construction of Westwood Drive	\$ 263,000
March 13, 2018	Asset Management	\$ 30,000

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

Year Ending December 31,	Principal	Interest	Total
2019	\$ 13,986	\$ 1,538	\$ 15,524
2020	14,624	900	15,524
2021	5,583	233	5,816
Totals	<u>\$ 34,193</u>	<u>\$ 2,671</u>	<u>\$ 36,864</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 \$55,000 as of December 31, 2018, 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, 2018. 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.

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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 following reports the interfund receivables and payables at year-end:

Receivable Fund	Payable Fund	Amount
General	Capital projects	\$ 428,065
General	Nonmajor governmental	13,999
General	Pop Whalen Ice Arena	40,662
Nonmajor governmental	General	1,870
Water department	Sewer department	1,235
		\$ 485,831

The amount due to the general fund from the capital projects, nonmajor, and Pop Whalen Ice Arena funds represents overdrafts of pooled cash. The amount owed to the nonmajor fund from the general fund and the amount owed to the water department from the sewer department represents receipts deposited on behalf of those funds.

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.

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The following schedule reports transfers within the reporting entity:

	Transfers In:		
	Governmental	Enterprise	
	Fund	Fund	
	General	Sewer	Total
Fund	Department		
Transfers out:			
Governmental funds:			
General fund	\$ -	\$ 741,303	\$ 741,303
Nonmajor funds	3,628	-	3,628
Enterprise funds:			
Water department	50,000	-	50,000
Sewer department	125,000	-	125,000
	<u>\$ 178,628</u>	<u>\$ 741,303</u>	<u>\$ 919,931</u>

The amounts transferred to the sewer department enterprise fund from the general fund, and from the water and sewer departments to 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	Business-type	Water	Electric	Sewer
	Activities	Activities	Department	Department	Department
To restate for OPEB related balances	\$ (1,716,061)	\$ (422,375)	\$ (127,981)	\$ (262,559)	\$ (31,835)
Net position, as previously reported	27,460,609	30,119,570	8,820,743	9,957,611	10,637,491
Net position, as restated	<u>\$ 25,744,548</u>	<u>\$ 29,697,195</u>	<u>\$ 8,692,762</u>	<u>\$ 9,695,052</u>	<u>\$ 10,605,656</u>

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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	Capital Projects Fund	Nonmajor Funds
Nonspendable:			
Endowments	\$ -	\$ -	\$ 866,365
Prepaid items	105,110	-	-
Tax deeded property	53,026	-	-
Total nonspendable	158,136	-	866,365
Restricted:			
General government	-	-	227,020
Culture and recreation	457,340	-	-
Total restricted	457,340	-	227,020
Committed:			
Public safety	-	-	61,433
Highways and streets	123,433	-	-
Culture and recreation	14,801	-	2,000
Conservation	-	-	225,263
Capital outlay	2,295,349	-	-
Total committed	2,433,583	-	288,696
Assigned:			
General government	22,130	-	-
Public safety	11,500	-	-
Highways and streets	318,232	-	-
Culture and recreation	10,014	-	-
Capital outlay	37,159	-	-
Total assigned	399,035	-	-
Unassigned	2,050,434	(155,550)	(1,664)
Total fund balance	\$ 5,498,528	\$ (155,550)	\$ 1,380,417

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 2018 to be recorded as an insurance expenditure/expense totaled \$155,143 for property/liability and \$118,947 for workers' compensation. There were no unpaid contributions for the year ended December 31, 2018. The member agreement permits Primex to make additional assessments to members should there be a deficiency in trust assets to meet its liabilities. At this time, Primex foresees no likelihood of any additional assessments for past years.

IV.B. Retirement Pensions

General Information about the Pension Plan

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

Both the members and the Town make contributions to the NHRS. Member rates of contribution are set by the Legislature. Employer rates are determined by the NHRS trustees based on an actuarial valuation. The rates of contribution for police officers, firefighters and other employees are 11.55%, 11.8% and 7% of gross earnings, respectively. The rates of contribution from the Town were 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 2016, 2017 and 2018 were \$792,455, \$863,859 and \$925,545, 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, 2018, the Town reported a liability of \$9,412,528 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017, 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 June 30, 2018, the Town's proportion was 0.1955%, which was a decrease of 0.0089% from its proportion measured as of June 30, 2017.

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For 2018, the Town recognized pension expense of \$1,308,285, split between governmental activities (\$1,012,675) and business-type activities (\$66,518). At year-end, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in proportion and differences between employer contributions and proportionate share of contributions	\$ 538,258	\$ 344,933
Net differences between projected and actual earnings on pension plan investments	-	217,814
Changes in assumptions	651,393	-
Differences between expected and actual experience	75,129	76,214
Town contributions subsequent to the measurement date	469,314	-
	<u>\$ 1,734,094</u>	<u>\$ 638,961</u>

The Town reported \$469,314 as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date, which will be recognized as a reduction of the net pension liability in the following year.

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

<u>Year Ending December 31,</u>	
2019	\$ 467,561
2020	387,335
2021	(128,149)
2022	(100,928)
	<u>\$ 625,819</u>

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Actuarial Assumptions

The total pension liability in the June 30, 2018 actuarial valuation was determined using the actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Entry-Age Normal
Amortization Period	Level Percentage-of-Payroll, Closed
Remaining Amortization Period	21 years beginning July 1, 2018
Asset Valuation Method	5-year smoothed market for funding purposes, 20% corridor
Price Inflation	2.5% per year
Wage Inflation	3.25% per year
Salary Increases	5.6% average, including inflation
Municipal Bond Rate	3.62% per year
Investment Rate of Return	7.25% net of pension plan investment expense, including inflation

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of the most recent actuarial experience study, which was for the period of July 1, 2010 – June 30, 2015.

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

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

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Town's proportionate share of net pension liability	\$ 12,523,444	\$ 9,412,528	\$ 6,805,483

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

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reimbursement from the grantor agency for costs disallowed under terms of the grant. Based on prior experience, the Town believes such disallowances, if any, will be immaterial.

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

IV.D. Other Postemployment Benefits

Plan Description

In addition to providing pension benefits, the Town provides implicit postretirement medical benefits to its retired employees and their spouses, as required by NH RSA 100-A:50, *New Hampshire Retirement System: Medical Benefits*. The pre-65 benefits are the only benefits included in this valuation. Retirees under the age of 65 have a medical insurance plan with either Anthem Access Blue or CIGNA. Both Group I and Group II retirees, as categorized by the New Hampshire Retirement System, qualify for this benefit. Group I employees, hired prior to 7/1/11, may retire at age 60, or once their age plus years of service equals 70. Group I employees hired after 7/1/11 may retire at age 65. Group II employees vested prior to 1/1/12 may retire at age 60, or at age 45 with 20 years of service.

Group II employees not vested prior to 1/1/12, but hired prior to 7/1/11, may retire at age 60, or upon attainment of minimum age and service requirements as follow:

<u>Years of Creditable Service as of January 1, 2012</u>	<u>Minimum Age</u>	<u>Minimum Service</u>
At least 8 but less than 10 years	46	21
At least 6 but less than 8 years	47	22
At least 4 but less than 6 years	48	23
Less than 4 years	49	24

Group II employees hired on or after 7/1/11 may retire at age 60, or at age 52.5 with 25 years of service. Retirees contribute 100% of premiums for individual, two-person or family medical coverage. Surviving beneficiaries continue to receive access to the Town’s medical coverage after the death of the retired employee as long as they pay the required premium. As of January 1, 2018, the actuarial valuation date, there is only one participant of the postretirement plan that meets eligibility requirements. The plan does not issue a separate financial report.

Implicit Rate Subsidy

Same benefit options are available to retirees as active employees. Health insurance is purchased through NH School Health Care Coalition. The Town is a member of the under-100 employees’ pool and their rates are determined based on the experience of the entire under-100 employees’ pool. The claims experience for active employees and retirees are combined to determine the final premium rate. This single premium rate is called a blended premium because it blends the expected claims of

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both active and retired participants. Retirees are generally older than the average participant in a non-Medicare plan, which means they are expected to generate higher claims than the average participant of the plan; therefore, they are receiving a subsidy even if they pay 100% of the blended premium rate because they would be paying less in premiums than their claims cost.

Medical Insurance Subsidy

The medical insurance subsidy is a payment made by NHRS to the former employer or its insurance administrator toward the cost of health insurance for a qualified retiree, his/her qualified spouse, and his/her certified dependent children with a disability who are living in the household and being cared for by the retiree. If the health insurance premium amount is less than the Medical Subsidy amount, then only the health insurance premium will be paid. If the health insurance premium amount exceeds the Medical Subsidy amount, then the retiree or other qualified person is responsible for paying any portion that the employer does not pay.

Group I benefits are based on creditable service, age and retirement date. Group II benefits are based on hire date, age and creditable service. This OPEB plan is closed to new entrants.

Total OPEB Liability

The Town's total OPEB liability of \$3,984,765 consists of \$3,168,606 for the implicit rate subsidy determined by an actuarial valuation as of December 31, 2018 and \$816,159 for the medical insurance subsidy, determined by an actuarial valuation as of June 30, 2017 with roll-forward procedures used to determine the liability as of June 30, 2018. The roll-forward of the total OPEB liability from June 30, 2017 to June 30, 2018 reflects expected service cost and interest reduced by actual benefit payments and refunds for the plan year.

This note continues on the following page.

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Methods and Assumptions

The collective total OPEB liability was based on the following actuarial assumptions:

Implicit Rate Subsidy		
Payroll Growth	2.00%	
Discount Rate	4.10%	
Inflation	0.00%	
Investment Rate of Return	N/A	
Mortality	SOA RP-2014 Total Dataset Mortality with Scale MP-2018	
Healthcare Cost Trend Rates	2018	11.44%
	2019	9.50%
	2020	9.00%
	2021	8.50%
	2022	8.00%
	2023	7.50%
	2024	7.00%
	2025	6.50%
	2026	6.00%
	2027	5.50%
	2028	5.00%
 Medical Insurance Subsidy		
Payroll Growth	3.25%	
Discount Rate	7.25%	
Inflation	2.50%	
Investment Rate of Return	7.25% per year, net of OPEB plan investment expense, including inflation	
Mortality	RP-2014 Health Annuitant and Employee Generational Mortality Table with males and females with credibility adjustments, adjusted for fully generational mortality improvements using Scale MP-2015 based on the last experience study	
Healthcare Cost Trend Rates	N/A, given that the benefits are fixed stipends.	

Sensitivity of Total OPEB Liability

Assumptions and methods used to determine the total OPEB liability are sensitive to changes in the discount rate and healthcare trend rates. The following presents the total OPEB liability calculated using the current discount rates, as well as what the total OPEB liability would be if it were calculated using a discount rate 1-percentage point lower or 1-percentage point higher:

Implicit Rate Subsidy:

	1% Decrease (3.10%)	Current Discount Rate (4.10%)	1% Increase (5.10%)
Town's total OPEB liability	<u>\$ 3,538,460</u>	<u>\$ 3,168,606</u>	<u>\$ 2,842,610</u>

**TOWN OF WOLFEBORO, NEW HAMPSHIRE
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Medical Insurance Subsidy:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Town's total OPEB liability	\$ 849,462	\$ 816,159	\$ 722,872

The following presents the total OPEB liability for the implicit rate subsidy calculated using the current healthcare cost trend rate as well as what the total OPEB liability would be if it were calculated using a healthcare trend rate 1-percentage point lower of 1-percentage point higher:

	1% Decrease (10.44%)	Current Healthcare Cost Trend Rate (11.44%)	1% Increase (12.44%)
Town's total OPEB liability	\$ 2,773,322	\$ 3,168,606	\$ 3,636,473

Healthcare cost trend rates are not applicable for the medical insurance subsidy given that the benefits are fixed stipends.

OPEB Expense and Deferred Inflows and Outflows of Resources Related to OPEB

For the year ended December 31, 2018, the Town recognized OPEB expense of \$185,642; and reported deferred outflows of resources of \$714,458 and deferred inflows of resources of \$163,518, as shown below. At year-end, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net differences between projected and actual earnings on OPEB plan investments	\$ -	\$ 2,593
Changes in assumptions	181,103	-
Differences between expected and actual experience	533,355	160,925
	\$ 714,458	\$ 163,518

**TOWN OF WOLFEBORO, NEW HAMPSHIRE
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The net amount recognized as deferred inflows and outflows of resources will be recognized in OPEB expense as follows:

Year Ending <u>December 31,</u>	
2019	\$ 140,143
2020	82,205
2021	82,205
2022	82,848
2023	83,014
2024	<u>80,525</u>
	<u><u>\$ 550,940</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT 13
TOWN OF WOLFEBORO, NEW HAMPSHIRE
Schedule of the Town's Proportionate Share of the Net Pension Liability
New Hampshire Retirement System

	2018	2017	2016	2015	2014
Town's proportion of net pension liability	0.1955%	0.2044%	0.1879%	0.1824%	0.1812%
Town's proportionate share of the net pension liability	\$ 9,412,528	\$ 10,050,420	\$ 9,992,155	\$ 7,226,287	\$ 6,802,385
Town's covered-employee payroll	\$ 5,321,978	\$ 5,022,891	\$ 4,745,564	\$ 4,320,142	\$ 4,067,663
Town's proportionate share of the net pension liability as a percentage of covered-employee payroll	176.86%	200.09%	210.56%	167.27%	167.23%
Plan fiduciary position as a percentage of the total pension liability	64.73%	62.66%	58.30%	65.47%	66.32%

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 Pension Contributions
New Hampshire Retirement System

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 925,545	\$ 863,859	\$ 792,455	\$ 734,301	\$ 663,823
Contribution in relation to the contractually required contribution	<u>(925,545)</u>	<u>(863,859)</u>	<u>(792,455)</u>	<u>(734,301)</u>	<u>(663,823)</u>
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll	\$ 5,321,978	\$ 5,022,891	\$ 4,745,564	\$ 4,320,142	\$ 4,067,663
Contributions as a percentage of covered-employee payroll	17.39%	17.20%	16.70%	17.00%	16.32%

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

EXHIBIT 15
TOWN OF WOLFEBORO
Schedule of Changes in the Town's Total OPEB Liability and Related Ratios

	2018
Total OPEB liability:	
Service cost	\$ 183,565
Interest	170,694
OPEB plan net investment income	(5,576)
OPEB plan administrative and other costs	135
Changes of assumptions	
and differences between expected and actual experience	492,673
Benefit payments	(104,909)
Net change in total OPEB liability	736,582
Total OPEB liability, beginning	3,248,183
Total OPEB liability, ending	\$ 3,984,765
Covered-employee payroll	\$ 4,585,136
Total OPEB liability as a percentage of covered-employee payroll	86.91%

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

EXHIBIT 16
TOWN OF WOLFEBORO
Schedule of the Town's OPEB Contributions

	2018
Actuarially determined contribution	\$ 419,306
Contributions in relation to the actuarially determined contribution	(92,285)
Contribution deficiency	\$ 327,021
Covered-employee payroll	\$ 4,585,136
Contributions as a percentage of covered-employee payroll	9.14%

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, 2018

The pension and other post-employment benefits schedules are meant to present related information for ten years. Because this is the fourth year that the Town has reported the pension schedules, and first year that the Town has presented the OPEB schedules, only five and one year, 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 17
TOWN OF WOLFEBORO, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2018

	Special Revenue Funds						Total
	Recreation Revolving	Police Detail	Conservation Commission	CDBG	Miscellaneous Grants	Permanent Fund	
ASSETS							
Cash and cash equivalents	\$ 12,479	\$ 58,633	\$ 223,393	\$ -	\$ 3,628	\$ 14,872	\$ 313,005
Investments	-	-	-	-	-	1,085,098	1,085,098
Accounts receivable	-	2,800	-	-	-	-	2,800
Interfund receivable	-	-	1,870	-	-	-	1,870
Prepaid items	-	-	-	-	-	2,122	2,122
Total assets	<u>\$ 12,479</u>	<u>\$ 61,433</u>	<u>\$ 225,263</u>	<u>\$ -</u>	<u>\$ 3,628</u>	<u>\$ 1,102,092</u>	<u>\$ 1,404,895</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 8,598	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,598
Interfund payable	-	-	-	292	-	13,707	13,999
Total liabilities	<u>8,598</u>	<u>-</u>	<u>-</u>	<u>292</u>	<u>-</u>	<u>13,707</u>	<u>22,597</u>
Deferred inflows of resources:							
Deferred revenue	<u>1,881</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,881</u>
Fund balances:							
Nonspendable	-	-	-	-	-	866,365	866,365
Restricted	-	-	-	-	5,000	222,020	227,020
Committed	2,000	61,433	225,263	-	-	-	288,696
Unassigned	-	-	-	(292)	(1,372)	-	(1,664)
Total fund balances	<u>2,000</u>	<u>61,433</u>	<u>225,263</u>	<u>(292)</u>	<u>3,628</u>	<u>1,088,385</u>	<u>1,380,417</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 12,479</u>	<u>\$ 61,433</u>	<u>\$ 225,263</u>	<u>\$ -</u>	<u>\$ 3,628</u>	<u>\$ 1,102,092</u>	<u>\$ 1,404,895</u>

EXHIBIT 18
TOWN OF WOLFEBORO, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended December 31, 2018

	Special Revenue Funds					Permanent Fund	Total
	Recreation Revolving	Police Detail	Conservation Commission	CDBG	Miscellaneous Grants		
REVENUES							
Taxes	\$ -	\$ -	\$ 1,870	\$ -	\$ -	\$ -	\$ 1,870
Intergovernmental	-	-	-	-	147,828	-	147,828
Charges for services	96,321	49,832	-	-	-	-	146,153
Miscellaneous	-	-	2,294	-	500	87,940	90,734
Total revenues	<u>96,321</u>	<u>49,832</u>	<u>4,164</u>	<u>-</u>	<u>148,328</u>	<u>87,940</u>	<u>386,585</u>
EXPENDITURES							
Current:							
General government	-	-	-	-	2,341	16,457	18,798
Public safety	-	53,090	-	-	124,589	-	177,679
Culture and recreation	96,321	-	-	-	-	-	96,321
Conservation	-	-	15,000	-	19,239	-	34,239
Capital outlay	-	-	-	192	-	2,374	2,566
Total expenditures	<u>96,321</u>	<u>53,090</u>	<u>15,000</u>	<u>192</u>	<u>146,169</u>	<u>18,831</u>	<u>329,603</u>
Excess (deficiency) of revenues over (under) expenditures	-	(3,258)	(10,836)	(192)	2,159	69,109	56,982
Other financing uses:							
Transfers out	-	-	-	-	-	(3,628)	(3,628)
Net change in fund balances	-	(3,258)	(10,836)	(192)	2,159	65,481	53,354
Fund balances, beginning	2,000	64,691	236,099	(100)	1,469	1,022,904	1,327,063
Fund balances, ending	<u>\$ 2,000</u>	<u>\$ 61,433</u>	<u>\$ 225,263</u>	<u>\$ (292)</u>	<u>\$ 3,628</u>	<u>\$ 1,088,385</u>	<u>\$ 1,380,417</u>

EXHIBIT 19
TOWN OF WOLFEBORO, NEW HAMPSHIRE
General Fund
Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)
For the Year Ended December 31, 2018

	Estimated	Actual	Variance Positive (Negative)
Taxes:			
Property	\$ 11,550,334	\$ 11,765,044	\$ 214,710
Timber	25,000	27,322	2,322
Payments in lieu of taxes	28,545	28,546	1
Interest and penalties on delinquent taxes	135,000	134,486	(514)
Total taxes	<u>11,738,879</u>	<u>11,955,398</u>	<u>216,519</u>
Licenses, permits and fees:			
Business licenses and permits	43,050	40,828	(2,222)
Motor vehicle permits	1,400,000	1,573,015	173,015
Building permits	80,000	91,908	11,908
Other	160,394	163,978	3,584
Total licenses, permits and fees	<u>1,683,444</u>	<u>1,869,729</u>	<u>186,285</u>
Intergovernmental:			
State sources:			
Shared revenue	320,610	320,610	-
Highway block grant	182,244	182,141	(103)
Water pollution grant	-	6,775	6,775
State and federal forest land	45	76	31
Milfoil grant	-	6,914	6,914
Railroad tax	3,400	60	(3,340)
Miscellaneous grants	39,402	19,456	(19,946)
Total intergovernmental	<u>545,701</u>	<u>536,032</u>	<u>(9,669)</u>
Charges for services:			
Income from departments	<u>542,196</u>	<u>595,641</u>	<u>53,445</u>
Miscellaneous:			
Special assessments	-	11,980	11,980
Interest on investments	60,000	67,837	7,837
Rent of property	154,848	152,206	(2,642)
Insurance dividends and reimbursements	67,684	132,226	64,542
Other	681,347	647,625	(33,722)
Total miscellaneous	<u>963,879</u>	<u>1,011,874</u>	<u>47,995</u>
Other financing sources:			
Transfers in:			
Nonmajor funds	2,000	411,077	409,077
Long-term debt issued	293,000	-	(293,000)
Total other financing sources	<u>295,000</u>	<u>411,077</u>	<u>116,077</u>
Total revenues and other financing sources	<u><u>\$ 15,769,099</u></u>	<u><u>\$ 16,379,751</u></u>	<u><u>\$ 610,652</u></u>

EXHIBIT 20
TOWN OF WOLFEBORO, NEW HAMPSHIRE
General Fund
Schedule of Appropriations, Expenditures and Encumbrances (Non-GAAP Budgetary Basis)
For the Year Ended December 31, 2018

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
General government:					
Executive	\$ 4,098	\$ 375,577	\$ 436,071	\$ 16,130	\$ (72,526)
Financial administration	-	371,345	368,639	-	2,706
Planning and zoning	14,970	199,598	193,754	-	20,814
General government buildings	3,000	104,941	110,256	6,000	(8,315)
Cemeteries	-	11,126	6,991	-	4,135
Other	-	1,292,541	1,217,798	-	74,743
Total general government	<u>22,068</u>	<u>2,355,128</u>	<u>2,333,509</u>	<u>22,130</u>	<u>21,557</u>
Public safety:					
Police	-	1,909,906	1,866,216	-	43,690
Fire	-	1,994,769	1,968,633	11,500	14,636
Building inspection	-	153,247	151,787	-	1,460
Emergency management	-	5,235	4,500	-	735
Other	-	568,929	564,861	-	4,068
Total public safety	<u>-</u>	<u>4,632,086</u>	<u>4,555,997</u>	<u>11,500</u>	<u>64,589</u>
Highways and streets:					
Administration	1,043	248,378	236,392	4,543	8,486
Highways and streets	35,953	2,554,904	2,246,422	80,202	264,233
Other	87,066	819,160	662,684	356,919	(113,377)
Total highways and streets	<u>124,062</u>	<u>3,622,442</u>	<u>3,145,498</u>	<u>441,664</u>	<u>159,342</u>
Sanitation:					
Solid waste disposal	<u>15,690</u>	<u>811,164</u>	<u>720,785</u>	<u>-</u>	<u>106,069</u>
Health:					
Administration	-	6,276	5,916	-	360
Pest control	-	24,030	21,665	-	2,365
Health agencies and hospitals	-	113,570	113,570	-	-
Total health	<u>-</u>	<u>143,876</u>	<u>141,151</u>	<u>-</u>	<u>2,725</u>
Welfare:					
Administration & direct assistance	<u>-</u>	<u>81,851</u>	<u>98,402</u>	<u>-</u>	<u>(16,551)</u>
Culture and recreation:					
Parks and recreation	125,490	929,602	986,191	2,800	66,101
Public library	-	525,669	525,670	-	(1)
Patriotic purposes	-	15,664	15,664	-	-
Other	2,500	124,182	55,722	7,214	63,746
Total culture and recreation	<u>127,990</u>	<u>1,595,117</u>	<u>1,583,247</u>	<u>10,014</u>	<u>129,846</u>
Conservation	<u>-</u>	<u>9,999</u>	<u>13,808</u>	<u>-</u>	<u>(3,809)</u>
Economic development	<u>-</u>	<u>13,789</u>	<u>12,453</u>	<u>-</u>	<u>1,336</u>
Debt service:					
Principal	-	652,881	652,881	-	-
Interest on long-term debt	-	256,242	256,242	-	-
Interest on tax anticipation note	-	2,500	-	-	2,500
Total debt service	<u>-</u>	<u>911,623</u>	<u>909,123</u>	<u>-</u>	<u>2,500</u>
Capital outlay:					
Machinery, vehicles and equipment	2,270	69,471	205,455	-	(133,714)
Buildings	18,352	27,000	88,971	5,240	(48,859)
Improvements other than buildings	303,096	31,500	72,545	99,953	162,098
Total capital outlay	<u>323,718</u>	<u>127,971</u>	<u>366,971</u>	<u>105,193</u>	<u>(20,475)</u>
Other financing uses:					
Transfers out:					
Expendable trust fund	-	722,750	597,750	-	125,000
Proprietary funds	-	741,303	741,303	-	-
Total other financing uses	<u>-</u>	<u>1,464,053</u>	<u>1,339,053</u>	<u>-</u>	<u>125,000</u>
Total encumbrances, appropriations, expenditures and other financing uses	<u>\$ 613,528</u>	<u>\$ 15,769,099</u>	<u>\$ 15,219,997</u>	<u>\$ 590,501</u>	<u>\$ 572,129</u>

EXHIBIT 21
TOWN OF WOLFEBORO, NEW HAMPSHIRE
General Fund
Schedule of Changes in Unassigned Fund Balance (Non-GAAP Budgetary Basis)
For the Year Ended December 31, 2018

Unassigned fund balance, beginning		\$ 1,567,175
Changes:		
Budget summary:		
Revenue surplus (Exhibit 19)	\$ 610,652	
Unexpended balance of appropriations (Exhibit 20)	<u>572,129</u>	
Budget surplus		1,182,781
Increase in nonspendable fund balance		<u>(45,685)</u>
Unassigned fund balance, ending		<u><u>\$ 2,704,271</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, 2018, 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:

Accounting for Police Grants

Throughout the year, the Town receives public safety grants for various reasons through its police department. Currently, the Town reports the revenue and expenditure related to those grants in its Grants Fund through a journal entry, recorded when cash is received from the grantor. The Town does not post expenditure activity to the Grant Fund, nor record the corresponding receivable/revenue, as it is earned. There is a risk that the Town will under or over report activity in a given year if the grant receipt does not occur in the same period as the grant expenditure. We recommend that the Town account for each grant as a "project", tracking the payroll charges as they occur in the Grants Fund, and recording a related intergovernmental receivable at that time.

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
December 11, 2019