

TOWN OF WILTON, NEW HAMPSHIRE

FINANCIAL REPORT

AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2016

**TOWN OF WILTON
FINANCIAL REPORT
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DECEMBER 31, 2016**

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Roberts & Greene, PLLC

INDEPENDENT AUDITOR'S REPORT

To the Members of the Board of Selectmen
Town of Wilton
Wilton, New Hampshire 03086

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Wilton, New Hampshire, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Wilton, New Hampshire, as of December 31, 2016, and the respective changes in financial position thereof, and budgetary comparison of the General Fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the pension related schedules on pages 29 – 30 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The Town of Wilton has not presented a management's discussion and analysis. Accounting principles generally accepted in the United States of America have determined that the management's discussion and analysis is necessary to supplement, but is not required to be part of, the basic financial statements.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Wilton's basic financial statements. The combining nonmajor and individual fund schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. They 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 fund schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

December 15, 2017

Roberts & Greene, PLLC

BASIC FINANCIAL STATEMENTS

EXHIBIT 1
TOWN OF WILTON, NEW HAMPSHIRE
Statement of Net Position
December 31, 2016

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 5,767,742
Investments	3,539,124
Receivables, net of allowance for uncollectibles	784,266
Prepaid items	28,735
Capital assets, not being depreciated:	
Land	210,644
Intangible assets	282,000
Construction in progress	56,263
Capital assets, net of accumulated depreciation:	
Land improvements	434,076
Buildings and building improvements	4,425,872
Machinery, vehicles and equipment	2,020,856
Infrastructure	864,002
Total assets	<u>18,413,580</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Deferred amounts related to pensions	<u>554,727</u>
 LIABILITIES	
Accounts payable	170,916
Accrued payroll and benefits	41,908
Accrued interest payable	21,465
Intergovernmental payable	3,458,265
Noncurrent obligations:	
Due within one year:	
Bonds payable	45,000
Unamortized bond premium	7,940
Capital lease payable	39,415
Due in more than one year:	
Bonds payable	860,000
Unamortized bond premium	98,240
Capital lease payable	40,679
Net pension liability	1,709,556
Total liabilities	<u>6,493,384</u>
 DEFERRED INFLOWS OF RESOURCES	
Deferred amounts related to pensions	21,587
Unearned revenue	74,961
Total deferred inflows of resources	<u>96,548</u>
 NET POSITION	
Net investment in capital assets	7,202,439
Restricted for:	
Perpetual care:	
Nonexpendable	740,025
Expendable	109,147
Other purposes	1,348,448
Unrestricted	2,978,316
Total net position	<u>\$ 12,378,375</u>

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

EXHIBIT 2
TOWN OF WILTON, NEW HAMPSHIRE
Statement of Activities
For the Year Ended December 31, 2016

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General government	\$ 1,002,799	\$ 56,656	\$ 139,160	\$ -	\$ (806,983)
Public safety	1,643,028	196,507	89,683	-	(1,356,838)
Highways and streets	874,286	8,565	-	125,764	(739,957)
Sanitation	792,491	400,873	270,267	-	(121,351)
Water distribution and treatment	192,422	293,742	-	-	101,320
Health	25,146	-	-	-	(25,146)
Welfare	22,058	-	-	-	(22,058)
Culture and recreation	354,909	1,462	45,731	-	(307,716)
Conservation	3,278	800	266	-	(2,212)
Interest on long-term debt	39,817	-	-	-	(39,817)
Capital outlay	11,822	-	-	-	(11,822)
Total	<u>\$ 4,962,056</u>	<u>\$ 958,605</u>	<u>\$ 545,107</u>	<u>\$ 125,764</u>	<u>(3,332,580)</u>
General revenues:					
Property taxes					2,086,698
Other taxes					89,631
Licenses and permits					737,357
Grants and contributions not restricted to specific programs					191,198
Miscellaneous					48,628
Total general revenues					<u>3,153,512</u>
Change in net position					(179,068)
Net position, beginning, as restated, see Note III.D.					<u>12,557,443</u>
Net position, ending					<u>\$ 12,378,375</u>

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

EXHIBIT 3
TOWN OF WILTON, NEW HAMPSHIRE
Balance Sheet
Governmental Funds
December 31, 2016

	General	Recycling Center Revolving	Permanent	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 5,242,215	\$ 77,703	\$ 166,809	\$ 281,015	\$ 5,767,742
Investments	627	-	2,038,849	1,499,648	3,539,124
Receivables, net of allowances for uncollectibles:					
Taxes	505,644	-	-	-	505,644
Accounts	15,896	-	-	229,816	245,712
Interfund receivable	56,758	43,673	-	144,430	244,861
Prepaid items	24,283	-	-	4,452	28,735
Total assets	<u>\$ 5,845,423</u>	<u>\$ 121,376</u>	<u>\$ 2,205,658</u>	<u>\$ 2,159,361</u>	<u>\$ 10,331,818</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 97,794	\$ 11,951	\$ -	\$ 61,171	\$ 170,916
Accrued salaries and benefits	28,193	-	-	13,715	41,908
Intergovernmental payable	3,458,265	-	-	-	3,458,265
Interfund payable	187,323	-	8,038	49,500	244,861
Total liabilities	<u>3,771,575</u>	<u>11,951</u>	<u>8,038</u>	<u>124,386</u>	<u>3,915,950</u>
Deferred inflows of resources:					
Deferred revenue	415,370	69,255	-	75,702	560,327
Fund balances:					
Nonspendable	24,283	-	1,864,473	-	1,888,756
Restricted	-	-	333,147	158,568	491,715
Committed	41,335	40,170	-	1,815,802	1,897,307
Assigned	12,000	-	-	-	12,000
Unassigned	1,580,860	-	-	(15,097)	1,565,763
Total fund balances	<u>1,658,478</u>	<u>40,170</u>	<u>2,197,620</u>	<u>1,959,273</u>	<u>5,855,541</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 5,845,423</u>	<u>\$ 121,376</u>	<u>\$ 2,205,658</u>	<u>\$ 2,159,361</u>	<u>\$ 10,331,818</u>

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

EXHIBIT 4
TOWN OF WILTON, NEW HAMPSHIRE
Reconciliation of Total Fund Balances of Governmental Funds to the Statement of Net Position
December 31, 2016

Total fund balances of governmental funds (Exhibit 3)		\$ 5,855,541
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	\$ 10,415,445	
Less accumulated depreciation	<u>(2,121,732)</u>	8,293,713
Interfund receivables and payables between governmental funds are eliminated on the statement of net position.		
Receivables	(244,861)	
Payables	<u>244,861</u>	-
Revenues that are not available to pay for current period expenditures are deferred in the funds.		
Deferred tax revenue	\$ 404,340	
Deferred ambulance revenue	37,695	
Deferred cemetery revenue	5,000	
Deferred police detail fees	6,030	
Deferred water fees	13,915	
Deferred sewer fees	18,386	
Unavailable elderly and welfare liens	<u>32,910</u>	518,276
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(21,465)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Bonds outstanding	\$ 905,000	
Unamortized bond premium	106,180	
Capital lease outstanding	80,094	
Net pension liability	<u>1,709,556</u>	(2,800,830)
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	\$ 554,727	
Deferred inflows of resources related to pensions	<u>(21,587)</u>	533,140
Total net position of governmental activities (Exhibit 1)		<u><u>\$ 12,378,375</u></u>

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

EXHIBIT 5
TOWN OF WILTON, NEW HAMPSHIRE
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2016

	General	Recycling Center Revolving	Permanent	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 2,338,455	\$ -	\$ -	\$ 750	\$ 2,339,205
Licenses, permits and fees	737,357	-	-	-	737,357
Intergovernmental	317,228	270,267	-	90,223	677,718
Charges for services	67,807	86,844	-	737,423	892,074
Miscellaneous	79,381	-	162,803	41,759	283,943
Total revenues	<u>3,540,228</u>	<u>357,111</u>	<u>162,803</u>	<u>870,155</u>	<u>4,930,297</u>
Expenditures:					
Current:					
General government	1,007,858	-	460	-	1,008,318
Public safety	974,862	-	-	351,247	1,326,109
Highways and streets	786,786	-	-	-	786,786
Sanitation	-	509,136	-	268,339	777,475
Water distribution and treatment	-	-	-	185,945	185,945
Health	25,146	-	-	-	25,146
Welfare	22,058	-	-	-	22,058
Culture and recreation	327,030	-	-	23,232	350,262
Conservation	3,278	-	-	-	3,278
Debt service:					
Principal	25,000	-	-	15,000	40,000
Interest	39,918	-	-	8,702	48,620
Capital outlay	265,195	-	-	11,573	276,768
Total expenditures	<u>3,477,131</u>	<u>509,136</u>	<u>460</u>	<u>864,038</u>	<u>4,850,765</u>
Excess (deficiency) of revenues over (under) expenditures	<u>63,097</u>	<u>(152,025)</u>	<u>162,343</u>	<u>6,117</u>	<u>79,532</u>
Other financing sources (uses):					
Transfers in	80,208	192,195	-	302,259	574,662
Transfers out	(472,344)	-	(30,148)	(72,170)	(574,662)
Inception of capital lease	121,927	-	-	-	121,927
Total other financing sources and uses	<u>(270,209)</u>	<u>192,195</u>	<u>(30,148)</u>	<u>230,089</u>	<u>121,927</u>
Net change in fund balances	(207,112)	40,170	132,195	236,206	201,459
Fund balances, beginning, as restated, see Note III.D.	1,865,590	-	2,065,425	1,723,067	5,654,082
Fund balances, ending	<u>\$ 1,658,478</u>	<u>\$ 40,170</u>	<u>\$ 2,197,620</u>	<u>\$ 1,959,273</u>	<u>\$ 5,855,541</u>

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

EXHIBIT 6
TOWN OF WILTON, NEW HAMPSHIRE
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund
Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2016

Net change in fund balances of governmental funds (Exhibit 5)		\$ 201,459
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capitalized capital outlay in the current period.		
Capitalized capital outlay	\$ 310,602	
Depreciation expense	<u>(357,970)</u>	(47,368)
The net effect of capital asset disposals is to decrease net position		
		(50,100)
Transfers in and out between governmental funds are eliminated on the operating statement.		
Transfers in	\$ (574,662)	
Transfers out	<u>574,662</u>	-
Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in governmental funds.		
Change in deferred tax revenue	\$ (162,876)	
Change in deferred ambulance revenue	30,558	
Change in deferred cemetery revenue	1,000	
Change in deferred police detail revenue	6,030	
Change in deferred water and sewer fees	1,619	
Change in allowance for elderly and welfare liens	<u>(4,540)</u>	(128,209)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.		
Inception of capital lease	\$ (121,927)	
Repayment of bond principal	40,000	
Amortization of bond premium	7,940	
Repayment of capital lease principal	<u>41,833</u>	(32,154)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Decrease in accrued interest payable		863
Governmental funds report pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned, net of employee contributions, is reported as pension expense.		
Town pension contributions	\$ 132,491	
Cost of benefits earned, net of employee contributions	<u>(256,050)</u>	(123,559)
Change in net position of governmental activities (Exhibit 2)		<u><u>\$ (179,068)</u></u>

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

EXHIBIT 7
TOWN OF WILTON, NEW HAMPSHIRE
General Fund
Statement of Revenues, Expenditures and Changes in Unassigned Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Taxes	\$ 2,324,718	\$ 2,324,718	\$ 2,175,579	\$ (149,139)
Licenses, permits and fees	696,000	696,000	737,357	41,357
Intergovernmental	730,359	317,999	317,228	(771)
Charges for services	36,600	36,600	67,807	31,207
Miscellaneous	69,200	69,200	79,381	10,181
Total revenues	<u>3,856,877</u>	<u>3,444,517</u>	<u>3,377,352</u>	<u>(67,165)</u>
EXPENDITURES				
Current:				
General government	1,146,679	1,146,679	1,009,229	137,450
Public safety	1,023,394	1,023,394	974,862	48,532
Highways and streets	880,587	880,587	754,327	126,260
Sanitation	-	-	(2,000)	2,000
Health	25,171	25,171	25,146	25
Welfare	46,075	46,075	22,058	24,017
Culture and recreation	333,145	333,145	327,030	6,115
Conservation	8,425	8,425	3,278	5,147
Debt service:				
Principal	25,000	25,000	25,000	-
Interest	39,918	39,918	39,918	-
Capital outlay	669,993	187,633	158,897	28,736
Total expenditures	<u>4,198,387</u>	<u>3,716,027</u>	<u>3,337,745</u>	<u>378,282</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(341,510)</u>	<u>(271,510)</u>	<u>39,607</u>	<u>311,117</u>
Other financing sources (uses):				
Transfers in	102,048	32,048	80,208	48,160
Transfers out	(515,586)	(515,586)	(472,344)	43,242
Total other financing sources and uses	<u>(413,538)</u>	<u>(483,538)</u>	<u>(392,136)</u>	<u>91,402</u>
Net change in fund balance	<u>\$ (755,048)</u>	<u>\$ (755,048)</u>	(352,529)	<u>\$ 402,519</u>
Increase in nonspendable fund balance			(505)	
Unassigned fund balance, beginning			<u>2,338,234</u>	
Unassigned fund balance, ending			<u>\$ 1,985,200</u>	

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

EXHIBIT 8
TOWN OF WILTON, NEW HAMPSHIRE
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2016

	Private Purpose Trust	Agency
Assets:		
Cash and cash equivalents	\$ 1,570	\$ 8,243
Investments	<u>118,680</u>	<u>478,174</u>
Total assets	<u>120,250</u>	<u>486,417</u>
Liabilities:		
School district funds	<u>-</u>	<u>486,417</u>
Net position:		
Held in trust for specific purposes	<u>\$ 120,250</u>	<u>\$ -</u>

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

EXHIBIT 9
TOWN OF WILTON, NEW HAMPSHIRE
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended December 31, 2016

	Private Purpose Trust
Additions:	
Investment earnings:	
Interest and dividends	\$ 3,019
Net change in fair value of investments	4,104
Total additions	<u>7,123</u>
Deductions:	
Trust distributions	<u>4,289</u>
Change in net position	2,834
Net position, beginning	<u>117,416</u>
Net position, ending	<u><u>\$ 120,250</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS

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

I. Summary of Significant Accounting Principles

I.A. Introduction

The accounting and reporting framework and the more significant accounting principles and practices of the Town of Wilton (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 year ended December 31, 2016.

I.B. Financial Reporting Entity – Basis of Presentation

I.B.1. Entity Defined

The Town of Wilton is a municipal corporation governed by a board of selectmen consisting of three members elected by the voters. 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 fund 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 WILTON, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2016**

Fund Financial Statements

Fund financial statements are provided for governmental and fiduciary funds. Major individual, governmental 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.

The government-wide 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. Fiduciary fund financial statements also report using this same basis of accounting, although internal activity is not eliminated in these statements. 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 fund is custodial in nature and does 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 sixty days of the end of the fiscal year. 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.

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

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as needed. Restricted assets and liabilities payable from restricted assets current in nature are reported with current assets and current liabilities in the financial statements.

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

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.

Recycling Center Revolving Fund – Reports as a Special Revenue Fund and used to account for transactions related to the operation of the Recycling Center.

Permanent Fund – Used to account for the financial resources held by the trustees of trust funds, from which only income, and not principal, is used for supporting Town purposes.

In addition, the Town reports seven nonmajor governmental funds.

Fiduciary Funds

The Town also 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 Fund – Accounts for fiduciary assets held by the Town in a custodial capacity as an agent on behalf of others. The Town's agency fund is used to account for the various capital reserve accounts held by the trustees of trust funds on behalf of the local school district.

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. 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 deposit in each case.

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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 bank 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. Capital Assets and Depreciation

Generally, the Town's property, plant and equipment with useful lives of more than one year are stated at historical cost and reported in the government-wide financial statements. Donated assets are stated at fair value on the date donated. The Town normally capitalizes assets with cost of \$5,000 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. The Town does not have a detailed listing of the amounts reported as of December 31, 2007 and therefore, is not able to verify the accuracy of these amounts. However, it is maintained that those assets, net of accumulated depreciation, would no longer be material to the governmental activities.

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:

	<u>Years</u>
Land improvements	50
Buildings and building improvements	150
Machinery, vehicles and equipment	5-15
Infrastructure	20

I.C.3. Long-Term Liabilities

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. Included in long-term obligations are bond premiums and the net pension liability.

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I.C.4. Equity

The governmental activities report net position in the following components:

- Net investment in capital assets, which is computed as the capital assets less accumulated depreciation, reduced by any outstanding debt used to acquire those assets.
- Restricted for perpetual care, which represents the balance of permanent funds for which income earned must be used for cemetery care. This amount is segregated between nonexpendable representing principal that must be retained, and expendable representing investment income that can be used.
- Restricted for other purposes, which represents permanent funds for purposes other than perpetual care.
- Unrestricted which represents the balance of the net position.

The governmental fund financial statements report the following components of fund balance:

- Nonspendable, which consists of prepaid items in the General Fund, and endowments in the Permanent Fund.
- Restricted, which represents the expendable income of the Permanent Fund, the balance of the Library Fund whose use is limited by law, and unexpended bond proceeds in the Sewer Fund that can only be used to pay the related debt.
- Committed, which consists of balances for which the intended use has been established by Town Meeting.
- Assigned, which consists of other appropriations encumbered by the Board of Selectmen.
- Unassigned, which represents the remainder of the General Fund fund balance, and the deficit fund balance of the Sewer Fund.

I.C.5. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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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 some of the nonmajor funds. Unless encumbered, all appropriations lapse at year-end. The Town is allowed to use beginning fund balance to balance the budget. In 2016, \$755,048 of the unassigned fund balance from 2015 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 balance 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, 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.

II.B. Reconciliation of General Fund Budgetary Basis to GAAP

Revenues and other financing sources:	
Per Exhibit 7 (budgetary basis)	\$ 3,457,560
Adjustments:	
Basis difference:	
Capital lease inception	121,927
Tax revenue deferred in the prior year	567,216
Tax revenue deferred in the current year	(404,340)
Per Exhibit 5 (GAAP basis)	<u>\$ 3,742,363</u>
Expenditures and other financing uses:	
Per Exhibit 7 (budgetary basis)	\$ 3,810,089
Adjustments:	
Basis difference:	
Encumbrances, beginning	70,794
Encumbrances, ending	(53,335)
Capital lease inception	121,927
Per Exhibit 5 (GAAP basis)	<u>\$ 3,949,475</u>

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Unassigned fund balance:	
Per Exhibit 7 (budgetary basis)	\$ 1,985,200
Adjustment:	
Basis difference:	
Deferred tax revenue, GAAP basis	(404,340)
Per Exhibit 3 (GAAP basis)	<u>\$ 1,580,860</u>

II.C. Deficit Fund Equity

The Sewer Fund ended the year with an unassigned deficit of \$15,097, which was a reduction of \$4,238 from the \$19,335 deficit at the end of 2015. The Sewer Commission is continuing to work at reducing the deficit by exploring ways to decrease costs and increase revenues.

III. Detailed Notes on Funds and Government-Wide Statements

III.A. Assets

III.A.1. Investments

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

Certificates of Deposit	\$ 1,791,693
U.S. Government Agencies	89,726
Mutual Funds	662,692
Common Stock	940,480
Corporate Bonds	535,686
New Hampshire Public Deposit Investment Pool	115,701
	<u>\$ 4,135,978</u>

The investments appear in the fund financial statements as follow:

Fund reporting level:	
Governmental funds - balance sheet (Exhibit 3)	\$ 3,539,124
Fiduciary funds - statement of fiduciary net position (Exhibit 8)	596,854
Total	<u>\$ 4,135,978</u>

Investment Policies

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's investment policy does not place any further restrictions on its investment choices.

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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.

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 \$4,135,978 of investments, \$2,138,858 has exposure to custodial credit risk because the related securities are uninsured and uncollateralized and are held by a brokerage firm.

III.A.2. *Receivables, Uncollectible Accounts and Deferred Revenue*

Property Taxes Receivable and Property Tax Calendar

Property taxes are levied and collected by the Town on a semi-annual basis. Tax bills are due on or around July 1 and December 1, with interest of 12% per annum on all taxes not received by the due date. The first billing is an estimate only based on half of the previous year's billing. The final billing is levied based on an inventory taken in April of each year (the tax year runs from April 1 to March 31), and is assessed after the tax rate has been calculated and set by the New Hampshire Department of Revenue Administration. A lien is executed on any unpaid property taxes in the following year and this lien takes priority over any others. Interest of 18% per annum is charged upon redemption of lien taxes. Properties not redeemed within two years of the date of the tax lien should be deeded to the Town. During 2016, the tax collector executed a lien for uncollected 2015 property taxes on July 25.

The property taxes levied and collected by the Town include amounts for the State of New Hampshire, the Wilton-Lyndeborough Cooperative School District and Hillsborough County. 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, 2016, upon which the 2016 property tax levy was based was:

For the New Hampshire education tax	\$363,129,347
For all other taxes	\$368,049,816

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

	<u>Per \$1,000 of Assessed Valuation</u>	
Municipal portion	\$6.39	\$2,349,970
School portion:		
State of New Hampshire	\$2.26	821,412
Local	\$16.42	6,044,572
County portion	\$1.27	467,357
Total property taxes assessed		<u>\$9,683,311</u>

The following details the taxes receivable at year-end:

Property:		
Levy of 2016		\$ 386,739
Levy of 2012		6,226
Unredeemed (under tax lien):		
Levy of 2015		130,643
Levy of 2014		101,367
Levy of 2013		71,116
Levy of 2012		34,575
Levy of 2011		13,035
Levy of 2010		11,670
Levy of 2009		7,646
Levy of 2008		9,122
Levy of 2007		3,505
Less: allowance for estimated uncollectible taxes		(270,000)
Net taxes receivable		<u>\$ 505,644</u>

Other Receivables and Uncollectible Accounts

Other significant receivables include amounts due from customers for utility and other services (sewer, water, ambulance). These funds report accounts receivable and revenues, net of any allowance for uncollectible and unavailable amounts. The allowance amounts consist of all of the elderly and welfare liens, and ambulance charges and other amounts with questionable collectability. Related amounts are as follow:

Accounts	\$ 394,351
Liens	32,910
Less: allowance for uncollectible amounts	(181,549)
Net total receivables	<u>\$ 245,712</u>

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Deferred Revenue

Deferred revenue in the governmental funds consists of \$404,340 of taxes, \$37,695 of ambulance fees, \$13,915 of water charges, \$18,386 of sewer charges, \$6,030 of police detail fees, and \$5,000 of cemetery fees not collected within sixty days of year-end; and \$69,255 of amounts collected from other towns for the recycling center in excess of actual costs, and \$5,706 of impact fees, both of which will be applied to the next year. In the Governmental Activities, only the recycling and impact fees are reported as unearned.

III.A.3. Capital Assets

Changes in Capital Assets

The following provides a summary of changes in capital assets:

	<u>Balance, beginning</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance, ending</u>
Governmental activities:				
At cost:				
Not being depreciated:				
Land	\$ 210,644	\$ -	\$ -	\$ 210,644
Intangible assets	282,000	-	-	282,000
Construction in progress	40,052	16,211	-	56,263
Total capital assets not being depreciated	<u>532,696</u>	<u>16,211</u>	<u>-</u>	<u>548,907</u>
Being depreciated:				
Land improvements	530,285	-	-	530,285
Buildings and building improvements	5,107,241	-	-	5,107,241
Machinery, vehicles and equipment	2,973,475	294,391	(105,240)	3,162,626
Infrastructure	1,066,386	-	-	1,066,386
Total capital assets being depreciated	<u>9,677,387</u>	<u>294,391</u>	<u>(105,240)</u>	<u>9,866,538</u>
Total all capital assets	<u>10,210,083</u>	<u>310,602</u>	<u>(105,240)</u>	<u>10,415,445</u>
Less accumulated depreciation:				
Land improvements	(85,603)	(10,606)	-	(96,209)
Buildings and building improvements	(615,986)	(65,383)	-	(681,369)
Machinery, vehicles and equipment	(956,687)	(240,223)	55,140	(1,141,770)
Infrastructure	(160,626)	(41,758)	-	(202,384)
Total accumulated depreciation	<u>(1,818,902)</u>	<u>(357,970)</u>	<u>55,140</u>	<u>(2,121,732)</u>
Net book value, capital assets being depreciated	<u>7,858,485</u>	<u>(63,579)</u>	<u>(50,100)</u>	<u>7,744,806</u>
Net book value, all capital assets	<u>\$ 8,391,181</u>	<u>\$ (47,368)</u>	<u>\$ (50,100)</u>	<u>\$ 8,293,713</u>

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Depreciation Expense

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

General government	\$ 9,137
Public safety	193,360
Highways and streets	129,333
Sanitation	15,016
Water distribution and treatment	6,477
Culture and recreation	4,647
Total depreciation expense	<u><u>\$ 357,970</u></u>

III.B. Liabilities

III.B.1. Intergovernmental Payable

The amount due to other governments at December 31, 2016 consists of the balance of the 2016-2017 district assessment due to the Wilton-Lyndeborough Cooperative School District in the amount of \$3,447,308, and \$10,957 of motor vehicle fees due to the State.

III.B.2. Long-Term Liabilities

General obligation debt is approved by the voters and repaid with general revenue (property taxes). These liabilities are backed by the full faith and credit of the Town.

Liabilities currently outstanding are as follow:

	<u>Original Amount</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate %</u>	<u>Outstanding at 12/31/2016</u>	<u>Current Portion</u>
General obligation bonds payable:						
Fire station	\$833,800	2013	2033	4.1-5.6	\$ 758,800	\$ 28,800
Sewer project	\$191,200	2013	2023	5.1-5.6	146,200	16,200
					<u>905,000</u>	<u>45,000</u>
Unamortized bond premium					106,180	7,940
Capital lease payable:						
Wheel loader	\$121,927	2016	2018	2.96	80,094	39,415
Net pension liability					<u>1,709,556</u>	-
					<u><u>\$ 2,800,830</u></u>	<u><u>\$ 92,355</u></u>

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Changes in Long-Term Liabilities

	General Obligation Bonds Payable	Unamortized Bond Premium	Capital Lease Payable	Net Pension Liability	Total
Balance, beginning	\$ 945,000	\$ 114,120	\$ -	\$ 1,167,042	\$ 2,226,162
Additions	-	-	121,927	542,514	664,441
Reductions	(40,000)	(7,940)	(41,833)	-	(89,773)
Balance, ending	<u>\$ 905,000</u>	<u>\$ 106,180</u>	<u>\$ 80,094</u>	<u>\$ 1,709,556</u>	<u>\$ 2,800,830</u>

Debt Service Requirements to Maturity

The annual debt service requirements to maturity for the bonds outstanding are as follow:

Year Ending December 31,	Principal	Interest	Total
2017	\$ 45,000	\$ 46,380	\$ 91,380
2018	50,000	43,860	93,860
2019	50,000	41,060	91,060
2020	55,000	38,510	93,510
2021	55,000	35,567	90,567
2022-2026	260,000	133,658	393,658
2027-2031	265,000	73,695	338,695
2032-2033	125,000	9,690	134,690
Totals	<u>\$ 905,000</u>	<u>\$ 422,420</u>	<u>\$ 1,327,420</u>

The annual debt service requirements to maturity for the capital lease are as follow:

Year Ending December 31,	Principal	Interest	Total
2017	\$ 39,415	\$ 2,418	\$ 41,833
2018	40,679	1,155	41,834
Totals	<u>\$ 80,094</u>	<u>\$ 3,573</u>	<u>\$ 83,667</u>

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.”

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The following reports receivables and payables within the entity at the end of the year:

Receivable Fund	Payable Fund	Amount
General	Permanent	\$ 8,038
General	Nonmajor	48,720
Recycling Center Revolving	General	43,673
Nonmajor	General	143,650
Nonmajor	Nonmajor	780
		\$ 244,861

The amount due to the General Fund from the Permanent Fund represents \$8,038 of perpetual care income to cover maintenance of cemetery lots. The amount due to the General Fund from the Nonmajor Funds represents \$45,958 from the Sewer Fund to reimburse for expenditures paid on behalf of that fund; and \$2,762 from the Library Fund to reimburse for insurance. The amount due to the Recycling Center Revolving Fund from the General Fund represents \$43,673 of income collected. The amount due to the Nonmajor Funds from the General Fund represents \$63,440 of ambulance receipts to be remitted to the Ambulance Fund; and \$80,210 of water receipts to be remitted to the Water Fund. The nonmajor Sewer Fund owes \$780 to the nonmajor Water Fund for shared expenditures.

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, funding capital reserve accounts and reimbursing for approved expenditures from the same, and distributing trust income to the applicable fund. The government-wide statement of activities eliminates transfers reported within the governmental activities columns.

The following reports transfers within the reporting entity:

	Transfers In:			Total
	General Fund	Recycling Center Revolving Fund	Nonmajor Funds	
Transfers out:				
General fund	\$ -	\$ 192,195	\$ 280,149	\$ 472,344
Permanent fund	8,038	-	22,110	30,148
Nonmajor funds	72,170	-	-	72,170
	\$ 80,208	\$ 192,195	\$ 302,259	\$ 574,662

The amounts transferred to the Recycling Center Revolving Fund from the General Fund represent \$40,170 from a discontinued capital reserve fund, and \$152,025 representing the Town's share of recycling costs. The amounts transferred to the Nonmajor Funds from the General Fund represent \$95,149 to the Ambulance Fund for the Town's share of operations, and \$185,000 of additions to the Expendable Trust Fund. The amount transferred to the General Fund from the Permanent Fund represents perpetual care income used to

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maintain cemetery lots. The amount transferred from the Permanent Fund to the Nonmajor Funds represents income on library endowments transferred to the Library Fund. The amount transferred to the General Fund from the Nonmajor Funds represents capital outlay expenditures reimbursed by the Expendable Trust Fund.

III.D. Restatement of Beginning Equity

The equity balances at December 31, 2015, were restated as follow:

	Governmental Activities	General Fund
To adjust deferred recycling revenue	\$ 62,545	\$ 62,545
To report fees due to the State	(2,556)	(2,556)
Net position/fund balance, as previously reported	12,497,454	1,805,601
Net position/fund balance, as restated	<u>\$ 12,557,443</u>	<u>\$ 1,865,590</u>

III.E. Components of Fund Balance

Fund balance of the governmental funds is categorized in the following components as described in Note I.C.4.:

	General Fund	Recycling Center Revolving Fund	Permanent Fund	Nonmajor Funds
Nonspendable:				
Prepaid items	\$ 24,283	\$ -	\$ -	\$ -
Endowments	-	-	1,864,473	-
Total nonspendable	<u>24,283</u>	<u>-</u>	<u>1,864,473</u>	<u>-</u>
Restricted:				
General government	-	-	116,962	-
Culture and recreation	-	-	216,185	150,992
Capital outlay	-	-	-	7,576
Total restricted	<u>-</u>	<u>-</u>	<u>333,147</u>	<u>158,568</u>
Committed:				
Public safety	-	-	-	108,952
Sanitation	-	40,170	-	-
Water distribution and treatment	-	-	-	974,129
Conservation	-	-	-	43,158
Capital outlay	41,335	-	-	689,563
Total committed	<u>41,335</u>	<u>40,170</u>	<u>-</u>	<u>1,815,802</u>
Assigned to general government	<u>12,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Unassigned	1,580,860	-	-	(15,097)
Total fund balance	<u>\$ 1,658,478</u>	<u>\$ 40,170</u>	<u>\$ 2,197,620</u>	<u>\$ 1,959,273</u>

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III.F. Restricted Net Position

The governmental activities' statement of net position includes restricted net position of \$2,197,620 for public trust funds reported as restricted to reflect purpose restrictions contained in trust indentures.

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), from which it obtained property and liability, workers' compensation and unemployment compensation insurance. Primex is considered to be a public entity risk pool, currently operating as a common risk management and insurance program for member governmental entities.

Property/liability coverage runs from July 1 through June 30, while workers' and unemployment compensation coverages are on a calendar year. Contributions paid in 2016 for property/liability for fiscal year 2017 ending June 30, 2017, to be recorded as an insurance expenditure/expense totaled \$48,565. There were no unpaid contributions for the year ending June 30, 2017 and due in 2016. Contributions for workers' compensation coverage for 2016 totaled \$41,941, while the Town paid \$3,129 for unemployment compensation insurance. The membership agreement permits Primex to make additional assessments to members should there be a deficiency in contributions for any member year, not to exceed the member's annual contribution. At this time, Primex foresees no likelihood of an assessment for this or any prior year.

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

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based on an actuarial valuation. The rates of contribution for police officers was 11.55% of gross earnings for the year. The rate of contribution from the Town for police officers was 26.38%. The rates are actuarially determined to generate an amount, that when combined with employee contributions, is expected to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employer contributions from the Town during the years 2014, 2015 and 2016 were \$114,826, \$124,331 and \$132,491, respectively. The amounts are paid on a monthly basis as due.

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

At December 31, 2016, the Town reported a liability of \$1,709,556 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015, 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, 2016, the Town's proportion was 0.0321%, which was an increase of 0.0026% from its proportion as of June 30, 2015.

For 2016, the Town recognized pension expense of \$256,050. At year-end, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u>Resources</u>	<u>Resources</u>
Changes in proportion and differences between employer contributions and proportionate share of contributions	\$ 163,351	\$ -
Changes in assumptions	210,392	-
Differences between expected and actual experience	4,751	21,587
Net difference between projected and actual earnings on pension plan investments	106,959	-
Town contributions subsequent to the measurement date	69,274	-
	<u>\$ 554,727</u>	<u>\$ 21,587</u>

The Town reported \$69,274 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.

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

Year	
2017	\$ 106,842
2018	106,842
2019	138,422
2020	106,147
2021	5,613
	\$ 463,866

Actuarial Assumptions

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

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

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

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

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.25%, 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	\$2,196,663	\$1,709,556	\$1,305,578

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

REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT 10
TOWN OF WILTON, NEW HAMPSHIRE
Schedule of the Town's Proportionate Share of the Net Pension Liability
New Hampshire Retirement System

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Town's proportion of the net pension liability	0.0321%	0.0295%	0.0285%
Town's proportionate share of the net pension liability	\$1,709,556	\$1,167,042	\$1,067,757
Town's covered-employee payroll	\$502,241	\$479,855	\$453,858
Town's proportionate share of the net pension liability as a percentage of the covered-employee payroll	340.39%	243.21%	235.26%
Plan net position as a percentage of the total pension liability	58.3%	65.5%	66.3%

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

EXHIBIT 11
TOWN OF WILTON, NEW HAMPSHIRE
Schedule of the Town's Pension Contributions
New Hampshire Retirement System

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 132,491	\$ 124,331	\$ 114,826
Contribution in relation to the contractually required contribution	<u>(132,491)</u>	<u>(124,331)</u>	<u>(114,826)</u>
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll	\$502,241	\$479,855	\$453,858
Contributions as a percentage of covered-employee payroll	26.38%	25.91%	25.30%

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

TOWN OF WILTON, NEW HAMPSHIRE
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2016

The Schedule of the Town's Proportionate Share of the Net Pension Liability and the Schedule of the Town's Pension Contributions are meant to present related information for ten years. Because this is the second year that the Town has presented the pension schedules, only three years are presented. An additional year's information will be added each year until there are ten years shown.

COMBINING NONMAJOR AND INDIVIDUAL FUND SCHEDULES

EXHIBIT 12
TOWN OF WILTON, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2016

	Special Revenue Funds							Total
	Wilton Public and Gregg Free Library	Ambulance	Impact Fees	Conservation Commission	Water	Sewer	Capital Project Fund Expendable Trust	
ASSETS								
Cash and cash equivalents	\$ 163,127	\$ 34,374	\$ 3,804	\$ -	\$ 1,792	\$ 1,442	\$ 76,476	\$ 281,015
Investments	-	-	-	43,158	843,403	-	613,087	1,499,648
Accounts receivable, net of allowances for uncollectible accounts	-	61,759	1,902	-	73,771	92,384	-	229,816
Interfund receivable	-	63,440	-	-	80,990	-	-	144,430
Prepaid items	4,452	-	-	-	-	-	-	4,452
Total assets	\$ 167,579	\$ 159,573	\$ 5,706	\$ 43,158	\$ 999,956	\$ 93,826	\$ 689,563	\$ 2,159,361
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES								
Liabilities:								
Accounts payable	\$ 6,121	\$ 8,321	\$ -	\$ -	\$ 10,926	\$ 35,803	\$ -	\$ 61,171
Accrued salaries and benefits	7,704	4,605	-	-	986	420	-	13,715
Interfund payable	2,762	-	-	-	-	46,738	-	49,500
Total liabilities	16,587	12,926	-	-	11,912	82,961	-	124,386
Deferred inflows of resources:								
Unavailable revenue	-	37,695	-	-	13,915	18,386	-	69,996
Unearned revenue	-	-	5,706	-	-	-	-	5,706
Total deferred inflows	-	37,695	5,706	-	13,915	18,386	-	75,702
Fund balances:								
Restricted	150,992	-	-	-	-	7,576	-	158,568
Committed	-	108,952	-	43,158	974,129	-	689,563	1,815,802
Unassigned	-	-	-	-	-	(15,097)	-	(15,097)
Total fund balances	150,992	108,952	-	43,158	974,129	(7,521)	689,563	1,959,273
Total liabilities, deferred inflows of resources, and fund balances	\$ 167,579	\$ 159,573	\$ 5,706	\$ 43,158	\$ 999,956	\$ 93,826	\$ 689,563	\$ 2,159,361

EXHIBIT 13
TOWN OF WILTON, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended December 31, 2016

	Special Revenue Funds						Total
	Wilton Public and Gregg Free Library	Ambulance	Conservation Commission	Water	Sewer	Capital Project Fund Expendable Trust	
REVENUES							
Taxes	\$ -	\$ -	\$ 750	\$ -	\$ -	\$ -	\$ 750
Intergovernmental	540	89,683	-	-	-	-	90,223
Charges for services	1,463	129,808	-	290,724	315,428	-	737,423
Miscellaneous	24,034	1,030	221	4,903	-	11,571	41,759
Total revenues	<u>26,037</u>	<u>220,521</u>	<u>971</u>	<u>295,627</u>	<u>315,428</u>	<u>11,571</u>	<u>870,155</u>
EXPENDITURES							
Current:							
Public safety	-	351,247	-	-	-	-	351,247
Sanitation	-	-	-	-	268,339	-	268,339
Water distribution and treatment	-	-	-	185,945	-	-	185,945
Culture and recreation	23,232	-	-	-	-	-	23,232
Debt service:							
Principal	-	-	-	-	15,000	-	15,000
Interest	-	-	-	-	8,702	-	8,702
Capital outlay	-	-	-	-	11,573	-	11,573
Total expenditures	<u>23,232</u>	<u>351,247</u>	<u>-</u>	<u>185,945</u>	<u>303,614</u>	<u>-</u>	<u>864,038</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,805</u>	<u>(130,726)</u>	<u>971</u>	<u>109,682</u>	<u>11,814</u>	<u>11,571</u>	<u>6,117</u>
Other financing sources (uses):							
Transfers in	22,110	95,149	-	-	-	185,000	302,259
Transfers out	-	-	-	-	-	(72,170)	(72,170)
Total other financing sources and uses	<u>22,110</u>	<u>95,149</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>112,830</u>	<u>230,089</u>
Net change in fund balances	24,915	(35,577)	971	109,682	11,814	124,401	236,206
Fund balances, beginning	126,077	144,529	42,187	864,447	(19,335)	565,162	1,723,067
Fund balances, ending	<u>\$ 150,992</u>	<u>\$ 108,952</u>	<u>\$ 43,158</u>	<u>\$ 974,129</u>	<u>\$ (7,521)</u>	<u>\$ 689,563</u>	<u>\$ 1,959,273</u>

EXHIBIT 14
TOWN OF WILTON, NEW HAMPSHIRE
General Fund
Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)
For the Year Ended December 31, 2016

	Estimated	Actual	Variance Positive (Negative)
Taxes:			
Property	\$ 2,269,529	\$ 2,086,698	\$ (182,831)
Land use change	750	750	-
Timber	10,000	6,090	(3,910)
Excavation	5,200	5,252	52
Payments in lieu of taxes	4,239	3,845	(394)
Interest and penalties on delinquent taxes	35,000	72,944	37,944
Total taxes	<u>2,324,718</u>	<u>2,175,579</u>	<u>(149,139)</u>
Licenses, permits and fees:			
Motor vehicle permits	650,000	702,809	52,809
Building permits	11,000	13,719	2,719
Other	35,000	20,829	(14,171)
Total licenses, permits and fees	<u>696,000</u>	<u>737,357</u>	<u>41,357</u>
Intergovernmental:			
State sources:			
Meals and rooms distributions	190,188	190,188	-
Highway block grant	125,764	125,764	-
State and federal forest land	263	266	3
Railroad tax	1,784	1,010	(774)
Total intergovernmental	<u>317,999</u>	<u>317,228</u>	<u>(771)</u>
Charges for services:			
Income from departments	36,600	67,807	31,207
Miscellaneous:			
Interest on investments	2,900	2,325	(575)
Insurance dividends and reimbursements	-	5,340	5,340
Contributions and donations	-	1,000	1,000
Other	66,300	70,716	4,416
Total miscellaneous	<u>69,200</u>	<u>79,381</u>	<u>10,181</u>
Other financing sources:			
Transfers in:			
Permanent fund	-	8,038	8,038
Nonmajor funds	32,048	72,170	40,122
Total other financing sources	<u>32,048</u>	<u>80,208</u>	<u>48,160</u>
Total revenues and other financing sources	3,476,565	<u>\$ 3,457,560</u>	<u>\$ (19,005)</u>
Use of fund balance to reduce taxes	755,048		
Total revenues, other financing sources and use of fund balance	<u>\$ 4,231,613</u>		

EXHIBIT 15
TOWN OF WILTON, NEW HAMPSHIRE
General Fund
Schedule of Appropriations, Expenditures and Encumbrances (Non-GAAP Budgetary Basis)
For the Year Ended December 31, 2016

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
General government:					
Executive	\$ -	\$ 394,248	\$ 354,014	\$ -	\$ 40,234
Election and registration	-	1,990	3,470	-	(1,480)
Revaluation of property	-	30,000	29,931	-	69
Legal	-	20,000	5,268	-	14,732
Planning and zoning	18,874	50,276	35,927	12,000	21,223
General government buildings	-	72,920	43,024	8,245	21,651
Cemeteries	-	34,048	27,624	-	6,424
Insurance, not otherwise allocated	-	39,664	43,365	-	(3,701)
Reconciliation discrepancies	-	-	2,991	-	(2,991)
Other	-	503,533	462,244	-	41,289
Total general government	<u>18,874</u>	<u>1,146,679</u>	<u>1,007,858</u>	<u>20,245</u>	<u>137,450</u>
Public safety:					
Police	-	724,493	704,919	-	19,574
Fire	-	122,368	103,730	-	18,638
Building inspection	-	26,556	20,842	-	5,714
Emergency management	-	1,600	578	-	1,022
Other	-	148,377	144,793	-	3,584
Total public safety	<u>-</u>	<u>1,023,394</u>	<u>974,862</u>	<u>-</u>	<u>48,532</u>
Highways and streets:					
Highways and streets	32,459	469,887	441,348	-	60,998
Resurfacing	-	384,500	320,793	-	63,707
Street lighting	-	26,200	24,645	-	1,555
Total highways and streets	<u>32,459</u>	<u>880,587</u>	<u>786,786</u>	<u>-</u>	<u>126,260</u>
Sanitation:					
Transfer station	<u>2,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,000</u>
Health:					
Administration	-	595	570	-	25
Health agencies	-	24,576	24,576	-	-
Total health	<u>-</u>	<u>25,171</u>	<u>25,146</u>	<u>-</u>	<u>25</u>
Welfare	<u>-</u>	<u>46,075</u>	<u>22,058</u>	<u>-</u>	<u>24,017</u>
Culture and recreation:					
Parks and recreation	-	18,300	12,121	-	6,179
Public library	-	278,633	278,633	-	-
Patriotic purposes	-	750	750	-	-
Other	-	35,462	35,526	-	(64)
Total culture and recreation	<u>-</u>	<u>333,145</u>	<u>327,030</u>	<u>-</u>	<u>6,115</u>
Conservation	<u>-</u>	<u>8,425</u>	<u>3,278</u>	<u>-</u>	<u>5,147</u>

(continued)

EXHIBIT 15 (continued)
TOWN OF WILTON, NEW HAMPSHIRE
General Fund

Schedule of Appropriations, Expenditures and Encumbrances (Non-GAAP Budgetary Basis)
For the Year Ended December 31, 2016

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Debt service:					
Principal	-	25,000	25,000	-	-
Interest	-	39,918	39,918	-	-
Total debt service	-	64,918	64,918	-	-
Capital outlay:					
Machinery, vehicles and equipment	-	154,543	141,464	-	13,079
Buildings	5,859	-	1,804	-	4,055
Improvements other than buildings	11,602	33,090	-	33,090	11,602
Total capital outlay	17,461	187,633	143,268	33,090	28,736
Other financing uses:					
Transfers out:					
Recycling center revolving fund	-	201,310	192,195	-	9,115
Nonmajor funds	-	314,276	280,149	-	34,127
Total other financing uses	-	515,586	472,344	-	43,242
Total encumbrances, appropriations, expenditures and other financing uses	\$ 70,794	\$ 4,231,613	\$ 3,827,548	\$ 53,335	\$ 421,524

EXHIBIT 16
TOWN OF WILTON, NEW HAMPSHIRE
General Fund
Schedule of Changes in Unassigned Fund Balance (Non-GAAP Budgetary Basis)
For the Year Ended December 31, 2016

Unassigned fund balance, beginning		\$ 2,338,234
Changes:		
Unassigned fund balance used to reduce tax rate		(755,048)
Budget summary:		
Revenue shortfall (Exhibit 14)	\$ (19,005)	
Unexpended balance of appropriations (Exhibit 15)	<u>421,524</u>	
Budget surplus		402,519
Increase in nonspendable fund balance		<u>(505)</u>
Unassigned fund balance, ending		<u><u>\$ 1,985,200</u></u>



Roberts & Greene, PLLC

LETTER TO MANAGEMENT

To the Members of the Board of Selectmen
Town of Wilton
Wilton, New Hampshire 03086

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Wilton as of and for the year ended December 31, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered the Town's internal control over financial reporting (internal control) as a basis for designing our auditing procedures 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 of Wilton'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 an entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

We consider the following conditions to be a material weakness:

General Ledger System

The general ledger presented for audit was extremely cumbersome, and had many incorrect accounts and balances in it. There were four different property taxes receivable accounts for each year of levy, going back to the year 2010, even though for many of these years, there were no actual taxes still receivable. There were also several different accounts for gravel, current use and yield taxes; and sewer and water billings going back to 2007. In some of the years, the four accounts added together to zero, and we had provided adjustments in the prior year to zero out all of these accounts, but those adjustments were never posted. The balance sheet should only have one account for each type of tax or fee (property, gravel, yield, sewer, water, etc.) receivable, and if the accountant wants to keep a more detailed breakdown of the receivable for ease of reconciling with the Tax Collector, this should be done in subsidiary ledgers or spreadsheets and not on the actual general ledger. Added taxes and abatements should be posted directly to the receivable account. The same could be done for the different elderly or welfare liens; there is no need to have a separate general ledger account for each individual.

The Conservation Commission is accounted for as a separate fund as required by State law. However, it is included in the General Fund in the Town's general ledger with no liability reported to the Conservation Commission. We understand that due to the limited amount of transactions, the Town had elected to not set up an additional fund in its general ledger system. This would work provided all of the Conservation Commission's activity was accounted for in a liability line, "Due to Conservation Commission Fund." However, such activity was recorded as General Fund revenue and expenditures, resulting in adjustments needed to report activity in the proper fund.

The general ledger system was set up to record activity between the General Fund, and the other funds that are in the system (Ambulance, Sewer, Water, and Recycling Center) by posting receipts of these other funds that are deposited into the General Fund's operating account with a credit in the General Fund to "Due to (respective other) Fund", and a debit in the other fund to "Due from General Fund." Then payments made out of the General Fund on behalf of the other funds, are debited to "Due from (respective other) Fund" in the General Fund, and credited to "Due to General Fund" in the other fund. However, it would be easier for reconciling and for management to see what the interfund balances are, if these entries all went into one account rather than having both a Due to and a Due from account. At the very least if the two accounts are going to be used, they should be netted together annually or more often as they have just been accumulating for many years to extremely large balances. For example, the general ledger shows that as of December 31, 2016, the General Fund owed the Sewer Fund \$2,010,087 and the Sewer Fund owed the General Fund \$2,056,045, for a net payable due to the General Fund of \$45,958. The balances shown obviously contain many years' worth of transactions.

Because Governmental Funds are maintained on a current financial resources measurement focus, only current assets and liabilities are reported on the balance sheet. We found, as in the past year, that there were liability accounts in the General Fund for Fire Station Bond and Fire Station Bond Premium. We had provided entries after the 2015 audit to have these accounts removed from the General Fund.

During 2016, the Town established a revolving fund for the Recycling Center as approved by Town Meeting, and a new fund was set up in the system to account for this. Prior to this time, the activity of the Recycling Center was reported in the General Fund. However, we found that this activity was subsequently recorded in the Recycling Center Fund, but was not removed from the General Fund, and therefore, was being doubly recorded. We also found that postings in the new Recycling Fund were being made to beginning fund balance (which should have been zero), rather than to the interfund. We have provided entries to correct this.

We recommend that all adjusting audit entries be posted to the general ledger, and that the fund balances then be compared to the audited fund balances. These should be in agreement unless there was some error made that requires a prior period adjustment, in which case, this should be disclosed to us when we begin the subsequent year's audit. Sometimes, the entries made have to be reversed in the subsequent year such as a prepaid expenditure or accrued payroll, but this does not mean that they should not be posted as that would result in the fund balances not being in agreement. This would save a considerable amount of time in reconciling at year-end.

We also consider the following issues to be significant deficiencies:

Cash Reconciliations

We noted in some of the cash reconciliations that there were old outstanding checks, transfers and deposits being carried as reconciling items. These should be investigated and adjusted as necessary. Unclaimed checks should be remitted to the State as escheat property if the payee cannot be located, and should not be carried as outstanding after six months. Errors on the reconciliation should be corrected because in no case, should a transfer from one account to another not have cleared within a few business days. The same is true of deposits in transit.

Revenue Collected on Behalf of the State

There are certain fees, primarily collected by the Town Clerk's office, that belong to the State of New Hampshire, and are remitted thereto as required. Some like motor vehicle fees are remitted within a day or two, while some like dog license fees are remitted annually. We noted that these were being posted to revenue in the general ledger. These fees when collected should be recorded in the general ledger as liabilities, due to the State. They are never revenue to the Town and should not be posted as such because this misstates the Town's revenue.

Police Detail Revenue and Receivables

We noted that there seems to be a lag in the timing of reporting police detail billings and receipts in the financial statements, as well as in the remittance of these receipts to the Town Clerk's office for deposit. All billings for police details should be reported to the Selectmen's Office at least on a monthly basis so that the receivable can be recorded in the general ledger. Currently, receipts for these billings are collected at the police department and then, brought over to the Town Clerk's office for deposit. We found when at the Town near the end of April, that collections from February and March totaling \$5,550, were still being held at the police station. These receipts should be remitted to the Town Clerk's office at least monthly, and weekly if there is any significant amount.

Sewer Fund Budgeting

We noted that the Sewer Fund budget did not include the amount for debt service that was to be funded from the restricted fund balance representing unexpended bond proceeds. Even though this expenditure did not require any revenue from taxes or user fees as the restricted amount was to be used, it still should have been included as a budgeted expenditure and offset in estimated revenue by use of fund balance.

Timing of Year-End Closing

We noted that when we began the fieldwork for the audit in April of 2017, adjustments were still being posted and the balances that we were given for audit were changing. We recommend that the Town make all reconciliations and adjustments as soon as possible after year-end so that the final numbers can be provided, and that in the event that some delay occurs in the closing, the Town notify us and reschedule the fieldwork as necessary.

We are aware that the Town has been working to set up a new general ledger system using more government-specific software, and we are anticipating that these issues will not reoccur.

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

December 15, 2017

Robert A. Heene, PLLC