

**TOWN OF WILTON,
NEW HAMPSHIRE**

ANNUAL FINANCIAL REPORT

**AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2018**

TOWN OF WILTON, NEW HAMPSHIRE
ANNUAL FINANCIAL REPORT
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2018
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PLODZIK & SANDERSON

Professional Association/Accountants & Auditors

193 North Main Street • Concord • New Hampshire • 03301-5063 • 603-225-6996 • FAX 603-224-1380

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major governmental and proprietary fund, and aggregate remaining fund information of the Town of Wilton 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 of 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 unmodified and adverse audit opinions.

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Adverse
Business-type Activities	Adverse
General Fund	Unmodified
Recycling Center Fund	Unmodified
Ambulance Fund	Unmodified
Aggregate Remaining Fund Information	Unmodified
Proprietary Funds:	
Water Fund	Adverse
Sewer Fund	Adverse

Town of Wilton
Independent Auditor's Report

Basis for Adverse Opinion on Governmental Activities, Business-type Activities, and Proprietary Funds

As discussed in Note 1-B to the financial statements, management has not recorded the capital assets and related accumulated depreciation in the governmental activities or business-type activities, and accordingly, has not recorded depreciation expense on those assets. Accounting principles generally accepted in the United States of America require that capital assets, be capitalized and depreciated, which would increase the assets, net position, and expenses of the governmental activities, business-type activities, and proprietary funds. The amount by which this departure would affect the assets, net position, and expenses of the governmental activities, business-type activities, and proprietary funds is not reasonably determinable.

As discussed in Note 14 to the financial statements, management has not recorded the long-term costs of retirement health care costs and obligations for other postemployment benefits for the single employer plan in the governmental activities. Accounting principles generally accepted in the United States of America require that those costs be recorded, which would increase the liabilities, decrease the net position and increase the expenses of the governmental activities. The amount by which this departure would affect the liabilities, net position, and expenses on the governmental activities is not readily determinable.

Adverse Opinion

In our opinion, because of the significance of the matters described in the “Basis for Adverse Opinion on Governmental Activities, Business-type Activities, and Proprietary Funds” paragraphs, the financial statements referred to above do not present fairly the financial position of the government-wide financial statements of the Town of Wilton, as of December 31, 2018, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major governmental fund and aggregate remaining fund information of the Town of Wilton as of December 31, 2018, and the respective changes in financial position and the respective budgetary comparison for the general fund, recycling center fund and ambulance fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 2-C to the financial statements, in fiscal year 2018 the Town adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinions are modified with respect to these matters, as they pertain to the Town's single employer OPEB plan.

In addition, as discussed in Note 2-C to the financial statements, in fiscal year 2018 the Town changed the way the water and sewer funds are reported from special revenue funds to proprietary funds in accordance with the definition of proprietary funds of Governmental GAAP (Generally Accepted Accounting Principles). Our opinions are modified with respect to this matter, as they pertain to the capital assets, accumulated depreciation, and depreciation expense not being reported.

Other Matters

Management's Discussion and Analysis – Management has omitted a Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by the missing information.

Required Supplementary Information – Accounting principles generally accepted in the United States of America require that the following be presented to supplement the basic financial statements:

- Schedule of the Town's Proportionate Share of Net Pension Liability,
- Schedule of Town Contributions – Pensions,
- Schedule of the Town's Proportionate Share of the Net Other Postemployment Benefits Liability,
- Schedule of the Town Contributions – Other Postemployment Benefits, and
- Notes to the Required Supplementary Information

Town of Wilton
Independent Auditor's Report

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 Wilton's basic financial statements. The combining and individual fund schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual 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 and individual fund schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

June 12, 2019

Plodzik & Sanderson
Professional Association

BASIC FINANCIAL STATEMENTS

EXHIBIT A
TOWN OF WILTON, NEW HAMPSHIRE
Statement of Net Position
December 31, 2018

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 5,624,515	\$ 384,949	\$ 6,009,464
Investments	3,368,289	790,997	4,159,286
Taxes receivables (net)	561,372	-	561,372
Account receivables (net)	138,413	188,925	327,338
Intergovernmental receivable	3,937	-	3,937
Prepaid items	686	-	686
Total assets	<u>9,697,212</u>	<u>1,364,871</u>	<u>11,062,083</u>
DEFERRED OUTFLOWS OF RESOURCES			
Amounts related to pensions	229,495	-	229,495
Amounts related to other postemployment benefits	21,194	-	21,194
Total deferred outflows of resources	<u>250,689</u>	<u>-</u>	<u>250,689</u>
LIABILITIES			
Accounts payable	180,296	37,189	217,485
Accrued salaries and benefits	64,917	2,648	67,565
Accrued interest payable	23,450	2,713	26,163
Intergovernmental payable	3,724,931	-	3,724,931
Internal balances	54,272	(54,272)	-
Long-term liabilities:			
Due within one year	121,231	32,507	153,738
Due in more than one year	2,719,368	118,704	2,838,072
Total liabilities	<u>6,888,465</u>	<u>139,489</u>	<u>7,027,954</u>
DEFERRED INFLOWS OF RESOURCES			
Amounts related to pensions	181,834	-	181,834
Amounts related to other postemployment benefits	626	-	626
Total deferred inflows of resources	<u>182,460</u>	<u>-</u>	<u>182,460</u>
NET POSITION			
Net investment in capital assets	(1,213,401)	(144,028)	(1,357,429)
Restricted	2,572,562	1,369,410	3,941,972
Unrestricted	1,517,815	-	1,517,815
Total net position	<u>\$ 2,876,976</u>	<u>\$ 1,225,382</u>	<u>\$ 4,102,358</u>

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

EXHIBIT B
TOWN OF WILTON, NEW HAMPSHIRE
Statement of Activities
For the Fiscal Year Ended December 31, 2018

	Expenses	Program Revenues		Net (Expense) Revenue and Change in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental activities:						
General government	\$ 1,313,922	\$ 45,552	\$ -	\$ (1,268,370)	\$ -	\$ (1,268,370)
Public safety	1,900,976	423,090	-	(1,477,886)	-	(1,477,886)
Highways and streets	1,052,403	17,528	128,151	(906,724)	-	(906,724)
Sanitation	557,220	409,183	-	(148,037)	-	(148,037)
Health	24,891	-	-	(24,891)	-	(24,891)
Welfare	22,232	-	-	(22,232)	-	(22,232)
Culture and recreation	397,949	3,815	-	(394,134)	-	(394,134)
Conservation	5,460	-	1,200	(4,260)	-	(4,260)
Economic development	5,000	-	-	(5,000)	-	(5,000)
Interest on long-term debt	37,682	-	-	(37,682)	-	(37,682)
Capital outlay	122,385	-	-	(122,385)	-	(122,385)
Total governmental activities	<u>5,440,120</u>	<u>899,168</u>	<u>129,351</u>	<u>(4,411,601)</u>	<u>-</u>	<u>(4,411,601)</u>
Business-type activities:						
Water	195,634	283,350	-	-	87,716	87,716
Sewer	269,287	431,932	-	-	162,645	162,645
Total business-type activities	<u>464,921</u>	<u>715,282</u>	<u>-</u>	<u>-</u>	<u>250,361</u>	<u>250,361</u>
Total	<u>\$ 5,905,041</u>	<u>\$ 1,614,450</u>	<u>\$ 129,351</u>	<u>(4,411,601)</u>	<u>250,361</u>	<u>(4,161,240)</u>
General revenues:						
Taxes:						
Property				2,918,354	-	2,918,354
Other				50,474	-	50,474
Motor vehicle permit fees				754,901	-	754,901
Licenses and other fees				27,017	-	27,017
Grants and contributions not restricted to specific programs				190,272	-	190,272
Unrestricted investment earnings				55,506	8,731	64,237
Miscellaneous				65,306	5,787	71,093
Total general revenues				<u>4,061,830</u>	<u>14,518</u>	<u>4,076,348</u>
Gain on sale of property				-	500	500
Total general revenues, contributions, and transfers				<u>4,061,830</u>	<u>15,018</u>	<u>4,076,848</u>
Change in net position				(349,771)	265,379	(84,392)
Net position, beginning, as restated (see Note 18)				3,226,747	960,003	4,186,750
Net position, ending				<u>\$ 2,876,976</u>	<u>\$ 1,225,382</u>	<u>\$ 4,102,358</u>

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

EXHIBIT C-1
TOWN OF WILTON, NEW HAMPSHIRE
Governmental Funds
Balance Sheet
December 31, 2018

	General	Recycling Center	Ambulance	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 4,722,420	\$ 267,828	\$ 300,632	\$ 38,546	\$ 5,329,426
Investments	644	-	-	964,571	965,215
Receivables, net of allowance for uncollectible:					
Taxes	786,372	-	-	-	786,372
Accounts	10,678	-	127,735	-	138,413
Intergovernmental receivable	3,937	-	-	-	3,937
Interfund receivable	380,166	-	-	14,636	394,802
Voluntary tax liens	9,692	-	-	-	9,692
Voluntary tax liens reserved until collected	(9,692)	-	-	-	(9,692)
Prepaid items	686	-	-	-	686
Restricted assets:					
Cash and cash equivalents	295,089	-	-	-	295,089
Investments	2,403,074	-	-	-	2,403,074
Total assets	<u>\$ 8,603,066</u>	<u>\$ 267,828</u>	<u>\$ 428,367</u>	<u>\$ 1,017,753</u>	<u>\$ 10,317,014</u>
LIABILITIES					
Accounts payable	\$ 155,969	\$ 18,776	\$ 5,551	\$ -	\$ 180,296
Accrued salaries and benefits	47,907	5,034	11,976	-	64,917
Intergovernmental payable	3,724,931	-	-	-	3,724,931
Interfund payable	68,908	68,553	307,783	3,830	449,074
Total liabilities	<u>3,997,715</u>	<u>92,363</u>	<u>325,310</u>	<u>3,830</u>	<u>4,419,218</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - Property taxes	168,436	-	-	-	168,436
FUND BALANCES					
Nonspendable	686	-	-	847,294	847,980
Restricted	1,627,766	-	-	96,816	1,724,582
Committed	1,054,789	175,465	103,057	69,813	1,403,124
Assigned	23,268	-	-	-	23,268
Unassigned	1,730,406	-	-	-	1,730,406
Total fund balances	<u>4,436,915</u>	<u>175,465</u>	<u>103,057</u>	<u>1,013,923</u>	<u>5,729,360</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 8,603,066</u>	<u>\$ 267,828</u>	<u>\$ 428,367</u>	<u>\$ 1,017,753</u>	<u>\$ 10,317,014</u>

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

EXHIBIT C-2
TOWN OF WILTON, NEW HAMPSHIRE
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position
December 31, 2018

Amounts reported for governmental activities in the Statement of Net Position are different because:

Total fund balances of governmental funds (Exhibit C-1)		\$ 5,729,360
Pension and other postemployment benefit (OPEB) related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year, and therefore, are not reported in the governmental funds as follows:		
Deferred outflows of resources related to pensions	\$ 229,495	
Deferred inflows of resources related to pensions	(181,834)	
Deferred outflows of resources related to OPEB	21,194	
Deferred inflows of resources related to OPEB	<u>(626)</u>	
		68,229
Interfund receivables and payables between governmental funds are eliminated on the Statement of Net Position.		
Receivables	\$ (394,802)	
Payables	<u>394,802</u>	
		-
Long term revenue (taxes) is not available to pay current-period expenditures and therefore, is deferred in the governmental funds.		168,436
Allowance for uncollectible property taxes that is recognized on a full accrual basis, but not on the modified accrual basis.		(225,000)
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(23,450)
Long-term liabilities are not due and payable in the current period, therefore, are not reported in the governmental funds.		
Bond	\$ 700,000	
Unamortized bond premium	75,900	
Capital leases	437,501	
Compensated absences	91,011	
Net pension liability	1,339,243	
Other postemployment benefits	<u>196,944</u>	
		<u>(2,840,599)</u>
Net position of governmental activities (Exhibit A)		<u><u>\$ 2,876,976</u></u>

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

EXHIBIT C-3
TOWN OF WILTON, NEW HAMPSHIRE
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended December 31, 2018

	General	Recycling Center	Ambulance	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 2,940,989	\$ -	\$ -	\$ 10,445	\$ 2,951,434
Licenses and permits	781,918	-	-	-	781,918
Intergovernmental	319,103	299,541	104,150	3,102	725,896
Charges for services	120,853	109,642	261,168	-	491,663
Miscellaneous	71,842	-	-	50,202	122,044
Total revenues	<u>4,234,705</u>	<u>409,183</u>	<u>365,318</u>	<u>63,749</u>	<u>5,072,955</u>
EXPENDITURES					
Current:					
General government	1,227,404	-	-	94,793	1,322,197
Public safety	1,228,250	-	629,564	-	1,857,814
Highways and streets	1,123,082	-	-	-	1,123,082
Sanitation	40,050	518,913	-	-	558,963
Health	24,891	-	-	-	24,891
Welfare	22,232	-	-	-	22,232
Culture and recreation	397,296	-	-	653	397,949
Conservation	4,851	-	-	609	5,460
Economic development	5,000	-	-	-	5,000
Debt service:					
Principal	30,000	-	-	-	30,000
Interest	36,905	-	-	-	36,905
Capital outlay	122,385	-	-	-	122,385
Total expenditures	<u>4,262,346</u>	<u>518,913</u>	<u>629,564</u>	<u>96,055</u>	<u>5,506,878</u>
Deficiency of revenues under expenditures	<u>(27,641)</u>	<u>(109,730)</u>	<u>(264,246)</u>	<u>(32,306)</u>	<u>(433,923)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	3,830	168,496	187,554	450	360,330
Transfers out	(356,500)	-	-	(3,830)	(360,330)
Capital leases	530,871	-	-	-	530,871
Total other financing sources (uses)	<u>178,201</u>	<u>168,496</u>	<u>187,554</u>	<u>(3,380)</u>	<u>530,871</u>
Net change in fund balances	150,560	58,766	(76,692)	(35,686)	96,948
Fund balances, beginning, as restated (see Note 18)	4,286,355	116,699	179,749	1,049,609	5,632,412
Fund balances, ending	<u>\$ 4,436,915</u>	<u>\$ 175,465</u>	<u>\$ 103,057</u>	<u>\$ 1,013,923</u>	<u>\$ 5,729,360</u>

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

EXHIBIT C-4
TOWN OF WILTON, NEW HAMPSHIRE
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds to the Statement of Activities
For the Fiscal Year Ended December 31, 2018

Net change in fund balances of governmental funds (Exhibit C-3)		\$ 96,948
Amounts reported for governmental activities in the Statement of Activities are different because:		
Transfers in and out between governmental funds are eliminated on the Statement of Activities.		
Transfers in	\$ (360,330)	
Transfers out	<u>360,330</u>	-
Revenue in the Statement of Activities that does not provide current financial resources is not reported as revenue in the governmental funds.		
Change in deferred tax revenue		17,394
Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		
Inception of capital leases	\$ (530,871)	
Repayment of bond principal	30,000	
Repayment of capital leases	134,049	
Amortization of bond premium	<u>5,060</u>	(361,762)
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.		
Increase in accrued interest expense	\$ (5,837)	
Increase in compensated absences payable	(16,366)	
Net change in net pension liability, and deferred outflows and inflows of resources related to pensions	(42,807)	
Net change in net other postemployment benefits liability and deferred outflows and inflows of resources related to other postemployment benefits	<u>(37,341)</u>	<u>(102,351)</u>
Changes in net position of governmental activities (Exhibit B)		<u><u>\$ (349,771)</u></u>

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

EXHIBIT D-1
TOWN OF WILTON, NEW HAMPSHIRE
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Fiscal Year Ended December 31, 2018

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Taxes	\$ 2,978,799	\$ 2,958,383	\$ (20,416)
Licenses and permits	766,000	781,918	15,918
Intergovernmental	318,478	318,423	(55)
Charges for services	41,000	120,853	79,853
Miscellaneous	23,500	48,151	24,651
Total revenues	<u>4,127,777</u>	<u>4,227,728</u>	<u>99,951</u>
EXPENDITURES			
Current:			
General government	1,277,026	1,203,809	73,217
Public safety	1,008,459	915,429	93,030
Highways and streets	960,471	837,627	122,844
Health	29,891	24,891	5,000
Welfare	49,420	22,232	27,188
Culture and recreation	325,251	313,325	11,926
Conservation	9,323	4,851	4,472
Economic development	6,500	5,000	1,500
Debt service:			
Principal	30,000	30,000	-
Interest	36,905	36,905	-
Capital outlay	78,270	100,762	(22,492)
Total expenditures	<u>3,811,516</u>	<u>3,494,831</u>	<u>316,685</u>
Excess of revenues over expenditures	<u>316,261</u>	<u>732,897</u>	<u>416,636</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	155,244	155,244
Transfers out	(829,616)	(832,500)	(2,884)
Total other financing sources (uses)	<u>(829,616)</u>	<u>(677,256)</u>	<u>152,360</u>
Net change in fund balances	<u>\$ (513,355)</u>	55,641	<u>\$ 568,996</u>
Decrease in nonspendable fund balance		25,108	
Unassigned fund balance, beginning, as restated (see Note 18)		1,593,093	
Unassigned fund balance, ending		<u>\$ 1,673,842</u>	

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

EXHIBIT D-2
TOWN OF WILTON, NEW HAMPSHIRE
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
Recycling Center Fund
For the Fiscal Year Ended December 31, 2018

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Intergovernmental	\$ 299,507	\$ 299,541	\$ 34
Charges for services	75,000	109,642	34,642
Total revenues	<u>374,507</u>	<u>409,183</u>	<u>34,676</u>
EXPENDITURES			
Current:			
Sanitation	<u>543,003</u>	<u>518,913</u>	<u>24,090</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(168,496)</u>	<u>(109,730)</u>	<u>58,766</u>
OTHER FINANCING SOURCES			
Transfers in	<u>168,496</u>	<u>168,496</u>	<u>-</u>
Net change in fund balances	<u>\$ -</u>	<u>58,766</u>	<u>\$ 58,766</u>
Fund balance, beginning, as restated (see Note 18)		<u>116,699</u>	
Fund balance, ending		<u>\$ 175,465</u>	

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

EXHIBIT D-3
TOWN OF WILTON, NEW HAMPSHIRE
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
Ambulance Fund
For the Fiscal Year Ended December 31, 2018

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Intergovernmental	\$ 105,888	\$ 104,150	\$ (1,738)
Charges for services	174,094	261,168	87,074
Total revenues	<u>279,982</u>	<u>365,318</u>	<u>85,336</u>
EXPENDITURES			
Current:			
Public safety	458,536	629,564	(171,028)
Capital outlay	9,000	-	9,000
Total expenditures	<u>467,536</u>	<u>629,564</u>	<u>(162,028)</u>
Deficiency of revenues under expenditures	<u>(187,554)</u>	<u>(264,246)</u>	<u>(76,692)</u>
OTHER FINANCING SOURCES			
Transfers in	<u>187,554</u>	<u>187,554</u>	<u>-</u>
Net change in fund balances	<u>\$ -</u>	<u>(76,692)</u>	<u>\$ (76,692)</u>
Fund balance, beginning, as restated (see Note 18)		<u>179,749</u>	
Fund balance, ending		<u>\$ 103,057</u>	

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

EXHIBIT E-1
TOWN OF WILTON, NEW HAMPSHIRE
Proprietary Funds
Statement of Net Position
December 31, 2018

	Business-type Activities		
	Enterprise Funds		Total
	Water	Sewer	Enterprise Funds
ASSETS			
Cash and cash equivalents	\$ 314,488	\$ 70,461	\$ 384,949
Investments	790,997	-	790,997
Accounts receivable	68,837	120,088	188,925
Internal balances	27,321	26,951	54,272
Total assets	<u>1,201,643</u>	<u>217,500</u>	<u>1,419,143</u>
LIABILITIES			
Current liabilities:			
Accounts payable	18,322	18,867	37,189
Accrued salaries and benefits	2,073	575	2,648
Accrued interest payable	525	2,188	2,713
Long term liabilities:			
Due within one year	9,627	22,880	32,507
Due in more than one year	17,184	101,520	118,704
Total liabilities	<u>47,731</u>	<u>146,030</u>	<u>193,761</u>
NET POSITION			
Net investment in capital assets	-	(144,028)	(144,028)
Restricted	1,153,912	215,498	1,369,410
Total net position	<u>\$ 1,153,912</u>	<u>\$ 71,470</u>	<u>\$ 1,225,382</u>

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

EXHIBIT E-2
TOWN OF WILTON, NEW HAMPSHIRE
Proprietary Funds
Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended December 31, 2018

	Business-type Activities		
	Enterprise Funds		Total
	Water	Sewer	Enterprise Funds
Operating revenues:			
User charges	\$ 274,377	\$ 421,305	\$ 695,682
Fees and interest	8,973	3,380	12,353
Miscellaneous	-	7,247	7,247
Total operating revenues	<u>283,350</u>	<u>431,932</u>	<u>715,282</u>
Operating expenses:			
Salaries and wages	93,251	27,857	121,108
Operation and maintenance	81,159	219,823	300,982
Contractual services	17,183	18,309	35,492
Materials and supplies	4,041	3,298	7,339
Total operating expenses	<u>195,634</u>	<u>269,287</u>	<u>464,921</u>
Operating income	<u>87,716</u>	<u>162,645</u>	<u>250,361</u>
Nonoperating revenue(expense):			
Interest income	12,911	-	12,911
Gain on sale of property	500	-	500
Interest expense	(525)	(3,655)	(4,180)
Other	4,170	1,617	5,787
Total nonoperating revenues	<u>17,056</u>	<u>(2,038)</u>	<u>15,018</u>
Change in net position	104,772	160,607	265,379
Net position, beginning, as restated (see Note 18)	1,049,140	(89,137)	960,003
Net position, ending	<u>\$ 1,153,912</u>	<u>\$ 71,470</u>	<u>\$ 1,225,382</u>

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

EXHIBIT E-3
TOWN OF WILTON, NEW HAMPSHIRE
Proprietary Funds
Statement of Cash Flows
For the Fiscal Year Ended December 31, 2018

	Business-type Activities		
	Enterprise Funds		Total
	Water	Sewer	Enterprise Funds
Cash flows from operating activities:			
Receipts from customers and users	\$ 291,389	\$ 427,312	\$ 718,701
Payments to employees	(90,784)	(27,702)	(118,486)
Payments to suppliers	(152,214)	(320,181)	(472,395)
Net cash provided by operating activities	<u>48,391</u>	<u>79,429</u>	<u>127,820</u>
Cash flows from capital and related financing activities:			
Principal paid on capital lease	(9,266)	-	(9,266)
Principal paid on bond	-	(20,000)	(20,000)
Interest paid	-	(4,918)	(4,918)
Net cash used for capital and related financing activities	<u>(9,266)</u>	<u>(24,918)</u>	<u>(34,184)</u>
Cash flows from investing activities:			
Sale of investments	55,035	-	55,035
Interest received	12,911	-	12,911
Net cash used by investing activities	<u>67,946</u>	<u>-</u>	<u>67,946</u>
Net increase in cash	107,071	54,511	161,582
Cash, beginning	207,417	15,950	223,367
Cash, ending	<u>\$ 314,488</u>	<u>\$ 70,461</u>	<u>\$ 384,949</u>

Reconciliation of Operating Income to Net Cash Provided by Operating Activities

Operating income	\$ 87,716	\$ 162,645	\$ 250,361
Adjustments to reconcile operating income to net cash provided by operating activities:			
(Increase) / Decrease in other receivables	8,039	(4,620)	3,419
Increase in accounts payable	2,746	2,870	5,616
Decrease in internal balances	(53,102)	(81,201)	(134,303)
Increase in accrued salaries and benefits	2,073	155	2,228
Increase / (Decrease) in accrued interest payable	525	(420)	105
Increase in compensated absences	394	-	394
Total adjustments	<u>(39,325)</u>	<u>(83,216)</u>	<u>(122,541)</u>
Net cash provided by operating activities	<u>\$ 48,391</u>	<u>\$ 79,429</u>	<u>\$ 127,820</u>

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

EXHIBIT F-1
TOWN OF WILTON, NEW HAMPSHIRE
Fiduciary Funds
Statement of Net Position
December 31, 2018

	Private Purpose Trust	Agency
ASSETS		
Cash and cash equivalents	\$ 1,003	\$ 51,962
Investments	130,347	288,966
Total assets	131,350	\$ 340,928
LIABILITIES		
Accounts payable	-	\$ 38,637
Intergovernmental payable	-	302,291
Total liabilities	-	\$ 340,928
NET POSITION		
Held in trust for specific purposes	\$ 131,350	

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

EXHIBIT F-2
TOWN OF WILTON, NEW HAMPSHIRE
Fiduciary Funds
Statement of Changes in Net Position
For the Fiscal Year Ended December 31, 2018

	Private Purpose Trust
ADDITIONS	
Interest	\$ 8,054
Change in fair market value	(13,387)
Total additions	(5,333)
DEDUCTIONS	
Administrative expenses	874
Change in net position	(6,207)
Net position, beginning	137,557
Net position, ending	\$ 131,350

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

TOWN OF WILTON, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2018

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Wilton, New Hampshire (the Town), have been prepared in conformity with U.S. Generally Accepted Accounting Principles (GAAP) for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources.

In 2018 the Town implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which changed the way other postemployment benefit (OPEB) liabilities and related expenses are recorded. See Note 1-P for further information on this pronouncement.

The more significant of the Town’s accounting policies are described below.

1-A Reporting Entity

The Town of Wilton is a municipal corporation governed by an elected 3-member Board of Selectmen. In evaluating how to define the Town for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth by the GASB. The Town has no component units to include in its reporting entity.

1-B Basis of Accounting, and Measurement Focus

The accounts of the Town are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-wide Financial Statements – The Town’s government-wide financial statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of governmental and business-type activities for the Town accompanied by a total column. Fiduciary activities of the Town are not included in these statements.

These statements are presented on an “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all of the Town’s assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Position, with the exception of the capital assets and related accumulated depreciation, which have been omitted because they have not been inventoried at historical cost. In addition, long-term costs of retirement healthcare and obligations for other postemployment benefits of the Town’s single employer plan have also been omitted because the liability and expense have not been determined. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows. As in the Statement of Net Position the Town has not recorded depreciation expense nor other postemployment benefit expense of the Town’s single employer plan in this statement. The types of transactions reported as program revenues for the Town are reported in two categories: 1) charges for services and 2) operating grants and contributions.

Certain eliminations have been made to interfund activities, payables, and receivables. All internal balances in the Statement of Net Position have been eliminated, except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column.

Governmental Fund Financial Statements – Include a balance sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balances for all major governmental funds and nonmajor funds aggregated. An accompanying statement is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net position and changes in net position presented in the government-wide financial statements. The Town has presented all major funds that met those qualifications.

Governmental fund financial statements are reported using the *current financial resources* measurement focus and the *modified accrual basis* of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the

TOWN OF WILTON, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
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current period. For this purpose, the Town generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, with the exception of reimbursement-based grants, which use a period of one year. Property taxes, licenses and permits, intergovernmental revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. All other revenue items are considered to be measurable and available only when cash is received by the government.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The Town reports the following major governmental funds:

General Fund – is the Town’s primary operating fund. The general fund accounts for all financial resources except those required to be accounted for in another fund. The primary revenue sources include property taxes, State grants and motor vehicle permit fees. The primary expenditures are for general government, public safety, highways and streets, sanitation, culture and recreation, debt service and capital outlay. Under GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, guidance the library, and expendable trust funds are consolidated in the general fund.

Recycling Center Fund – accounts for the operations of the Town’s recycling center.

Ambulance Fund – accounts for the operations of the Town’s ambulance services.

Additionally, the Town reports the following fund types:

Special Revenue Funds – are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Permanent Fund – are held in the custody of the Trustees of Trust Funds and are used to account for resources held in trust for use by the Town. These can include legal trusts for which the interest on the corpus provides funds for the Town’s cemetery operations.

All the governmental funds not meeting the criteria established for major funds are presented in the other governmental column of the fund financial statements. The Town reports four nonmajor governmental funds.

Proprietary Fund Financial Statements – Include a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Net Position, and a Statement of Cash Flows for each major proprietary fund.

Proprietary funds are reported using the “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflows of resources, liabilities (whether current or noncurrent), and deferred inflows of resources are included on the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

The Town reports the following major proprietary funds:

Water Fund – accounts for the activities related to the operation of the water treatment plant, wells, and water system.

Sewer Fund – accounts for the activities related to the operation of the sewer treatment plant, pumping station, and sewer lines.

Fiduciary Fund Financial Statements – Include a Statement of Net Position and a Statement of Changes in Net Position. The Town’s fiduciary funds are private purpose trust and agency funds, which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. These funds are accounted for on a spending or “economic resources” measurement focus and the accrual basis of accounting as are the proprietary funds explained above.

TOWN OF WILTON, NEW HAMPSHIRE
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The Town also reports the following fiduciary funds:

Private Purpose Trust Fund – are used to report trust arrangements, other than pension and investment trusts, under which principal and income benefit individuals, private organizations, or other governments.

Agency Fund – are custodial in nature and do not involve the measurement of operating results. An agency fund is used to account for assets held on behalf of outside parties, including other governments.

1-C Cash and Cash Equivalents

The Town considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Deposits with financial institutions consist primarily of demand deposits, and savings accounts.

The treasurer is required to deposit such moneys in solvent banks in state or the Public Deposit Investment Pool pursuant to New Hampshire RSA 383:22. Funds may be deposited in banks outside of the state if such banks pledge and 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 to the State of New Hampshire in value at least equal to the amount of the deposit in each case.

1-D Restricted Assets

Certain Town assets are classified as restricted assets because their use is restricted by statutory limitation.

1-E Statement of Cash Flows

For purposes of the Statement of Cash Flows, the Town considers all highly liquid investments (including restricted assets) with a maturity when purchased of three months or less and all local government investment pools to be cash equivalents.

1-F Investments

State statutes place certain limitations on the nature of deposits and investments available as follows:

New Hampshire law authorizes the Town to invest in the following type of obligations:

- Obligations of the United States government,
- The public deposit investment pool established pursuant to RSA 383:22,
- Savings bank deposits,
- 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 moneys 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.

Fair Value Measurements of Investments – In accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, except for investments measured using net asset value (NAV) as a practical expedient to estimate fair value, the Town categorizes the fair value measurements of its investments within the fair value hierarchy established by US GAAP. The fair value hierarchy categorizes the inputs to valuation techniques used for fair value measurement into three levels as follows:

Level 1 – Inputs reflect quoted prices (unadjusted) in active markets for identical assets or liabilities that the Town has the ability to access at the measurement date. Directly held marketable equity securities would be examples of Level 1 investments.

Level 2 – Inputs are other than quoted prices that are observable for the assets or liabilities, either directly or indirectly, including inputs in markets that are not considered to be active. Because they most often are priced on the basis of transactions involving similar but not identical securities or do not trade with sufficient frequency, certain directly held fixed income securities are categorized in Level 2. All of the Town's holdings in New Hampshire Public Deposit Investment Pool (NHPDIP), U.S. government obligations, and corporate bonds would be examples of Level 2 investments.

TOWN OF WILTON, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
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Level 3 – Inputs are significant unobservable inputs.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. In certain instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, is the level in the fair value hierarchy based on the lowest level of input that is significant to the fair value measurement. Investments are reported at fair value. If an investment is held directly by the Town and an active market with quoted prices exists, such as for domestic equity securities, the market price of an identical security is used to report fair value and is classified in Level 1. Corporate fixed income securities and certain governmental securities utilize pricing that may involve estimation using similar securities or trade dates and are classified in Level 2. Fair values for shares in registered mutual funds and exchange-traded funds are based on published share prices and classified in Level 1.

In determining fair value, the Town utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible.

Investments in Certain External Investment Pools – In accordance with GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, the Town held investments with the New Hampshire Public Deposit Investment Pool (NHPDIP) are categorized as Level 2. The NHPDIP measures all of its investments at amortized cost. There are no redemption restrictions and shares may be redeemed by the Town in accordance with the NHPDIP's Information Statement.

1-G Receivables

Receivables recorded in the financial statements represent amounts due to the Town at December 31. They are aggregated into a single accounts receivable (net of allowance for uncollectibles) line for certain funds and aggregated columns. They consist primarily of taxes, billing for charges, and other user fees.

1-H Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

1-I Interfund Activities

Interfund activities are reported as follows:

Interfund Receivables and Payables – Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds” (i.e. the current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business activities are reported in the government-wide financial statements as “internal balances.” Interfund receivables and payables between funds are eliminated in the Statement of Net Position.

Interfund Transfers – Interfund transfers represent flows of assets without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making the transfers and other financing sources in the funds receiving the transfers. In proprietary funds, transfers are reported after nonoperating revenues and expenses. In the government-wide financial statements, all interfund transfers between individual governmental funds have been eliminated.

1-J Property Taxes

Property tax billings occur semi-annually and are based on the assessed inventory values as of April 1 of each year in accordance with RSA 76:15-a, *Semi-Annual Collection of Taxes in certain Towns and Cities*. Warrants for the year were issued on June 18, 2018 and November 28, 2018, and due on July 12, 2018 and December 16, 2018. Interest accrues at a rate of 12% on bills outstanding after the due date and 18% on tax liens outstanding. Properties not redeemed within two years of the date of the tax lien should be deeded to the Town. During 2018, the tax collector executed a lien for the uncollected 2017 property taxes on July 5.

TOWN OF WILTON, NEW HAMPSHIRE
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In connection with the setting of the tax rate, Town officials with the approval of the Department of Revenue Administration, establish and raise through taxation an amount for tax abatement and refunds, known as overlay. This amount is reported as a reduction in tax revenue and is adjusted by management for any reserve for uncollectable at year end. The property taxes collected by the Town include taxes levied for the State of New Hampshire, Wilton-Lyndeborough Cooperative School District, and Hillsborough County, which are remitted to these entities as required by law.

The Town net assessed valuation as of April 1, 2018 utilized in the setting of the tax rate was as follows:

For the New Hampshire education tax	\$ 372,648,345
For all other taxes	\$ 367,486,945

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

	Per \$1,000 of Assessed Valuation	Property Taxes Assessed
Municipal portion	\$7.98	\$ 2,973,255
School portion:		
State of New Hampshire	2.21	813,506
Local	17.37	6,473,182
County portion	1.20	446,017
Total	<u>\$28.76</u>	<u>\$ 10,705,960</u>

1-K Accounts Payable

Accounts payable represent the gross amount of expenditures or expenses incurred as a result of normal operations, but for which no actual payment has yet been issued to vendors/providers as of December 31, 2018.

1-L Deferred Outflows/Inflows of Resources

Deferred outflows of resources, a separate financial statement element, represents a consumption of net position or fund balance that applies to a future period(s) and thus will not be recognized as an outflow of resources (expenses/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension and OPEB expense and contributions from the Town after the measurement date but before the end of the Town's reporting period.

Deferred inflows of resources, a separate financial statement element, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable not collected within 60 days after year-end.

1-M Long-term Obligations

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities, business-type activities, or proprietary fund Statement of Net Position. Bond premiums are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the bond premium.

TOWN OF WILTON, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
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1-N Compensated Absences

The Town's policy allows certain employees to earn varying amounts of vacation and sick time based on the employee's length of employment. Upon separation from service, employees are paid in full for any accrued leave earned as set forth by personnel policy. The liability for such leave is reported as incurred in the government-wide and proprietary fund financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements.

1-O Defined Benefit Pension Plan

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* and GASB Statement No. 82 *Pension Issues – an amendment of GASB Statement No. 67, No. 68 and No.73* requires participating employers to recognize their proportionate share of collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense, and schedules have been prepared to provide employers with their calculated proportionate share of these amounts. The collective amounts have been allocated based on employer contributions during the respective fiscal years. Contributions from employers are recognized when legally due, based on statutory requirements.

The schedules prepared by New Hampshire Retirement System, and audited by the plan's independent auditors, require management to make a number of estimates and assumptions related to the reported amounts. Due to the inherent nature and uncertainty of these estimates, actual results could differ, and the differences may be material.

1-P Postemployment Benefits Other Than Pensions (OPEB)

The Town maintains two separate other postemployment benefit plans, as follows:

New Hampshire Retirement System Plan – For the purposes of measuring the total other postemployment benefit (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the New Hampshire Retirement System OPEB Plan (the plan) and additions to/deductions from the plan's fiduciary net position has been determined on the same basis as they are reported by the New Hampshire Retirement System. For this purpose, the plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except money market investments and participating interest earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Single Employer Plan – The Town maintains a single employer plan, but has not obtained an actuarial report calculating the other postemployment benefit liability, deferred outflows of resources, and deferred inflows of resources in accordance with Government Accounting Standards Board pronouncement No. 75.

1-Q Net Position/Fund Balances

Government-wide Statements – Equity is classified as net position and displayed in three components:

Net investment in capital assets – Consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Because the Town has not reported its capital assets, this amount is a negative balance.

Restricted net position – Results when constraints placed on net position use are either externally imposed by a third party (statutory, bond covenant, or granting agency) or are imposed by law through constitutional provisions or enabling legislation. The Town typically uses restricted assets first, as appropriate opportunities arise, but reserves the right to selectively defer the use until a further project.

Unrestricted net position – Consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

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Fund Balance Classifications – GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, provides more clearly defined fund balance categories to make sure the nature and extent of the constraints placed on a government's fund balances are more transparent. The following classifications describe the relative strength of the spending constraints:

Nonspendable – Amounts that cannot be spent because they are either (a) not in spendable form (such as prepaid items, inventory or tax deeded property subject to resale); or (b) are legally or contractually required to be maintained intact.

Restricted – Amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the legislative body (Town Meeting). These amounts cannot be used for any other purpose unless the legislative body removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

Assigned – Amounts that are constrained by the Town's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Selectmen through the budgetary process.

Unassigned – Amounts that are available for any purpose. Positive amounts are reported only in the general fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by the offsetting of assigned fund balance amounts.

When multiple net position/fund balance classifications are available for use, it is the government's policy to utilize the most restricted balances first, then the next most restricted balance as needed. When components of unrestricted fund balance are used, committed fund balance is depleted first followed by assigned fund balance. Unassigned fund balance is applied last.

In the general fund, the Town strives to maintain an unassigned fund balance to be used for unanticipated emergencies of approximately 5-17% of the total appropriations of the community.

1-R Use of Estimates

The financial statements and related disclosures are prepared in conformity with accounting principles generally accepted in the United States. Management is required to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses during the period reported. These estimates include assessing the collectability of accounts receivable, among others. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from estimates.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

2-A Budgetary Information

General governmental revenues and expenditures accounted for in budgetary funds are controlled by a formal integrated budgetary accounting system in accordance with various legal requirements which govern the Town's operations. At its annual meeting, the Town adopts a budget for the current year for the general, water, sewer, recycling center and ambulance funds. Except as reconciled below, the budget was adopted on a basis consistent with US generally accepted accounting principles.

Management may transfer appropriations between operating categories as deemed necessary, but expenditures may not legally exceed budgeted appropriations in total. All annual appropriations lapse at year-end unless encumbered.

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Encumbrance accounting, under which purchase orders, contracts, and continuing appropriations (certain projects and specific items not fully expended at year-end) are recognized, is employed in the governmental funds. Encumbrances are not the equivalent of expenditures, and are therefore, reported as part of the assigned fund balance at year-end, and are carried forward to supplement appropriations of the subsequent year.

State statutes require balanced budgets, but provide for the use of beginning unassigned fund balance to achieve that end. For the fiscal year 2018, \$450,000 of the beginning general fund unassigned fund balance was applied for this purpose and \$63,355 was voted from unassigned fund balance as a transfer to the capital reserve funds.

2-B Budgetary Reconciliation to GAAP Basis

The Town employs certain accounting principles for budgetary reporting purposes that differ from a GAAP basis. The Statement of Revenues, Expenditures, and Changes in Fund Balance - Budgetary Basis presents the actual results to provide a comparison with the budget. The major difference between the budgetary basis and GAAP basis is as follows:

Encumbrances outstanding at year-end do not represent GAAP expenditures or liabilities but represent budgetary accounting controls. Governmental fund budgets are maintained on the modified accrual basis of accounting except that budgetary basis expenditures include purchase orders and commitments (encumbrances) for goods or services not received at year-end. Encumbrances are recorded to reserve a portion of fund balance in the governmental fund types for commitments for which no liability exists.

The following reconciles the general fund budgetary basis to the GAAP basis:

Revenues and other financing sources:	
Per Exhibit D-1 (budgetary basis)	\$ 4,382,972
Adjustment:	
Basis difference:	
Inception of capital leases	530,871
GASB Statement No. 54:	
To record miscellaneous income of the blended funds	24,371
To eliminate transfers between general fund and blended expendable trust funds	(151,414)
Change in deferred tax revenue relating to 60-day revenue recognition	(17,394)
Per Exhibit C-3 (GAAP basis)	<u>\$ 4,769,406</u>
Expenditures and other financing uses:	
Per Exhibit D-1 (budgetary basis)	\$ 4,327,331
Adjustment:	
Basis differences:	
Inception of capital leases	530,871
Encumbrances, beginning	173,886
Encumbrances, ending	(23,268)
GASB Statement No. 54:	
To record expenditures of the blended funds during the year	86,026
To eliminate transfers between general fund and blended expendable trust funds	(485,000)
To recognize transfer between blended expendable trust and ambulance fund	9,000
Per Exhibit C-3 (GAAP basis)	<u>\$ 4,618,846</u>

2-C Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (OPEB), was implemented during fiscal year 2018. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with OPEB benefits, including additional note disclosure and required supplementary information. In addition, GASB Statement No. 75 requires a state or local government employer to use the entry age normal actuarial cost method and requires deferred outflows of resources and deferred inflows of resources which arise from other types of events related to OPEB to be recognized.

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Beginning net position for governmental activities was restated to retroactively report the change in valuation of the beginning total OPEB liability, deferred inflows and outflows of resources, as follows:

	State OPEB
Change in total OPEB liability under current standards, January 1	\$ (147,014)
Initial balance of deferred outflows of resources	10,770
Initial balance of deferred inflows of resources	(2,791)
Cumulative restatement related to GASB No. 75 implementation (see Note18)	\$ (139,035)

In accordance with the National Council on Governmental Accounting (NCGA) Statement 1, *Governmental Accounting and Financial Reporting Principles, Principle 1*, proprietary funds are used to account for activities that receive significant support from fees and charges. Upon review of the Town’s water and sewer funds, previously reported as special revenue funds, it was determined that both funds must be accounted for as proprietary funds in accordance with GAAP (Generally Accepted Accounting Principles) since fees are charged to external users for goods or services to recover costs, including capital costs.

The cumulative restatement for the water and sewer funds from being reported as special revenue funds to proprietary funds can be found in Note 18.

DETAILED NOTES ON ALL FUNDS

NOTE 3 – CASH AND CASH EQUIVALENTS

The Town’s deposits are entirely covered by federal depository insurance (FDIC) or by collateral held by the Town’s agent in the Town’s name. The FDIC currently insures the first \$250,000 of the Town’s deposits at each financial institution, per case custodian. Deposit balances over \$250,000 are insured by the collateral. As of year-end, the carrying amount of the Town’s deposits was \$6,062,429 and the bank balances totaled \$6,093,997. Petty cash totaled \$1,271.

Cash and cash equivalents reconciliation:

Cash per Statement of Net Position (Exhibit A)	\$ 6,009,464
Cash per Statement of Net Position - Fiduciary Funds (Exhibit F-1)	52,965
Total cash and cash equivalents	\$ 6,062,429

NOTE 4 – RESTRICTED ASSETS

Cash and investments are classified as restricted for the following purposes:

Cash and cash equivalents:	
General fund:	
Library	\$ 284,931
Capital reserve funds	10,158
Total restricted cash and cash equivalents	295,089
Investments:	
General fund:	
Library	1,358,443
Capital reserve funds	1,044,631
Total restricted investments	2,403,074
Total restricted assets	\$ 2,698,163

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NOTE 5 – INVESTMENTS

Note 1-F describes statutory requirements covering the investment of the Town funds. The Town holds investments that are measured at fair value on a recurring basis. Because investing is not a core part of the Town’s mission, the Town determines that the disclosures related to these investments only need to be disaggregated by major type. The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Town has the following recurring fair value measurements and maturities as of December 31, 2018:

	Valuation Measurement Method	Fair Value
Investments type:		
Certificates of deposit	Level 1	\$ 2,053,089
Common stock	Level 1	895,860
Corporate bonds	Level 1	601,451
Equity exchange traded funds	Level 1	16,503
Equity mutual funds	Level 1	589,402
Fixed income government & agencies	Level 1	211,972
Fixed income mortgage backed	Level 1	83,022
New Hampshire Public Deposit Investment 1	Level 2	127,300
Total fair value		\$ 4,578,599

Interest Rate Risk – This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Custodial Credit Risk – This is the risk that in the event of the failure of the counterparty (e.g. broker/dealer) to honor a transaction, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town does not have custodial credit risk policies for investments.

Concentration of Credit Risk – The Town places no limit on the amount it may invest in any one issuer. More than 5% of the Town’s investments are in certificates of deposit, common stock, and corporate bonds. These investments are 45%, 20%, and 13%, respectively, of the Town’s total investments.

Investment reconciliation:

Investments per Statement of Net Position (Exhibit A)	\$ 4,159,286
Investments per Statement of Net Position - Fiduciary Funds (Exhibit F-1)	419,313
Total investments	\$ 4,578,599

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NOTE 6 – TAXES RECEIVABLE

Taxes receivable represent the amount of current and prior year taxes which have not been collected as of December 31, 2018. The amount has been reduced by an allowance for an estimated uncollectible amount of \$225,000. Taxes receivable by year are as follows:

	As reported on:	
	Exhibit A	Exhibit C-1
Property:		
Levy of 2018	\$ 443,596	\$ 443,596
Unredeemed (under tax lien):		
Levy of 2017	116,623	116,623
Levy of 2016	77,096	77,096
Levies of 2015 and prior	138,223	138,223
Yield	2,024	2,024
Land use change	8,810	8,810
Less: allowance for estimated uncollectible taxes	(225,000) *	-
Net taxes receivable	\$ 561,372	\$ 786,372

*The allowance for uncollectible property taxes is not recognized under the modified accrual basis of accounting (Exhibit C-1 and C-3) due to the 60-day rule as explained in Note 1-B. However, the allowance is recognized under the full accrual basis of accounting (Exhibits A and B).

NOTE 7 – OTHER RECEIVABLES

Receivables at December 31, 2018, consisted of accounts (billings for police details, water, sewer, ambulance, and other user charges) and intergovernmental amounts arising from grants. Receivables are recorded on the Town's financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and collectability.

Receivables as of December 31, 2018 for the Town's individual major funds in the aggregate including applicable allowances for uncollectible accounts are as follows:

	Governmental Funds			Proprietary Funds		
	General Fund	Ambulance	Total	Water	Sewer	Total
Receivables:						
Accounts	\$ 10,678	\$ 358,362	\$ 369,040	\$ 68,837	\$ 120,088	\$ 188,925
Intergovernmental	3,937	-	3,937	-	-	-
Gross receivables	14,615	358,362	372,977	68,837	120,088	188,925
Less: allowance for uncollectibles	-	(230,627)	(230,627)	-	-	-
Net total receivables	\$ 14,615	\$ 127,735	\$ 142,350	\$ 68,837	\$ 120,088	\$ 188,925

NOTE 8 – INTERFUND BALANCES, INTERNAL BALANCES AND TRANSFERS

Interfund Balances - The composition of interfund balances as of December 31, 2018 is as follows:

Receivable Fund	Payable Fund	Amount
General	Recycling Center	\$ 68,553
	Ambulance	307,783
	Nonmajor	3,830
Nonmajor	General	14,636
		\$ 394,802

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Internal Balances - The composition of internal balances as of December 31, 2018 is as follows:

Receivable Fund	Payable Fund	Amount
Enterprise fund - water	General fund	\$ 26,541
Enterprise fund - sewer		27,731
		\$ 54,272

The outstanding balances among funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund Transfers - The composition of interfund transfers for the year ended December 31, 2018 is as follows:

	Transfers In:				Total
	General Fund	Recycling Center Fund	Ambulance Fund	Nonmajor Fund	
Transfers out:					
General fund	\$ -	\$ 168,496	\$ 187,554	\$ 450	\$ 356,500
Nonmajor fund	3,830	-	-	-	3,830
Total	\$ 3,830	\$ 168,496	\$ 187,554	\$ 450	\$ 360,330

During the year, transfers are used to (1) move revenues from the fund with collection authority to the fund responsible for expenditure and (2) move general fund resources to provide an annual subsidy.

NOTE 9 – INTERGOVERNMENTAL PAYABLES

Amounts due to other governments of \$4,027,222 at December 31, 2018 consist of the following:

General fund:	
Balance of the 2018-2019 district assessment due to the Wilton-Lyndeborough Cooperative School District	\$ 3,700,860
Miscellaneous fees due to the State of New Hampshire	24,071
Total general fund	3,724,931
Agency fund:	
Balance of capital reserve funds due to the Wilton-Lyndeborough Cooperative School District	302,291
Total intergovernmental payables due	\$ 4,027,222

NOTE 10 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Deferred outflows of resources of at December 31, 2018 consist of amounts related to pensions totaling \$229,495 and amounts related to OPEB totaling \$21,194. For further discussion on these amounts, see Note 13 and 14 respectively.

Deferred inflows of resources are as follows:

	Government-wide Statements	General Fund
Deferred property taxes not collected within 60 days of fiscal year-end	\$ -	\$ 168,436
Amounts related to pensions	181,834	-
Amounts related to other postemployment benefits	626	-
Total deferred inflows of resources	\$ 182,460	\$ 168,436

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NOTE 11 – CAPITAL LEASE OBLIGATIONS

The Town has entered into certain capital lease agreements under which the related equipment will become the property of the Town when all the terms of the lease agreements are met.

	Present Value of Remaining Payments as of December 31, 2018
Governmental Activities:	
Capital lease obligations:	
Chevrolet caprice	\$ 24,632
Plow truck	149,375
Ambulance	161,845
Cardiac monitors	70,417
Skid steer loader	31,232
Total capital lease obligations	\$ 437,501
Business-type Activities:	
Capital lease obligations:	
Ford F-350	\$ 19,628

The annual requirements to amortize the capital leases payable as of December 31, 2018, including interest payments, are as follows:

Fiscal Year Ending December 31,	Governmental Activities	Business-type Activities
2019	\$ 100,194	\$ 10,390
2020	100,194	10,390
2021	100,192	-
2022	91,253	-
2023	69,489	-
2024	28,625	-
Total requirements	489,947	20,780
Less: interest	52,446	1,152
Present value of remaining payments	\$ 437,501	\$ 19,628

NOTE 12 – LONG-TERM LIABILITIES

Changes in the Town's long-term liabilities consisted of the following for the year ended December 31, 2018:

	Balance January 1, 2018 (as restated)	Additions	Reductions	Balance December 31, 2018	Due Within One Year
Governmental activities:					
Bond payable:					
General obligation bond	\$ 730,000	\$ -	\$ (30,000)	\$ 700,000	\$ 30,000
Premium	80,960	-	(5,060)	75,900	5,060
Total bond payable	810,960	-	(35,060)	775,900	35,060
Capital leases	40,679	530,871	(134,049)	437,501	83,372
Compensated absences	74,645	26,016	(9,650)	91,011	2,799
Pension related liability	1,501,710	-	(162,467)	1,339,243	-
Net other postemployment benefits	147,014	49,930	-	196,944	-
Total long-term liabilities	\$ 2,575,008	\$ 606,817	\$ (341,226)	\$ 2,840,599	\$ 121,231

(Continued)

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Long-term liabilities continued:

	Balance January 1, 2018 (as restated)	Additions	Reductions	Balance December 31, 2018	Due Within One Year
Business-type activities:					
Bond payable:					
General obligation bond	\$ 130,000	\$ -	\$ (20,000)	\$ 110,000	\$ 20,000
Premium	17,280	-	(2,880)	14,400	2,880
Total bond payable	147,280	-	(22,880)	124,400	22,880
Capital leases	28,894	-	(9,266)	19,628	9,627
Compensated absences	7,577	-	(394)	7,183	-
Total long-term liabilities	<u>\$ 183,751</u>	<u>\$ -</u>	<u>\$ (32,540)</u>	<u>\$ 151,211</u>	<u>\$ 32,507</u>

Long-term bonds are comprised of the following:

Governmental activities:

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at December 31, 2018	Current Portion
General obligation bond payable:						
Fire Station	\$ 833,800	2013	2033	3.75%	\$ 700,000	\$ 30,000
Bond premium					75,900	5,060
Total					<u>\$ 775,900</u>	<u>\$ 35,060</u>

Business-type activities:

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at December 31, 2018	Current Portion
General obligation bond payable:						
Sewer project	\$ 191,200	2013	2023	2.62%	\$ 110,000	\$ 20,000
Bond premium					14,400	2,880
Total					<u>\$ 124,400</u>	<u>\$ 22,880</u>

The annual requirements to amortize all general obligation bonds outstanding as of December 31, 2018, including interest payments, are as follows:

Governmental activities:

Fiscal Year Ending December 31,	Principal	Interest	Total
2019	\$ 30,000	\$ 35,225	\$ 65,225
2020	35,000	33,695	68,695
2021	35,000	31,822	66,822
2022	40,000	29,950	69,950
2023	40,000	27,810	67,810
2024-2028	230,000	110,735	340,735
2029-2033	290,000	46,155	336,155
Totals	<u>\$ 700,000</u>	<u>\$ 315,392</u>	<u>\$ 1,015,392</u>

Business-type activities:

Fiscal Year Ending December 31,	Principal	Interest	Total
2019	\$ 20,000	\$ 5,835	\$ 25,835
2020	20,000	4,815	24,815
2021	20,000	3,745	23,745
2022	25,000	2,675	27,675
2023	25,000	1,340	26,340
Totals	<u>\$ 110,000</u>	<u>\$ 18,410</u>	<u>\$ 128,410</u>

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All debt is general obligation debt of the Town, which is backed by its full faith and credit, and will be repaid from general governmental revenues.

NOTE 13 – DEFINED BENEFIT PENSION PLAN

Plan Description – The New Hampshire Retirement System (NHRS or the System) is a public employee retirement system that administers one cost-sharing multiple-employer defined benefit pension plan (Pension Plan), a component unit of the State of New Hampshire, as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans* – an amendment of GASB Statement No. 25. The Pension Plan was established in 1967 by RSA 100-A:2 and is qualified as a tax-exempt organization under Sections 401(a) and 501(a) of the Internal Revenue Code. The Pension Plan is a contributory, defined benefit plan providing service, disability, death and vested retirement benefits to members and their beneficiaries. Substantially all full-time state employees, public school teachers and administrators, permanent firefighters and permanent police officers with in the State are eligible and required to participate in the Pension Plan. The System issues a publicly available financial report that may be obtained by writing the New Hampshire Retirement System, 54 Regional Drive, Concord, NH 03301.

Benefits Provided – The Pension Plan is divided into two membership groups. State and local employees and teachers belong to Group I. Police and firefighters belong to Group II. All assets are held in a single trust and available to pay retirement benefits to all members.

Group I members at age 60 or 65 (for members who commence service after July 1, 2011) qualify for a normal service retirement allowance based on years of creditable service and average final salary for the highest of either three or five years, depending on when their service commenced. The yearly pension amount is 1/60 or 1.667% of average final compensation (AFC) multiplied by years of creditable service. At age 65, the yearly pension amount is recalculated at 1/66 or 1.515% of AFC multiplied by years of creditable service.

Group II members who are age 60, or members who are at least age 45 with at least 20 years of creditable service, can receive a retirement allowance at a rate of 2.5% of AFC for each year of creditable service, not to exceed 40 years. Members commencing service on or after July 1, 2011 or members who have nonvested status as of January 1, 2012 can receive a retirement allowance at age 52.5 with 25 years of service or age 60. The benefit shall be equal to 2% of AFC times creditable service up to 42.5 years. However, a member who commenced service on or after July 1, 2011 shall not receive a retirement allowance until attaining the age of 52.5, but may receive a reduced allowance after age 50 if the member has at least 25 years of creditable service where the allowance shall be reduced, for each month by which the member attains 52.5 years of age by ¼ of 1% or age 60.

Members of both groups may qualify for vested deferred allowances, disability allowances and death benefit allowances, subject to meeting various eligibility requirements. Benefits are based on AFC or earnable compensation and/or service.

Contributions - The System is financed by contributions from both the employees and the Town. Member contribution rates are established and may be amended by the State legislature while employer contribution rates are set by the System trustees based on an actuarial valuation. All employees are required to contribute 7% of earnable compensation. For fiscal year 2018, the Town contributed 25.33% for police, 27.79% for fire and 11.08% for other employees. The contribution requirement for the fiscal year 2018 was \$109,685, which was paid in full.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions – At December 31, 2018 the Town reported a liability of \$1,339,243 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 that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating towns and school districts, actuarially determined. At June 30, 2018, the Town's proportion was 0.03% which was a decrease of 0.0027% from its proportion measured as of June 30, 2017.

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For the year ended December 31, 2018, the Town recognized pension expense of \$140,810. At December 31, 2018 the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion	\$ 67,637	\$ 139,999
Changes in assumptions	92,682	-
Net difference between projected and actual investment earnings on pension plan investments	-	30,991
Differences between expected and actual experience	10,690	10,844
Contributions subsequent to the measurement date	58,486	-
Total	\$ 229,495	\$ 181,834

The \$58,486 reported as deferred outflows of resources related to pensions results from the Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending December 31,	
2019	\$ 54,737
2020	24,700
2021	(65,246)
2022	(25,016)
Thereafter	-
Totals	\$ (10,825)

Actuarial Assumptions – The collective total pension liability was determined by a roll forward of the actuarial valuation as of June 30, 2017, using the following actuarial assumptions which, accordingly apply to 2018 measurements:

Inflation:	2.5%	
Salary increases:	5.6% average, including inflation	
Wage inflation	3.25%	
Investment rate of return:	7.25% net of pension plan investment expense, including inflation	

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2010 – June 30, 2015.

Long-term Rates of Return – The long-term expected rate of return on pension plan investment was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rate of return net of investment expenses by the target asset allocation percentage and by adding expected inflation.

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Following is a table presenting target allocations and long-term rates of return for 2018:

Asset Class	Target Allocation	Weighted average long-term expected real rate of return 2018
Large Cap Equities	22.50%	4.25%
Small/Mid Cap Equities	7.50%	4.50%
Total domestic equity	30.00%	
Int'l Equities (unhedged)	13.00%	4.50%
Emerging Int'l Equities	7.00%	6.00%
Total international equity	20.00%	
Core Bonds	4.50%	0.50%
Short Duration	2.50%	(0.25%)
Global Multi-Sector Fixed Income	11.00%	1.80%
Absolute Return Fixed Income	7.00%	1.14%
Total fixed income	25.00%	
Private equity	5.00%	6.25%
Private debt	5.00%	4.25%
Opportunistic	5.00%	2.15%
Total alternative investments	15.00%	
Real estate	10.00%	3.25%
Total	100.00%	

Discount Rate – The discount rate used to measure the collective total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. For purposes of the projection, member contributions and employer service cost contributions are projected based on the expected payroll of current members only. Employer contributions are determined based on the Pension Plan’s actuarial funding policy as required by RSA 100-A:16. Based on those assumptions, the Pension Plan’s fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on Pension Plan investment was applied to all periods of projected benefit payments to determine the collective total pension liability.

Sensitivity of the Town’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following table 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 1-percentage point lower (6.25%) or 1-percentage point higher (8.25%) than the current rate:

Actuarial Valuation Date	1% Decrease 6.25%	Current Single Rate Assumption 7.25%	1% Increase 8.25%
June 30, 2018	\$ 1,781,874	\$ 1,339,243	\$ 968,305

Pension Plan Fiduciary Net Position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued New Hampshire Retirement System Cost-Sharing Multiple Employer Defined Benefit Pension Plan financial report.

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NOTE 14 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

14-A New Hampshire Retirement System (NHRS)

Plan Description – The New Hampshire Retirement System (NHRS or the System) administers a cost-sharing multiple-employer other postemployment benefit plan medical subsidy healthcare plan (OPEB Plan). For additional system information, please refer to the 2018 Comprehensive Annual Financial Report, which can be found on the system’s website at www.nhrs.org.

Benefits Provide - Benefit amounts and eligibility requirements for the OPEB Plan are set by state law (RSA 100-A:52, RSA 100-A:52-a and RSA 100-A:52-b), and members are designated in statute by type. The four membership types are Group II, Police Officers and Firefighters; Group I, Teachers; Group I, Political Subdivision Employees; and Group I, State Employees. The OPEB Plan provides a medical insurance subsidy to qualified retired members. 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 amount 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. The OPEB plan is closed to new entrants.

Maximum medical subsidy rates paid during fiscal year 2018 were as follows:

For qualified retirees not eligible for Medicare, the amounts were \$375.56 for a single-person plan and \$751.12 for a two-person plan.

For those qualified retirees eligible for Medicare, the amounts were \$236.84 for a single-person plan and \$473.68 for a two-person plan.

Contributions – The OPEB Plan is funded by allocating to the 401(h) subtrust the lesser of: 25% of all employer contributions made in accordance with RSA 100-A:16 or the percentage of employer contributions determined by the actuary to be the minimum rate necessary to maintain the benefits provided under RSA 100-A:53-b, RSA 100-A:53-c, and RSA 100-A:53-d. For fiscal year 2018, the minimum rates determined by the actuary to maintain benefits were the lesser of the two options and were used to determine the employer contributions due to the 401(h) subtrust. The State Legislature has the authority to establish, amend and discontinue the contribution requirements of the OPEB Plan. Administrative costs are allocated to the OPEB Plan based on fund balances. For fiscal year 2018, the Town contributed 4.10% for police and fire, and 0.30% for other employees. The contribution requirement for the fiscal year 2018 was \$17,754, which was paid in full.

OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – At December 31, 2018, the Town reported a liability of \$196,944 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Town’s proportion of the net OPEB liability was based on a projection of the Town’s long-term share of contributions to the OPEB plan relative to the projected contributions of all participating towns and school districts, actuarially determined. At June 30, 2018, the Town’s proportion was 0.04% which was an increase of 0.01% from its proportion measured as of June 30, 2017.

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For the year ended December 31, 2018, the Town recognized OPEB expense of \$55,065. At December 31, 2018, 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
Changes in proportion	\$ 10,571	\$ -
Net difference between projected and actual investment earnings on OPEB plan investments	-	626
Differences between expected and actual experience	1,156	-
Contributions subsequent to the measurement date	9,467	-
Total	\$ 21,194	\$ 626

The \$9,467 reported as deferred outflows of resources related to OPEB results from the Town contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending December 31,	
2019	\$ 11,532
2020	(195)
2021	(195)
2022	(41)
Thereafter	-
Totals	\$ 11,101

Actuarial Assumptions – The total OPEB liability in this report is based on an actuarial valuation performed as of June 30, 2018 and a measurement date of June 30, 2017. The total OPEB liability was determined using the following actuarial assumptions applied to all periods included in the measurement, unless otherwise specified:

Price inflation:	2.5 % per year
Wage inflation:	3.25 % per year
Salary increases:	5.6 % average, including inflation
Investment rate of return:	7.25 % net of OPEB plan investment expense, including inflation
Health care trend rate:	Not applicable, given that the benefits are fixed stipends

Mortality rates were based on the RP-2014 healthy annuitant and employee generational mortality tables for males and females with credibility adjustments, adjusted for fully generational mortality improvements using Scale MP-2015, based on last experience study.

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 July 1, 2010 – June 30, 2015.

Long-term Rates of Return – The long-term expected rate of return on OPEB plan investment was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rate of return net of investment expenses by the target asset allocation percentage and by adding expected inflation.

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Following is a table presenting target allocations and long-term rates of return for 2018:

Asset Class	Target Allocation	Weighted average long-term expected real rate of return 2018
Large Cap Equities	22.50%	4.25%
Small/Mid Cap Equities	7.50%	4.50%
Total domestic equity	30.00%	
Int'l Equities (unhedged)	13.00%	4.50%
Emerging Int'l Equities	7.00%	6.00%
Total international equity	20.00%	
Core Bonds	4.50%	0.50%
Short Duration	2.50%	(0.25%)
Global Multi-Sector Fixed Income	11.00%	1.80%
Absolute Return Fixed Income	7.00%	1.14%
Total fixed income	25.00%	
Private equity	5.00%	6.25%
Private debt	5.00%	4.25%
Opportunistic	5.00%	2.15%
Total alternative investments	15.00%	
Real estate	10.00%	3.25%
Total	100.00%	

Discount Rate – The discount rate used to measure the total OPEB liability as of June 30, 2018 was 7.25%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made under the current statute RSA 100-A:16 and that plan member contributions will be made under RSA 100-A:16. Based on those assumptions, the OPEB Plan’s fiduciary net position was projected to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB Plan investments was applied to all periods of projected benefit payments to determine the collective total OPEB liability.

Sensitivity of the Town’s Proportionate Share of the OPEB Liability to Changes in the Discount Rate – The following table presents the Town’s proportionate share of the OPEB liability calculated using the discount rate of 7.25% as well as what the Town’s proportionate share of the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.25%) or 1-percentage point higher (8.25%) than the current rate:

Actuarial Valuation Date	1% Decrease 6.25%	Current Single Rate Assumption 7.25%	1% Increase 8.25%
June 30, 2018	\$ 204,980	\$ 196,944	\$ 174,433

Sensitivity of the Town’s Proportionate Share of the OPEB Liability to Changes in the Healthcare Cost Trend Assumption – GASB No. 75 requires the sensitivity of the OPEB liability to the healthcare cost trend assumption. Since the medical subsidy benefits are fixed stipends, there is no sensitivity to changes in the healthcare cost trend assumption.

OPEB Plan Fiduciary Net Position – Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued New Hampshire Retirement System Cost-Sharing Multiple Employer Defined Benefit OPEB Plan financial report.

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14-B Town of Wilton Retiree Health Benefit Program

The Town provides postemployment benefit options for health care to eligible retirees, terminated employees, and their dependents in accordance with the provisions of various employment contracts. The benefit levels, employee contributions, and employer contributions are governed by the Town's contractual agreements. Expenses for the cost of providing health insurance for currently enrolled retirees are recognized in the general fund of the funds financial statements as payments are made.

The Governmental Accounting Standards Board (GASB) issued Statement No. 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* in 2015. GASB Statement No. 75 requires state and local government employers to recognize the net OPEB liability and the OPEB expense on their financial statements, along with the related deferred outflows and inflows of resources. The Town has not fully implemented GASB Statement No. 75 at December 31, 2018, or contracted with an actuarial firm to assist in evaluating the impact of this new standard on the Town's single employer portion of OPEB. The amounts that should be recorded as the single employer portion of the net OPEB liability and the OPEB expense is unknown.

NOTE 15 – ENCUMBRANCES

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at December 31, 2018 and are as follows:

General fund:	
General government	\$ 2,135
Capital outlay	<u>21,133</u>
Total encumbrances	<u>\$ 23,268</u>

NOTE 16 – GOVERNMENTAL ACTIVITIES NET POSITION

Governmental activities net position reported on the Statement of Net Position at December 31, 2018 include the following:

	Governmental Activities	Business-type Activities	Total
Net investment in capital assets:			
Net book value, all capital assets	\$ -	\$ -	\$ -
Less:			
General obligation bond payable	(700,000)	(110,000)	(810,000)
Unamortized bond premiums	(75,900)	(14,400)	(90,300)
Capital leases payable	<u>(437,501)</u>	<u>(19,628)</u>	<u>(457,129)</u>
Total net investment in capital assets	<u>(1,213,401)</u>	<u>(144,028)</u>	<u>(1,357,429)</u>
Restricted net position:			
Perpetual care - nonexpendable	847,294	-	847,294
Perpetual care - expendable	75,764	-	75,764
Impact fees	21,052	-	21,052
Library	1,628,452	-	1,628,452
Water	-	1,153,912	1,153,912
Sewer	-	215,498	215,498
Total restricted net position	<u>2,572,562</u>	<u>1,369,410</u>	<u>3,941,972</u>
Unrestricted	<u>1,517,815</u>	-	<u>1,517,815</u>
Total net position	<u>\$ 2,876,976</u>	<u>\$ 1,225,382</u>	<u>\$ 4,102,358</u>

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NOTE 17 – GOVERNMENTAL FUND BALANCES

Governmental fund balances reported on the fund financial statements at December 31, 2018 include the following:

	General Fund	Recycling Center Fund	Ambulance Fund	Nonmajor Funds	Total Governmental Funds
Nonspendable:					
Prepaid items	\$ 686	\$ -	\$ -	\$ -	\$ 686
Permanent fund - principal balance	-	-	-	847,294	847,294
Total nonspendable fund balance	<u>686</u>	<u>-</u>	<u>-</u>	<u>847,294</u>	<u>847,980</u>
Restricted:					
Library	1,627,766	-	-	-	1,627,766
Impact fees	-	-	-	21,052	21,052
Permanent - income balance	-	-	-	75,764	75,764
Total restricted fund balance	<u>1,627,766</u>	<u>-</u>	<u>-</u>	<u>96,816</u>	<u>1,724,582</u>
Committed:					
Expendable trust	1,054,789	-	-	-	1,054,789
Sanitation	-	175,465	-	-	175,465
Public safety	-	-	103,057	-	103,057
Conservation	-	-	-	68,113	68,113
Heritage	-	-	-	1,700	1,700
Total committed fund balance	<u>1,054,789</u>	<u>175,465</u>	<u>103,057</u>	<u>69,813</u>	<u>1,403,124</u>
Assigned:					
Encumbrances	23,268	-	-	-	23,268
Unassigned	<u>1,730,406</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,730,406</u>
Total governmental fund balances	<u>\$ 4,436,915</u>	<u>\$ 175,465</u>	<u>\$ 103,057</u>	<u>\$ 1,013,923</u>	<u>\$ 5,729,360</u>

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TOWN OF WILTON, NEW HAMPSHIRE
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NOTE 18 – PRIOR PERIOD ADJUSTMENTS

Net position/fund balance at January 1, 2018 was restated to give retroactive effect to the following prior period adjustments:

	Government-wide Statements	Business-type Activities	Water	Sewer
To restate for the cumulative changes related to implementation of GASB No. 75, see Note 2-C	\$ (139,035)	\$ -	\$ -	\$ -
To adjust for payroll liabilities not properly cleared	3,812			
To adjust for cemetery funds deferred	-	-	-	-
To adjust for capital assets previously recorded without appropriate backup to support balances	(8,626,433)	-	-	-
To reclassify expendable trust funds to general fund in accordance with GASB #54	-	-	-	-
To reclassify library funds to general fund in accordance with GASB #54	-	-	-	-
To reclassify permanent trusts held by the library	-	-	-	-
To record the allowance for uncollectible taxes that should be removed on the modified accrual basis	-	-	-	-
To adjust calculation of 60-day property tax deferral for the school and county portions of tax commitments	-	-	-	-
To adjust for charges for services that should not have been deferred	95,552	39,178	16,028	23,150
To adjust for impact fees deferred in the prior year	-	-	-	-
To record Heritage fund not previously recorded	786	-	-	-
To recognize internal balances with water and sewer proprietary funds	(74,399)	-	-	-
To record water fund capital lease not previously recorded	-	(28,894)	(28,894)	-
To record compensated absence liabilities not previously recorded	(74,645)	(7,577)	(7,577)	-
To record long term bond, and premium payable in sewer fund previously reported as a governmental fund	147,280	(147,280)	-	(147,280)
To reclassify accrued interest payable to the proprietary sewer fund	2,608	(2,608)	-	(2,608)
To reclassify water and sewer funds as proprietary funds	(1,107,184)	1,107,184	-	-
Net position/fund balance (deficit), as previously reported	12,998,405	-	1,069,583	37,601
Net position/fund balance (deficit), as restated	<u>\$ 3,226,747</u>	<u>\$ 960,003</u>	<u>\$ 1,049,140</u>	<u>\$ (89,137)</u>

(Continued)

TOWN OF WILTON, NEW HAMPSHIRE
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General Fund (Exhibit C-3)	General Fund (Schedule 3)	Recycling Center	Ambulance	Other Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -
3,812	3,812	-	-	-
3,000	3,000	-	-	-
-	-	-	-	-
723,279	-	-	-	(723,279)
227,284	-	-	-	(227,284)
1,469,745	-	-	-	(1,469,745)
225,000	-	-	-	-
215,363	-	-	-	-
-	-	76,704	23,332	-
-	-	-	-	19,031
-	-	-	-	786
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
1,418,872	1,586,281	39,995	156,417	3,450,100
<u>\$ 4,286,355</u>	<u>\$ 1,593,093</u>	<u>\$ 116,699</u>	<u>\$ 179,749</u>	<u>\$ 1,049,609</u>

TOWN OF WILTON, NEW HAMPSHIRE
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NOTE 19 – RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. During fiscal year 2018, the Town was a member of the New Hampshire Public Risk Management Exchange (Primex³) Workers' Compensation and Property/Liability Programs.

The New Hampshire Public Risk Management Exchange (Primex³) Workers' Compensation and Property/Liability are pooled risk management programs under RSAs 5-B and 281-A. Coverage was provided from January 1, 2018 to December 31, 2018 by Primex³, which retained \$1,000,000 of each workers' compensation loss, \$500,000 of each liability loss, and \$200,000 of each property loss. The Board has decided to self-insure the aggregate exposure and has allocated funds based on actuarial analysis for that purpose. The workers' compensation section of the self-insurance membership agreement permits Primex³ 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. GASB Statement No. 10 requires members of a pool with a sharing risk to disclose if such an assessment is probable, and a reasonable estimate of the amount, if any. At this time, Primex³ foresees no likelihood of any additional assessment for this or any prior year.

The Town continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 20 – DEFERRED COMPENSATION PLAN

Effective September 1, 2013, the Town implemented a deferred compensation plan pursuant to Section 457(b) of the IRS code. The primary purpose of this plan is to permit employees of the Town to enter into an agreement which will provide for deferral of payment of a portion of their current compensation until death, retirement, severance from employment or other event in accordance with the provisions of Section 457(b).

All regular full-time and part-time employees employed on a regular and continuous basis, including certain contractual employees, are eligible to participate in this plan. Temporary and casual employees are not eligible. The plan year adopted by the Town begins on January 1 and ends on December 31. In 2018, the Town contributed \$25,523 towards the deferred compensation plan.

NOTE 21 – CONTINGENT LIABILITIES

The Town participates in various federal grant programs, the principal of which are subject to program compliance audits pursuant to the Single Audit Act as amended. Accordingly, the government's compliance with applicable grant requirements will be established at a future date. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the government anticipates such amounts, if any, will be immaterial.

NOTE 22 – TAX ABATEMENTS

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

The Town did not have any such agreements at December 31, 2018.

NOTE 23 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the balance sheet date, but before the financial statements are issued. Recognized subsequent events are events or transactions that provided additional evidence about conditions that existed at the balance sheet date, including the estimates inherent in the process of preparing the financial statements. Nonrecognized

TOWN OF WILTON, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
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subsequent events are events that provide evidence about conditions that did not exist at the balance sheet date, but arose after the date. Management has evaluated subsequent events through June 12, 2019, the date the December 31, 2018 financial statements were available to be issued, and no events occurred that require recognition or disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT G
TOWN OF WILTON, NEW HAMPSHIRE
Schedule of the Town's Proportionate Share of Net Pension Liability
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended December 31, 2018

	December 31,					
	2013	2014	2015	2016	2017	2018
Town's proportion of the net pension liability	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%
Town's proportionate share of the net pension liability	\$ 1,123,961	\$ 1,067,757	\$ 1,167,042	\$ 1,709,556	\$ 1,501,710	\$ 1,339,243
Town's covered payroll	\$ 453,858	\$ 453,858	\$ 479,855	\$ 502,241	\$ 498,843	\$ 459,941
Town's proportionate share of the net pension liability as a percentage of its covered payroll	247.65%	235.26%	243.21%	340.39%	301.04%	291.18%
Plan fiduciary net position as a percentage of the total pension liability	59.81%	66.32%	65.47%	58.30%	62.66%	64.73%

The Note to the Required Supplementary Information – Pension Liability is an integral part of this schedule.

EXHIBIT H
TOWN OF WILTON, NEW HAMPSHIRE
Schedule of Town Contributions - Pensions
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended December 31, 2018

	December 31,					
	2013	2014	2015	2016	2017	2018
Contractually required contribution	\$ 64,938	\$ 92,286	\$ 98,833	\$ 115,119	\$ 111,863	\$ 117,553
Contributions in relation to the contractually required contributions	64,938	92,286	98,833	115,119	111,863	117,553
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered payroll	\$ 453,858	\$ 453,858	\$ 479,855	\$ 502,241	\$ 498,843	\$ 459,941
Contributions as a percentage of covered payroll	14.31%	20.33%	20.60%	22.92%	22.42%	25.56%

The Note to the Required Supplementary Information – Pension Liability is an integral part of this schedule.

TOWN OF WILTON, NEW HAMPSHIRE

**NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION –
PENSION LIABILITY**

**FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2018**

***Schedule of the Town's Proportionate Share of Net Pension Liability
and Schedule of Town Contributions - Pensions***

As required by GASB Statement No. 68, and as amended by GASB Statement No. 71, Exhibits G and H represent the actuarial determined costs associated with the Town's pension plan at December 31, 2018. These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

Methods and Assumptions Used to Determine Contribution Rates for Fiscal Year 2018:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage-of-Payroll, Closed
Remaining Amortization Period	21 years beginning July 1, 2018 (30 years beginning July 1, 2009)
Asset Valuation Method	5-year smooth market for funding purposes
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% per year, net of investment expenses, including inflation
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2015.
Mortality	RP-2014 Employee generational mortality table for males and females, adjusted for mortality improvements using Scale MP -2015, based in the last experience study.

Other Information:

Notes	Contribution rates for fiscal year 2018 were determined based on the benefit changes adopted under House Bill No. 2 as amended by 011-2513-CofC.
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EXHIBIT I
TOWN OF WILTON, NEW HAMPSHIRE
Schedule of the Town's Proportionate Share of the Net Other Postemployment Benefit Plan Liability
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended December 31, 2018

	December 31,		
	2016	2017	2018
Town's proportion of the net OPEB liability	0.03%	0.03%	0.04%
Town's proportionate share of the net OPEB liability (asset)	\$ 163,395	\$ 147,014	\$ 196,944
Town's covered payroll	\$ 502,241	\$ 498,843	\$ 459,941
Town's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	32.53%	29.47%	42.82%
Plan fiduciary net position as a percentage of the total OPEB liability	5.21%	7.91%	7.53%

The Notes to the Required Supplementary Information – Other Postemployment Benefit Liability is an integral part of this schedule.

EXHIBIT J
TOWN OF WILTON, NEW HAMPSHIRE
Schedule of Town Contributions - Other Postemployment Benefits
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended December 31, 2018

	December 31,		
	2016	2017	2018
Contractually required contribution	\$ 19,612	\$ 19,057	\$ 19,027
Contributions in relation to the contractually required contribution	19,612	19,057	19,027
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Town's covered payroll	\$ 502,241	\$ 498,843	\$ 459,941
Contributions as a percentage of covered payroll	3.90%	3.82%	4.14%

The Notes to the Required Supplementary Information – Other Postemployment Benefit Liability is an integral part of this schedule.

TOWN OF WILTON, NEW HAMPSHIRE
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION –
OTHER POSTEMPLOYMENT BENEFIT LIABILITY
FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2018

***Schedule of the Town’s Proportionate Share of Net Other Postemployment Benefits Liability
and Schedule of Town Contributions – Other Postemployment Benefits***

As required by GASB Statement No. 75, Exhibits I and J represent the actuarial determined costs associated with the Town’s other postemployment benefits at December 31, 2018. These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

There were no changes to benefit terms or assumptions in the current actuarial valuation report.

Methods and Assumptions:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage-of-Payroll, Closed
Remaining Amortization Period	Not applicable under statutory funding
Asset Valuation Method	5-year smooth market: 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% per year, net of OPEB plan investment expense, including inflation for determining solvency contributions
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2015.
Mortality	RP-2014 Healthy Annuitant and Employee generational mortality tables for males and females with credibility adjustments, adjusted for fully generational mortality improvements using Scale MP-2015, based on the last experience study.

COMBINING AND INDIVIDUAL FUND SCHEDULES

SCHEDULE 1
TOWN OF WILTON, NEW HAMPSHIRE
Major General Fund
Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2018

	Estimated	Actual	Variance Positive (Negative)
Taxes:			
Property	\$ 2,885,362	\$ 2,871,154	\$ (14,208)
Land use change	14,000	19,255	5,255
Yield	9,068	10,094	1,026
Timber	6,300	6,363	63
Payment in lieu of taxes	4,069	4,414	345
Interest and penalties on taxes	60,000	47,103	(12,897)
Total from taxes	<u>2,978,799</u>	<u>2,958,383</u>	<u>(20,416)</u>
Licenses, permits, and fees:			
Motor vehicle permit fees	700,000	756,875	56,875
Building permits	15,000	18,805	3,805
Other	51,000	6,238	(44,762)
Total from licenses, permits, and fees	<u>766,000</u>	<u>781,918</u>	<u>15,918</u>
Intergovernmental:			
State:			
Meals and rooms distribution	189,025	189,025	-
Highway block grant	128,224	128,151	(73)
State and federal forest land reimbursement	287	287	-
Other	942	960	18
Total from intergovernmental	<u>318,478</u>	<u>318,423</u>	<u>(55)</u>
Charges for services:			
Income from departments	41,000	120,853	79,853
Miscellaneous:			
Sale of municipal property	-	6,253	6,253
Interest on investments	11,000	14,613	3,613
Other	12,500	27,285	14,785
Total from miscellaneous	<u>23,500</u>	<u>48,151</u>	<u>24,651</u>
Other financing sources:			
Transfers in	-	155,244	155,244
Total revenues and other financing sources	4,127,777	<u>\$ 4,382,972</u>	<u>\$ 255,195</u>
Unassigned fund balance used to reduce tax rate	450,000		
Amounts voted from fund balance	63,355		
Total revenues, other financing sources, and use of fund balance	<u>\$ 4,641,132</u>		

SCHEDULE 2
TOWN OF WILTON, NEW HAMPSHIRE
Major General Fund
Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2018

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
General government:					
Executive	\$ -	\$ 769,980	\$ 722,389	\$ 635	\$ 46,956
Election and registration	-	3,000	2,434	-	566
Legal	-	20,000	24,619	-	(4,619)
Personnel administration	5,000	338,351	363,829	-	(20,478)
Planning and zoning	6,955	32,956	25,255	-	14,656
General government buildings	11,720	74,325	74,876	1,500	9,669
Cemeteries	-	38,414	11,947	-	26,467
Total general government	23,675	1,277,026	1,225,349	2,135	73,217
Public safety:					
Police	-	696,427	635,763	-	60,664
Fire	-	139,033	107,279	-	31,754
Building inspection	-	31,525	30,617	-	908
Emergency management	-	1,100	1,391	-	(291)
Other	-	140,374	140,379	-	(5)
Total public safety	-	1,008,459	915,429	-	93,030
Highways and streets:					
Administration	-	534,991	542,132	-	(7,141)
Highways and streets	107,455	365,280	352,678	-	120,057
Street lighting	-	25,200	21,647	-	3,553
Other	-	35,000	28,625	-	6,375
Total highways and streets	107,455	960,471	945,082	-	122,844
Health:					
Administration	-	595	595	-	-
Health agencies	-	29,296	24,296	-	5,000
Total health	-	29,891	24,891	-	5,000
Welfare:					
Administration and direct assistance	-	47,660	20,472	-	27,188
Vendor payments and other	-	1,760	1,760	-	-
Total welfare	-	49,420	22,232	-	27,188
Culture and recreation:					
Parks and recreation	-	21,200	8,668	-	12,532
Library	-	275,851	275,851	-	-
Patriotic purposes	-	750	750	-	-
Other	-	27,450	28,056	-	(606)
Total culture and recreation	-	325,251	313,325	-	11,926
Conservation	-	9,323	4,851	-	4,472
Economic development	-	6,500	5,000	-	1,500
Debt service:					
Principal of long-term debt	-	30,000	30,000	-	-
Interest on long-term debt	-	36,905	36,905	-	-
Total debt service	-	66,905	66,905	-	-
Capital outlay	42,756	78,270	122,385	21,133	(22,492)
Other financing uses:					
Transfers out	-	829,616	832,500	-	(2,884)
Total appropriations, expenditures, other financing uses, and encumbrances	\$ 173,886	\$ 4,641,132	\$ 4,477,949	\$ 23,268	\$ 313,801

SCHEDULE 3
TOWN OF WILTON, NEW HAMPSHIRE
Major General Fund
Schedule of Changes in Unassigned Fund Balance
For the Fiscal Year Ended December 31, 2018

Unassigned fund balance, beginning (Non-GAAP Budgetary Basis), as restated (see Note 18)		\$ 1,593,093
Changes:		
Unassigned fund balance used to reduce 2018 tax rate		(450,000)
Amounts voted from fund balance		(63,355)
2018 Budget summary:		
Revenue surplus (Schedule 1)	\$ 255,195	
Unexpended balance of appropriations (Schedule 2)	<u>313,801</u>	
2018 Budget surplus		568,996
Decrease in nonspendable fund balance		<u>25,108</u>
Unassigned fund balance, ending (Non-GAAP Budgetary Basis)		1,673,842
Reconciliation on Non-GAAP Budgetary Basis to GAAP Basis		
To record deferred property taxes not collected within 60 days of the fiscal year-end, not recognized on a budgetary basis		(168,436)
Elimination of the allowance for uncollectible taxes		<u>225,000</u>
Unassigned fund balance, ending, GAAP basis (Exhibit C-1)		<u><u>\$ 1,730,406</u></u>

SCHEDULE 4
TOWN OF WILTON, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2018

	Special Revenue Funds			Permanent Fund	Total
	Impact Fees	Conservation Commission	Heritage		
ASSETS					
Cash and cash equivalents	\$ 21,052	\$ 750	\$ 1,700	\$ 15,044	\$ 38,546
Investments	-	52,727	-	911,844	964,571
Interfund receivable	-	14,636	-	-	14,636
Total assets	<u>\$ 21,052</u>	<u>\$ 68,113</u>	<u>\$ 1,700</u>	<u>\$ 926,888</u>	<u>\$ 1,017,753</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Interfund payable	\$ -	\$ -	\$ -	\$ 3,830	\$ 3,830
Fund balances:					
Nonspendable	-	-	-	847,294	847,294
Restricted	21,052	-	-	75,764	96,816
Committed	-	68,113	1,700	-	69,813
Total fund balances	<u>21,052</u>	<u>68,113</u>	<u>1,700</u>	<u>923,058</u>	<u>1,013,923</u>
Total liabilities, and fund balances	<u>\$ 21,052</u>	<u>\$ 68,113</u>	<u>\$ 1,700</u>	<u>\$ 926,888</u>	<u>\$ 1,017,753</u>

SCHEDULE 5
TOWN OF WILTON, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended December 31, 2018

	Special Revenue Funds				Total
	Impact Fees	Conservation Commission	Heritage	Permanent Fund	
Revenues:					
Taxes	\$ -	\$ 10,445	\$ -	\$ -	\$ 10,445
Intergovernmental	1,902	1,200	-	-	3,102
Miscellaneous	119	1,259	1,567	47,257	50,202
Total revenues	<u>2,021</u>	<u>12,904</u>	<u>1,567</u>	<u>47,257</u>	<u>63,749</u>
Expenditures:					
Current:					
General government	-	-	-	94,793	94,793
Culture and recreation	-	-	653	-	653
Conservation	-	609	-	-	609
Total expenditures	<u>-</u>	<u>609</u>	<u>653</u>	<u>94,793</u>	<u>96,055</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,021</u>	<u>12,295</u>	<u>914</u>	<u>(47,536)</u>	<u>(32,306)</u>
Other financing sources (uses):					
Transfers in	-	450	-	-	450
Transfers out	-	-	-	(3,830)	(3,830)
Total other financing sources (uses)	<u>-</u>	<u>450</u>	<u>-</u>	<u>(3,830)</u>	<u>(3,380)</u>
Net change in fund balances	2,021	12,745	914	(51,366)	(35,686)
Fund balances, beginning, as restated (see Note 18)	19,031	55,368	786	974,424	1,049,609
Fund balances, ending	<u>\$ 21,052</u>	<u>\$ 68,113</u>	<u>\$ 1,700</u>	<u>\$ 923,058</u>	<u>\$ 1,013,923</u>



PLODZIK & SANDERSON

Professional Association/Accountants & Auditors

193 North Main Street • Concord • New Hampshire • 03301-5063 • 603-225-6996 • FAX 603-224-1380

INDEPENDENT AUDITOR'S COMMUNICATION OF MATERIAL WEAKNESSES AND SIGNIFICANT DEFICIENCIES

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

In planning and performing our audit of the financial statements of the governmental activities, business-type activities, each major governmental and proprietary fund, and aggregate remaining fund information of the Town of Wilton 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 of Wilton's internal control over financial reporting as a basis for designing audit procedures that are appropriate in 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be a significant deficiency.

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 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 correct, on a timely basis. We consider the following deficiencies in the Town of Wilton's internal control to be material weaknesses:

General Ledger Maintenance

During the audit, it was noted that most journal entries were not authorized and some did not have supporting documentation. Nonrecurring journal entries should require individual authorization by management. Journal entries should always be supported by appropriate documentation, where possible. Good documentation serves as an accounting record and facilitates future follow-up as well as additional insight for other users.

There are three Town funds which are not recorded in the general ledger system (i.e. conservation commission, impact fees, and heritage commission). The tracking and recordkeeping of these funds is inconsistent with the Town's internal controls. All of the Town's funds should be tracked in the general ledger and processed through the same procedures as the general fund in order to provide accurate reporting and consistency. We recommend that the Town consider adding these other funds to the general ledger as their own unique funds. Once included, activity in those funds should be recorded and processed as are the other funds. Additionally, several of the Town's funds had large operating losses during 2018 which greatly reduced the available fund balance in these funds. Particular attention should be paid to the ambulance and sewer funds, which could run into deficit positions if not properly monitored by management.

Town Departments are not receiving and reviewing general ledger reports for revenues or expenditures on a regular basis. Additionally, there is a lack of communication between departments which can cause misstated and out dated information to be reported. Specifically, the Welfare Department is not always informed timely when the Board has approved a release of a lien and/or when payments have been made on prior liens. For proper monitoring to occur, all department heads should be receiving and reviewing monthly reports from the general ledger system, this way they can ensure information is properly posted. We recommend that the Town work towards providing these reports and ensure that there is a clear and timely line of communication to all departments when action is taken that impacts financial reports.

Management's Response: Monthly Department Head meetings have been implemented, reports are provided to Department Heads before these meetings and then forwarded to the Select Board.

***Town of Wilton
Independent Auditor's Communication of Material Weaknesses and Significant Deficiencies***

General Ledger and Cash Reconciliations

During our audit, we noted that the Town did not perform periodic reconciliations on various major accounts (i.e., cash, accounts receivable, accounts payable, interfund receivables and payables). We also noted several bank accounts which do not have any reconciliations performed and many old and stale dated items included on reconciliations that are prepared. It is important to reconcile subsidiary ledgers or supporting schedules to the general ledger to ensure the accuracy of financial information and minimize the risk of misstatement or misappropriation. Reconciliations should be prepared for all of the Town's bank accounts and these reconciliations should be reviewed to ensure stale dated items are properly followed up on. We strongly recommend that a policy be implemented, whereby all subsidiary ledgers and/or supporting schedules are reconciled to the general ledger on a monthly basis. We also recommend that appropriate management-level personnel review the reconciliations for accuracy and then document evidence of their review for audit purposes.

Monthly reimbursement requests from the general fund to the sewer fund are not being performed timely. During review of sewer fund disbursements, it was noted that reimbursements for the months of January through September were not paid until November 2018. Review of supporting documentation identified that reimbursements were not requested from the general fund until October 2018. Review of the sewer fund activity identified two bank transfers to the general fund in July 2018. It was noted these transfers represented duplicate payments to the sewer fund for January and February receipts. Transfers were initially made in March, and then again in June from the general fund to sewer fund. The total transfers that were returned was \$92,652. Review of water fund activity determined that reimbursements to the general fund for June 2018 did not occur until November 2018. Reconciliations of interfund activity should be performed on a monthly basis. This will help to ensure that activity is being reimbursed timely and will also help to reduce the chance of duplicate activity occurring. Untimely reconciliations could lead to inaccurate requests, or duplicate requests occurring. Activity may also not be posted to the proper accounting period. This could also cause financial reports (such as budget to actual expenditures) for the water and sewer funds to be misleading or inaccurate as they do not correctly reflect costs initially paid by the general fund. We recommend that interfund activity be reconciled monthly and that interfund reimbursements be made on a monthly basis.

The collection of off-site improvement fees was noted, however, there is no one presently at the Town who is responsible for tracking these. The Town should have proper policies and procedures over the use of off-site improvements assessed and collected. State RSA's require separate tracking of these funds. Without these procedures, funds could be collected without tracking and misappropriated or not collected at all. We recommend that the Town create policies and procedures over off-site improvements involving the land use department, building department, and accounting department so that proper practices are put into place and there is a segregation of duties.

Management's Response: Procedures are being implemented per the Auditors suggestions.

Town Treasurer

The following was noted during review and discussions with the Town Treasurer:

- i. The Treasurer is not completing a bank reconciliation for any Town accounts and is not reviewing the reconciliations completed by the Finance Officer.
- ii. The Treasurer is not maintaining a cash book to use in comparison with the Town's general ledger.
- iii. The Town does not have a Deputy Treasurer.
- iv. The impact fee fund is not being kept up to date by the Treasurer. A deposit was made in June 2018 for 2 fees received totaling \$10,818 but this money was never set up for the two individuals who paid in the fees thus there has been no interest earned on this money to date.

The Treasurer should be approving the Finance Officer's reconciliation as well as creating his own reconciliation for each account. The Town should appoint a Deputy Treasurer to perform the duties of the Treasurer if he is unable to do so. State RSA 41:29-a *Duties of Elected and Appointed Town Treasurers* require the Treasurer to maintain a cashbook for each account in his custody. When impact fees are received subaccounts should be set up for each fee so that interest can be earned. Accounts should only be established for accounts upon authority of the Board of Selectmen or other Boards in accordance with State statute RSA 41:29-a. When these procedures are not completed properly, errors in reconciliations may not be caught and corrected. The lack of a Deputy Treasurer leaves the Town open to an increased risk of a loss of continuous operations if the Treasurer is unable to perform his duties. Accounts that are set up without the proper authority increase the risk that money could be taken without anyone's knowledge. We recommend that the Treasurer review and sign off on the Finance Officer's reconciliation monthly. The Treasurer also should create his own reconciliation and make sure that it ties out to the Finance Officer's reconciliation for each account in his custody. Further, the Town should appoint someone as the Deputy Treasurer.

Town of Wilton
Independent Auditor's Communication of Material Weaknesses and Significant Deficiencies

A cashbook should be maintained for each account in the Treasurer's custody. Finally, new bank accounts should only be set up upon the authority of the Boards as noted in RSA 41:29-a, so it is recommended that the conservation commission account (TD Bank checking) be closed.

Management's Response: At the March 2019 Town Meeting a new Treasurer was elected. The new Treasurer has noted these deficiencies and is working on implementation of correct procedures with an emphasis of appointing a Deputy.

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 deficiency in internal control to be significant deficiencies:

General Town Policies

During our audit, we noted that over the past few years the Town has experienced a high turnover in its upper management and accounting positions. As a result, well-defined accounting policies and procedures had not been established and many review and reconciliation policies and procedures have not been consistently or continuously maintained. We suggest that a formal accounting policies and procedures manual be developed, documented, and distributed to all employees. A well-structured accounting policies and procedures manual can be very helpful in ensuring that proper procedures and related internal controls are in place and consistently followed.

The Town is lacking formal policies over investments, ambulance write offs and capital assets. An investment policy is required per NH state statute RSA 41:9 *Financial Duties* and should be adopted and reviewed by the Board of Selectmen annually. The write off process for ambulance accounts receivable should be formalized and documented in a policy, which includes procedures on Board approval of any suggested write offs. This approval is a basic element of a strong system of internal controls. A capital asset policy is an integral part of the recording and maintenance of the Town's capital asset records. Without such a policy in place there can be inconsistency in the tracking, recording, and disposal of assets. We recommend that the Town establish and formally adopt the above noted policies.

Management's Response: Attending to these recommendations. An Investment Policy was established in April 2019 and will be forwarded under separate cover.

Town Permanent Records

During the audit we noted that employee personnel files are not up to date. Maintaining current and accurate personnel files is an important control for employee data, not to mention compliance with other employment laws and regulations. We strongly suggest that the Town periodically review the personnel files for completeness and accuracy.

The Town Treasurer was not making deposits in 2018 instead, the Town Clerk/Tax Collector's office was making all deposits. The Town Treasurer did not sign the delegation of deposit authority. This is in violation of NH RSA 41:29-a *Duties of Elected and Appointed Town Treasurers*. We recommend that the Town ensure that deposits are done in accordance with state RSA's and have the appropriately signed delegation of deposit authority on file.

In 2018 there were no formal Inter-Municipal Agreements for both ambulance services and recycling center services. All agreements between the Town and other governments should be formalized and approved by all of the entities involved so all members are fully aware of the conditions and expectations of the agreement. This lack of formalized agreements could cause difficulty in collecting funds that are owed and can create legal issues between the governments. We noted that such agreements were approved and formalized by the Town in 2019.

Management's Response: Management is in the process of reviewing personnel files.

Annual Budget

The budget as approved by the NH Department of Revenue Administration does not agree to the budget input into the Town's general ledger system. The Town also inaccurately budgeted for other special funds in its reporting to the State. Budget adjustments are being made without proper approval and there is a lack of a transfer of appropriations policy. The Board of Selectmen and department heads are not reviewing monthly budget to actual reports resulting in poor budget monitoring. The general ledger is the main source of financial reporting and the budget that is entered should be in agreement with the final approved budget. Any changes to these amounts should be formally approved by the Board of Selectmen and there should be a policy in place over this. Finally, the department heads and Board of Selectmen should be reviewing monthly budget to actual revenue and expenditure reports in order to ensure appropriate management of the Town's budget.

Management's Response: The accounting software was changed in January 2019. Department Heads and the Select Board are receiving monthly budget to actual information.

Town of Wilton
Independent Auditor's Communication of Material Weaknesses and Significant Deficiencies

Cash Receipts and Disbursements

There is a lack of segregation of duties over the processing of cash receipts when the Administrative Assistant is absent, as the Town Clerk's office disburses mail and processes all deposits. The Town does not utilize purchase orders and there is a lack of evidence that the Town is following their purchasing procedures. Many contracts and bids are lacking backup documentation. Department heads are not monitoring revenues posted to the general ledger and are not receiving the appropriate reports in order to do so. The Treasurer is also not receiving appropriate reports in order to complete his responsibilities. We recommend that the Town designate a different department to receive and disburse mail when the Administrative Assistant is absent, in order to alleviate the segregation of duties conflict. We further recommend that the Town ensure its established purchasing policy be followed and all supporting documentation for contracts, bids and other documents be maintained at the Town Hall. Finally, we recommend that the department heads and Treasurer receive accurate and detailed reports of deposits/revenues at least weekly so that they can properly monitor their accounts and perform their duties as necessary.

Management's Response: Procedures are being implemented to ensure that recommendations are followed.

Several manifests for disbursements were missing and/or were not properly signed for approval by the Board of Selectmen. Per the Town's purchasing procedures and state RSA 41:29-a *Duties of Elected and Appointed Town Treasurers* all disbursements should be formally approved by the Board. This lack of evidence and appropriate documentation can lead to misappropriation of funds if disbursements are not being properly monitored. We recommend that the Town ensure all manifests and properly approved prior to the disbursement of funds and that a record of these manifests be maintained on file at the Town Hall.

Management's Response: Error and omissions occurred during the previous administration.

Town Library

While documenting internal controls over the Library we noted that the Library Director has access to the Fine Account checkbook and is a signer on the account, there is no formal policy over the usage of the Library's debit cards, and payments are made by the hired Bookkeeper without approval of the governing body. The Treasurer and other Trustees (if needed) should be the only signers on the Library accounts. A formal policy should be in place over the usage of debit cards, to detail who has access to them, what they can be used for, etc. The governing body needs to review and approve payments prior to disbursement in accordance with State statute. These procedures cause a lack of segregation of duties, inconsistencies on how the debit cards are used, and an increased risk of misuse of cards. Payments are made without review by the governing body and issues could occur and not be noted until after disbursement. We recommend that the Library remove the Director as a signer on the Fine Account and that the Treasurer retain control of the check book. We also recommend that the Trustees adopt a formal debit card policy. In addition, a detailed listing of payments should be given to the Trustees for approval prior to disbursement.

Management's Response: Fines account, we will remove the Library Director as a signor on the Fines account and it will be handled by the Treasurer. For payables, our bookkeeper will create a new QuickBooks document and send it to the Library Treasurer every two weeks when she processes the bills. The Treasurer will approve the QB document within 24 hours and then she will submit the bills for payment after approval. The Treasurer will copy the two other Library Trustees as backup in case the Library Treasurer is out of town. For debit cards, we will now change our purchasing of general supplies to once a week. A document will be sent to the Library Treasurer prior to the ordering day and the Library Treasurer will approve all expenditures and initial the document to show approval. If something should be needed to be purchased last minute, the Library Treasurer will receive a text message to approve or deny the purchase.

Tax Collections & Warrants

There are several Town owed properties on the tax roll, and the property tax receivables per the Tax Collector's system are not being reconciled to the general ledger. Town owned properties should not be included on the tax roll and taxed. The property tax receivables per the Tax Collector should be reconciled to the general ledger on a monthly basis. Having Town owned property on the tax roll causes taxes to be calculated and issued on properties that are not going to be paid therefore increasing the warranted amounts unnecessarily. When the general ledger does not maintain an accurate record of tax receivables, management of the Town may be using inaccurate information in their decision making. This also causes a lack of appropriate monitoring of the receivable balances. We recommend that the Town remove Town owned property from the tax roll and reconcile the Tax Collector's receivable to the general ledger on a monthly basis.

The second half property tax warrant that was approved by the Board of Selectmen was inaccurate. The total included the first half warrant in addition to the second half and should have only included the second warrant total. We recommend in the future that the Town ensure each warrant is exclusive of the taxes issued for that warrant. When reviewing and approving these documents the Board of Selectmen should be checking that the total agrees to the total committed per the blotter lists.

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There is a lack of clarity and support for elderly and welfare liens held by the Town. The Tax Collector's system includes several \$1 liens for these items which are inaccurate and should not be recorded in this manner. Only the Town's welfare director should be aware of the individuals receiving services and the \$1 liens in the tax system are inaccurate and should not be posted. The Town should have a formal process and procedures documented over the record keeping of these items and it should be reconciled to the general ledger on a regular basis.

Management's Response: Town owned properties will not be included in future tax warrants.

The second half property warrant error cited above has been addressed.

Property owner Assistance Liens are recorded at the Hillsborough County Registry of Deeds by the Welfare Director. The recorded lien notes the owner's name, address, date of lien and the RSA that allows towns to lien these properties. This public record is available at the Registry and on line.

The Tax Office flagging said accounts with "Assistance Lien \$1" does not violate a property owner's privacy as the existence of said lien is at the Registry. The Clerk/Collector Office is not privy to any of the information other than the dollar amount provided by the Welfare Office. We are not divulging confidences but ensuring Wilton can collect monies spent should the owner refinance or sell. A proper title search should find the Registry information, but historically we have not been asked about the "Assistance Lien" monies but have to bring it to the attention of the title companies.

The general ledger welfare accuracy, or lack of, is a carry-over from the prior administrative office. Prior audits have commented on the general ledger Welfare data issues but no updating was evident per review.

Water & Sewer Funds

As noted previously the Tax Collector's receivable listing is not being reconciled to the general ledger. The receivables for the sewer fund did not agree with the Tax Collector's balance with a net variance of \$2,377. However, several differences were noted between the specific balances for each respective year's warrants. This causes receivables in the general ledger to be misstated and other accounts potentially revenues and/or fund balances to also be misstated. We recommend that these two systems be reconciled monthly to ensure accuracy of the reported amounts.

Review of the water fund disbursements identified three out of eight payments were not made in a timely manner. All payments to vendors should be processed in a timely manner in order to avoid late fees and other repercussions. This can also cause inaccuracies in financial reports. We recommend that payments to vendors be processed and paid in a timely manner going forward.

Management's Response: As of the fall of 2018, the monthly Tax collectors report is reconciled to the Water & Sewer funds General ledger to confirm the accuracy of collections. Monthly transfer request reports are submitted at the monthly meetings for approval by the respective Departments and then forwarded to the Town Treasurer for transfer from the Town General Fund to each of the respective department bank accounts.

As of the fall of 2018, payments to vendors are made after each monthly meeting where the commissioners approve invoices for payment. Checks are then processed for payment and signed and mailed by the Town Treasurer.

Recycling Center

Review of the Town's recycling center identified the following conditions:

- v. Deposits are only being made once a week and until they are made they are kept in a safe in the home of the Recycling Center Manager.
- vi. The Recycling Center Manager is not receiving monthly reports from the Finance Officer in order to compare what he is reporting for revenue to what is being posted in the general ledger.
- vii. There are no procedures in place on the sale of scrap metal. The scrap metal is taken from the recycling center without a slip on what was taken so there is no way to determine if everything that was taken has been paid to the Town.

Controls should be in place so that timely deposits are being made and that the money is kept in a safe location on Town property prior to deposit. In addition, there should be procedures in place to track the sale of scrap metal. Finally, there should be a monthly reconciliation of the recycling center revenue to the general ledger to avoid potential misstatement of funds. These processes can cause potential loss of funds. In addition, there could be a misstatement of revenue which could go undetected.

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We recommend that deposits be made more frequently. Until the deposit is made it should be either kept in a locked safe or other means at the Recycling Center or brought to the Town Clerk's office daily. In addition, monthly revenue reports should be run by the Finance Officer and given to the Recycling Center Manager for his review and comparison to his records. At that point, any discrepancies should be discussed with the Finance Officer and resolved. Finally, procedures should be established and followed over the sale of scrap metal. When the vendor takes scrap metal from the Recycling Center a slip should be given to the Recycling Center Manager for what was taken and then a copy should be given to the Finance Officer so that when payment is received from the vendor it can be matched up to the slip and checked to make sure they have been properly reimbursed. If payment is not received, then the Town can go after payment on these slips for which payment has not been received.

Management's Response: Management will meet with the Recycling Center Supervisor to put controls in place.

Impact Fees

Upon review of the impact fees the following was noted:

- viii. No one is accepting responsibility for or tracking of the impact fee funds received.
- ix. Two impact fees were received into Town Hall in June 2018 which were given to the Finance Officer. Since the Finance Officer received half of these funds in cash, she immediately deposited it into the bank which goes against the depositing process of the Town.
- x. Further with this noted deposit, the deposit slip notes that it was meant to go into the impact fee fund but there is no record of it being received.
- xi. Prior auditor's report indicates that there is a receivable on the books for impact fees but no employee can identify from whom it is due. It was later determined that those receivables were paid off in 2018.
- xii. Presently the impact fee fund assets, liabilities, revenues and expenditures are not being tracked in the Town's general ledger system.

RSA 674:21 V c through e, *Innovative Land Use Controls*, have established the requirements for maintaining and reporting the impact fee funds. The Town has an ordinance that also indicates the Town's reporting of them. In addition, monthly bank reconciliations should be performed so that all deposits and expenditures made are accounted for. Finally, all funds of the Town of other than those maintained by the Trustees of Trust Funds and Library Trustees should be maintained in the Town's accounting system. There are no clear guidelines established for tracking impact fees. No one has accepted responsibility for this fund/bank account, so the account has not been reconciled in months. This can cause misstatement of the impact fee fund. In addition, any impact fee collected could be spent inappropriately if expenditures from these funds are not monitored. We recommend procedures be established over the impact fees as to who is responsible for keeping a record of them by individual fund which could then be reconciled to the monthly bank statements. Copies of the approval to set up the impact fees and to expend funds from them should also be given to someone in management prior to the funds being deposited or expended. Finally, the bank account for the fund should be reconciled on a monthly basis by the Town Treasurer and if they do not perform it then the Finance Officer should perform the task, but the Treasurer should be reviewing and approving the reconciliation.

Management's Response: Finance, Planning, and the Treasurer have met with a bank representative to correct these deficiencies.

Town Credit Cards

Due to a significant amount of turnover in Town staff, it was noted that there were credit cards utilized for purchases in 2018, however there is a lack of information over the internal controls of their use. There does not appear to be a policy over the use of credit cards and we are unable to determine if the cards were used appropriately. It was noted that the Town is currently no longer using credit cards.

Management's Response: A formal credit card policy was adopted in August 2018, revised in May 2019. The Treasurer and Finance Officer are working with the bank on the use of credit cards.

IT and General Computer Controls

The Town was unable to respond to inquiries regarding general IT and computer controls, we are therefore unable to determine if internal controls over these areas are appropriately designed and implemented. The Town should have proper controls over information technology and applicable policies in place to ensure the Town's electronic data is secured. We recommend that the

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Town establish a good system of internal controls and policies over IT and ensure that these are formally documented and followed by all departments. We further recommend that all Town computers and software be password protected and access be limited to only required personnel.

Management's Response: The Town has changed IT vendors as of March 1, 2019, and all audit recommendations are being implemented.

The Town of Wilton's response to the findings identified in our audit are described above and the Town's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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

June 12, 2019

TOWN OF WILTON, NEW HAMPSHIRE
ANNUAL FINANCIAL REPORT
AS OF AND FOR THE FISCAL YEAR ENDED
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