

**TOWN OF WOLFEBORO,
NEW HAMPSHIRE**

ANNUAL FINANCIAL REPORT

**AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2006**

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TABLE OF CONTENTS

	<u>PAGES</u>
INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	2 - 9
 BASIC FINANCIAL STATEMENTS 	
Government-wide Financial Statements:	
A Statement of Net Assets	10
B Statement of Activities	11
Fund Financial Statements:	
Governmental Funds	
C-1 Balance Sheet	12
C-2 Reconciliation of Total Governmental Fund Balances to the Statement of Net Assets	13
C-3 Statement of Revenues, Expenditures and Changes in Fund Balances	14
C-4 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Proprietary Funds	
D-1 Statement of Net Assets	16
D-2 Statement of Revenues, Expenses, and Changes in Fund Net Assets	17
D-3 Statement of Cash Flows	18
Fiduciary Funds	
E-1 Statement of Fiduciary Net Assets	19
E-2 Statement of Changes in Fiduciary Net Assets	20
 NOTES TO THE BASIC FINANCIAL STATEMENTS	 21 - 34
 REQUIRED SUPPLEMENTARY INFORMATION 	
F Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) - General Fund	35
 NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION	 36 - 37
 COMBINING AND INDIVIDUAL FUND SCHEDULES 	
GOVERNMENTAL FUNDS	
Major General Fund	
1 Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)	38
2 Schedule of Appropriations, Expenditures and Encumbrances (Non-GAAP Budgetary Basis)	39 - 40
3 Schedule of Changes in Unreserved - Undesignated Fund Balance (Non-GAAP Budgetary Basis)	41
Nonmajor Funds	
4 Combining Balance Sheet	42
5 Combining Statement of Revenues, Expenditures and Changes in Fund Balances	43
 INDEPENDENT AUDITOR'S COMMUNICATION OF CONTROL DEFICIENCIES AND OTHER MATTERS	 44



PLODZIK & SANDERSON

Professional Association/Accountants & Auditors

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Wolfeboro as of and for the year ended December 31, 2006, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Wolfeboro, as of December 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

*Plodzik & Sanderson
Professional Association*

November 30, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Town of Wolfeboro's financial performance provides an overview of the Town's financial activities for the fiscal year ended December 31, 2006. Please read it in conjunction with the Town's financial statements, which begin on page 10.

FINANCIAL HIGHLIGHTS

- For the fiscal year ended December 31, 2006, the Town's total assets exceeded liabilities by \$38,075,174, an increase from the prior year of \$1,591,725.
- At the end of the current fiscal year, undesignated fund balance of the general fund was \$2,365,426. This represents a increase from the close of the prior fiscal year of \$315,428, or 15%.
- The total long-term debt of all funds for the Town at the close of the fiscal year was \$10,356,954. This represents an decrease in debt from the close of the prior fiscal year of \$500,567. The Town issued no new debt during 2006. The net change is impacted by reductions based on annual payments of outstanding debt.
- The Town's proprietary funds (i.e. enterprise funds) had a resulting net income of \$689,359 for the fiscal year ending December 31, 2006. This is a decrease in net income from the prior fiscal year of \$232,551.
- In the Town's proprietary funds, operating revenues increased by \$500,836, or 6.0%, while operating expenses decreased \$263,742, or 0.04%. The major influence on the increase in operating revenues was an increase in water and sewer charges effective April 1, 2006.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. Government-wide financial statements provide information about the activities of the Town as a whole, and present a longer-term view of the Town's finances. Fund financial statements start on page 12. For governmental activities, these statements tell how these services were financed in the short term as well as what is remaining for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds. The remaining statements provide information about activities for which the Town acts solely as a trustee or agent for the benefit of those outside the government.

REPORTING THE TOWN AS A WHOLE

Government-wide financial statements

The Statement of Net Assets and the Statement of Activities are designed to provide readers with an overview of the results of the Town's financial activities in a manner similar to private-sector companies. These statements include all assets and liabilities using the accrual basis of accounting, thereby reporting all current year revenues and expenses regardless of when cash is paid or received.

These two statements report the Town's net assets and changes in them. Over time, increases or decreases in net assets may serve as one useful indicator of whether the financial health of the Town is improving or deteriorating.

The Statement of Net Assets and the Statement of Activities distinguish the Town by these activities:

- Governmental activities – Most of the Town's basic services are reported in this section. They include general government, police, fire, public works, culture and recreation, and health and welfare. These activities are supported primarily by property taxes, motor vehicle permits, and intergovernmental revenues.
- Business-type activities – The Town charges a user fee to customers to cover all or most of the cost for certain services provided. The water, sewer, electric, and ice arena are reported here.

REPORTING THE TOWN'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements begin on page 12, and provide information on the Town's most significant funds; not the Town as a whole. A fund is a grouping of accounts, each of which is considered a separate accounting entity. The following fund types are utilized by the Town.

- Governmental Funds: This fund type is used to account for essentially the same governmental services as those presented as governmental activities in the government-wide financial statements. Unlike the government-wide financial statements, these funds are reported using an accounting method called modified accrual accounting. This method of accounting measures cash and all other financial assets that can readily be converted to cash.

The governmental fund financial statements provide a short-term view of the Town's general government operations. It is useful to compare this information to similar information on the government-wide financial statements to gain a better understanding of the long-term impact of the Town's near term financial decisions.

- **Proprietary Funds:** These funds are more commonly referred to as Enterprise Funds. Proprietary funds are presented in the same format as all funds are presented in the government-wide financial statements.

The proprietary funds are the same as the business-type activities in the government-wide financial statements, simply in more detail. They separate the information for the water, sewer, electric, and ice arena operations.

- **Fiduciary Funds:** Fiduciary funds account for assets held by the Town as a trustee or agent for individuals, groups, private organizations, or other units of government. These funds are not reflected in the government-wide financial statements, because these assets are unavailable to finance the Town's operations.
- **Notes to the Financial Statements:** The notes to the Financial Statements provide additional information that is essential to an overall comprehension of the data provided in the government-wide and fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS:

The following is a summary of the government-wide financial data for the fiscal year ended December 31, 2006.

Town of Wolfeboro Summary of Net Assets as of December 31, 2006						
	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current and other assets	\$11,880,507	\$11,224,694	\$ 2,911,974	\$ 4,492,710	\$14,792,481	\$15,717,404
Net Capital Assets	<u>19,694,025</u>	<u>19,401,001</u>	<u>21,787,889</u>	<u>20,493,743</u>	<u>41,481,914</u>	<u>39,894,744</u>
Total Assets	<u>31,574,532</u>	<u>30,625,695</u>	<u>24,699,863</u>	<u>24,986,453</u>	<u>56,274,395</u>	<u>55,612,148</u>
Long-term Liabilities	1,518,609	1,666,958	9,766,686	10,361,899	11,285,295	12,028,857
Other Liabilities	<u>5,899,908</u>	<u>5,646,122</u>	<u>1,014,018</u>	<u>1,453,720</u>	<u>6,913,926</u>	<u>7,099,842</u>
Total Liabilities	<u>7,418,517</u>	<u>7,313,080</u>	<u>10,780,704</u>	<u>11,815,619</u>	<u>18,199,221</u>	<u>19,128,699</u>
Net Assets						
Invested in capital assets	18,567,498	18,215,890	12,904,339	12,241,468	31,471,837	30,457,359
Restricted (Perpetual Care & Capital Project)	909,106	714,465	-	-	909,106	714,464
Unrestricted	<u>4,679,411</u>	<u>4,382,260</u>	<u>1,014,820</u>	<u>929,366</u>	<u>5,694,231</u>	<u>5,311,625</u>
Total net assets	<u>\$ 24,156,015</u>	<u>\$23,312,615</u>	<u>\$ 13,919,159</u>	<u>\$13,170,834</u>	<u>\$38,075,174</u>	<u>\$34,483,449</u>

Investment in Net Assets: The largest portion of the Town's net assets of 83% reflects its inventory in capital assets such as land, buildings, equipment, and infrastructure (roads, bridges, etc.); less any related outstanding debt used to acquire those assets. The Town uses these capital assets to provide services to the citizens; consequently, those assets are not available for future spending.

Restricted Net Assets: Approximately 2% of the Town's net assets represent resources that are subject to external restrictions on how they may be used.

Unrestricted Net Assets: The Town's unrestricted net assets may be used to meet the Town's ongoing obligations. At year end, the Town is reporting positive balance in all three categories of net assets.

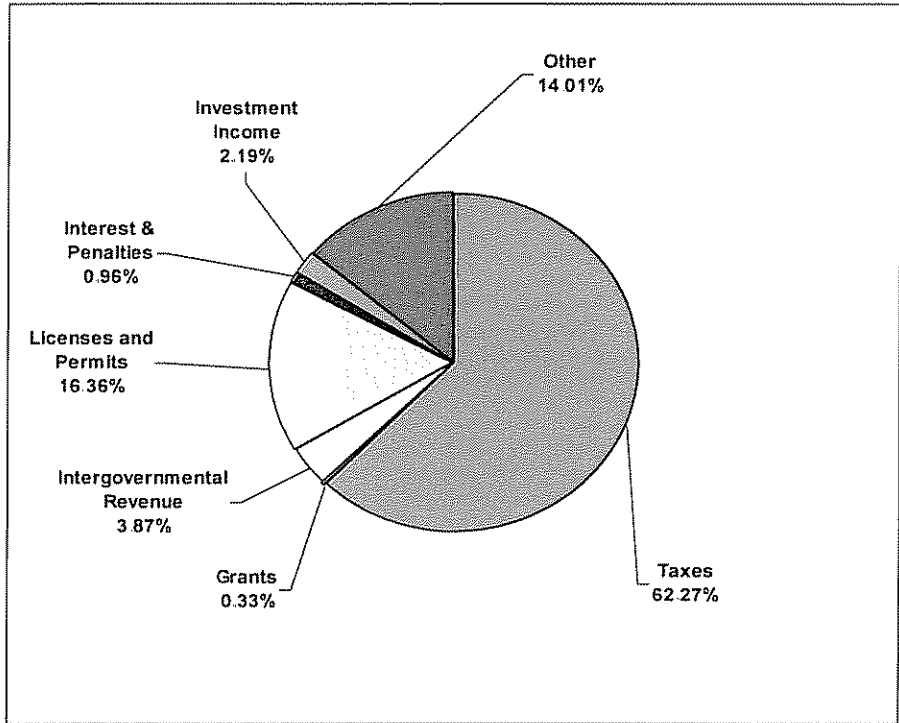
The following is a summary of the Statement of Activities presented on page 11.

	Governmental Activities 2006	Business-type Activities 2006	Total 2006	Total 2005
Revenues:				
Program revenues:				
Charges for services	\$1,029,770	\$8,837,048	\$ 9,866,818	\$ 9,735,603
Operating grants and contributions	503,445		503,445	348,670
Capital grants and contributions	0	141,928	141,928	1,387,053
General revenues:				
Property taxes	5,761,229		5,761,229	4,468,378
Licenses and permits	1,477,183		1,477,183	1,536,546
Interest, penalties and other taxes	132,064		132,064	168,796
Grants and contributions not restricted	307,954		307,954	289,622
Miscellaneous	485,471	332,169	817,640	224,858
Other including Transfers	(93,977)	93,977	0	132,578
Total revenues	9,604,139	9,405,122	19,008,261	18,292,104
Expenses:				
General government	1,838,162		1,838,162	1,511,354
Public safety	2,960,994		2,960,994	2,664,634
Highways and streets	1,820,791		1,820,791	1,784,362
Sanitation	807,683		807,683	729,069
Health	109,732		109,732	107,309
Welfare	74,331		74,331	55,053
Economic development	6,000		6,000	6,000
Culture and recreation	968,256		968,256	932,988
Conservation	69,812		69,812	6,607
Interest on long-term debt	68,383		68,383	42,785
Capital Outlay	35,595		35,595	163,810

Expenses		<i>Continued from page 5</i>			
Water		1,654,344	1,654,344	1,255,629	
Sewer		1,020,241	1,020,241	1,220,444	
Electric		5,818,354	5,818,354	6,042,205	
Ice arena		163,858	163,858	170,234	
Total expenses		8,759,739	8,656,797	8,656,797	16,692,483
<hr/>					
Change in net assets		843,400	748,325	1,591,725	1,599,621
			13,170,834		
Beginning net assets		23,312,615		36,483,449	34,883,828
Ending net assets		\$24,156,015	\$13,919,159	\$38,075,174	\$36,483,449

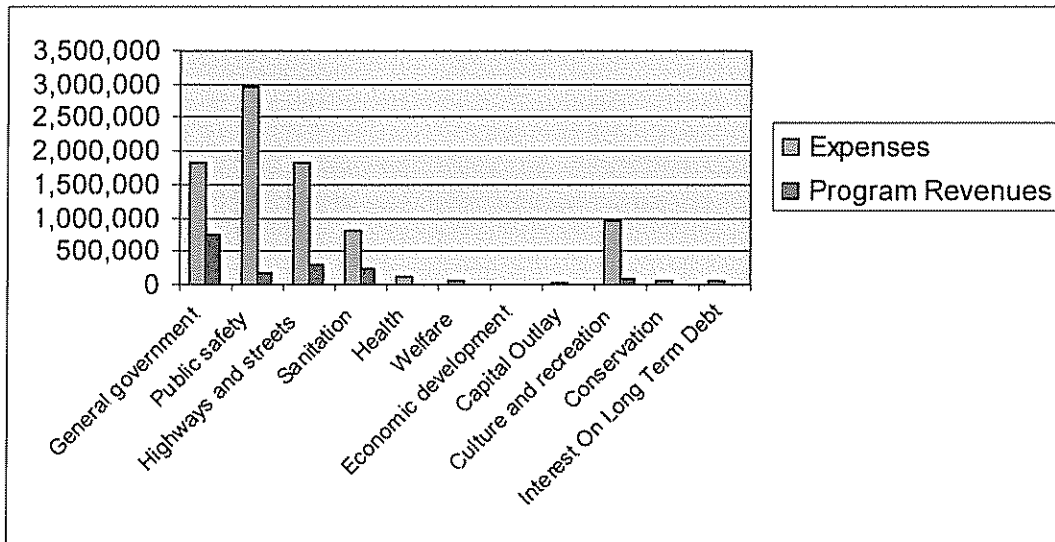
Governmental Activities: Revenues not specifically targeted for an activity are known as general revenues. Property taxes make up 62% of the Town's general revenues. Licenses and permits, mainly auto registrations, account for 16% of these revenues. All other miscellaneous revenues account for the final 22% of all revenues.

Revenue by Source – Governmental Activities



The largest expenses for the governmental activities were for Public Safety, which accounts for 34% of the total. General Government accounts for 21%, Highways & Streets 21%, Culture & Recreation 11% and Sanitation 9%.

Expense and Program Revenues – Governmental Activities



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

- **Governmental Funds:** The fund financial statements for the Town are provided on pages 12-20. The focus of the governmental funds is to provide information on near-term inflows, outflows, and balance of resources. This information is most useful in assessing financing requirements. For example, unreserved fund balance may serve as a useful measure of a government's net resources available at year end.

During the fiscal year, the Town recognized \$ 9,028,381 in revenues and other financing sources in the General Fund, which is a increase of 6% over the prior year. Additionally, the Town utilized \$253,205 of unreserved fund balance to reduce the tax rate, an decrease of 66% of that available from the prior year.

The Town incurred \$8,877,015 in General Fund expenditures during the fiscal year, which represents a increase of 4% from the prior year. Included in the total expenditures are prior year's encumbrances carried forward in the amount of \$343,311.

The Town finished the fiscal year with unreserved undesignated fund balance in the amount of \$2,365,426 an increase from the prior year of \$315,428, or 15%.

- Proprietary Funds: Proprietary funds provide the same type of information found in the business type activities reported in the government wide financial statements, only in more detail.

The proprietary funds reported an overall net income of \$689,359 which is a decrease of \$232,551 from the prior fiscal year. Water and Sewer Departments reported operating losses at year end of (\$176,464) and (\$153,306) respectively. The Board of Selectmen have commissioned a rate study to be completed in 2007 to address the need to increase user rates designed to offset rising maintenance and capital costs. The Electric Department ended the year with a operating income of \$ 1,191,903, an increase from the prior year of \$ 539,821, or 83%.

GENERAL FUND BUDGETARY HIGHLIGHTS

- The overall Town of Wolfeboro Budget for the year ending December 31, 2006 was \$21,491,670. Of that total, \$3,523,740 was appropriated in special warrant articles. The balance of \$17,967,930 represents the Town's operating budget.
- The operating budget is the total of all general fund and proprietary fund activities. \$8,978,976 or 50% of the operating budget is supported by business type revenues such as utility fees and user fees. The balance of the budget, \$8,988,954 or 50% is supported by general fund type revenues such as motor vehicle permits, state and federal grants, and property taxes.

CAPITAL ASSETS AND DEBT ADMINISTRATION

- Capital Assets: The total investment in capital assets is \$ 41,481,914, net of depreciation, for both the general and proprietary fund types.

Capital Assets as of December 31, 2006

	Governmental Activities	Business-Type Activities	Total
Land	\$ 5,839,095	\$ 65,005	\$ 5,904,100
Buildings & Systems	1,398,881	12,155,285	13,554,166
Improvements other than Bldgs	1,007,161		1,007,161
Machinery & Equipment	4,175,054	14,140,931	18,315,985
Infrastructure	16,056,537		16,056,537
Construction in Progress	89,410	4,088,994	4,178,404
Less: Allowance for Depreciation	(8,872,113)	(8,662,326)	(17,534,439)
Net Capital Assets	<u>\$19,694,025</u>	<u>\$21,787,889</u>	<u>\$41,481,914</u>

- **Non-Current Liabilities:** At the end of the current fiscal year, non-current liabilities outstanding were \$11,285,295. This includes the long-term portion of bonds payable, compensated absences payable, and an estimated amount of accrued landfill post closure monitoring.

ECONOMIC FACTORS AND THE 2006 BUDGET

New Hampshire Department of Employment Security reported the annual average unemployment rate for the Town of Wolfeboro at 3.1% and Carroll County at 3.3%. The State of New Hampshire annual average was reported at 3.4% and the National average was reported at 4.6%.

The Northeast Region Consumer Price Index increased 3.0% in 2006. The National CPI for the same period was reported at 2.5%.

At the 2007 Town Meeting, the legislative body approved total appropriations in the amount of \$29,279,425. The proposed operating budget was approved in the amount of \$18,361,948. Warrant articles approved by the legislative body totaled \$10,917,477 mainly for infrastructure improvements to the water and sewer systems.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Town of Wolfeboro's finances for any party with an interest in the government's finances. Questions related to this financial statement, or request for additional information should be addressed to the following:

Town of Wolfeboro
Finance Department
PO Box 629
Wolfeboro, New Hampshire 03894
(603) 569-8168

BASIC FINANCIAL STATEMENTS

EXHIBIT A
TOWN OF WOLFEBORO, NEW HAMPSHIRE
Statement of Net Assets
December 31, 2006

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 6,734,720	\$ 2,779,940	\$ 9,514,660
Investments	2,213,150	-	2,213,150
Intergovernmental receivable	574,120	-	574,120
Other receivables, net of allowances for uncollectible	1,163,106	1,064,575	2,227,681
Inventory	-	260,764	260,764
Internal balances	1,193,305	(1,193,305)	-
Prepaid items	2,106	-	2,106
Capital assets, not being depreciated:			
Land	5,839,095	65,005	5,904,100
Construction in progress	89,410	4,088,994	4,178,404
Capital assets, net of accumulated depreciation:			
Buildings, building improvements and system	718,715	10,088,388	10,807,103
Improvements other than buildings	215,365	-	215,365
Machinery, equipment and vehicles	1,593,697	7,545,502	9,139,199
Infrastructure	11,237,743	-	11,237,743
Total assets	<u>31,574,532</u>	<u>24,699,863</u>	<u>56,274,395</u>
LIABILITIES			
Accounts payable	153,895	221,317	375,212
Accrued salaries and benefits	50,137	12,949	63,086
Intergovernmental payable	5,492,438	112	5,492,550
Accrued interest payable	24,222	107,843	132,065
Retainage payable	2,087	-	2,087
Unearned revenue	49,484	53,550	103,034
Other current liabilities	6,341	27,979	34,320
Noncurrent obligations:			
Due within one year:			
Bonds and notes	81,150	590,268	671,418
Compensated absences	29,986	-	29,986
Accrued landfill postclosure care costs	10,168	-	10,168
Due in more than one year:			
Bonds and notes	1,045,377	9,723,825	10,769,202
Compensated absences	269,872	42,861	312,733
Accrued landfill postclosure care costs	203,360	-	203,360
Total liabilities	<u>7,418,517</u>	<u>10,780,704</u>	<u>18,199,221</u>
NET ASSETS			
Invested in capital assets, net of related debt	18,567,498	12,904,339	31,471,837
Restricted for:			
Perpetual care	822,441	-	822,441
Capital projects	86,665	-	86,665
Unrestricted	4,679,411	1,014,820	5,694,231
Total net assets	<u>\$ 24,156,015</u>	<u>\$ 13,919,159</u>	<u>\$ 38,075,174</u>

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

EXHIBIT B
TOWN OF WOLFEBORO, NEW HAMPSHIRE
Statement of Activities
For the Fiscal Year Ended December 31, 2006

Functions/programs:	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:						
General government	\$ 1,838,162	\$ 315,629	\$ -	\$ (1,095,271)	\$ -	\$ (1,095,271)
Public safety	2,960,994	76,560	-	(2,792,448)	-	(2,792,448)
Highways and streets	1,820,791	88,795	-	(1,523,017)	-	(1,523,017)
Sanitation	807,683	10,002	-	(576,071)	-	(576,071)
Health	109,732	-	-	(109,732)	-	(109,732)
Welfare	74,331	-	-	(74,331)	-	(74,331)
Culture and recreation	968,256	12,378	-	(875,945)	-	(875,945)
Conservation	69,812	81	-	(69,731)	-	(69,731)
Economic development	6,000	-	-	(6,000)	-	(6,000)
Interest on long-term debt	68,383	-	-	(68,383)	-	(68,383)
Capital outlay	35,595	-	-	(35,595)	-	(35,595)
Total governmental activities	8,759,739	503,445	-	(7,226,524)	-	(7,226,524)
Business-type activities:						
Water department	1,654,344	-	94,240	-	(321,011)	(321,011)
Sewer department	1,020,241	-	47,688	-	(131,324)	(131,324)
Electric department	5,818,354	-	-	-	736,497	736,497
Culture and recreation	163,858	201,875	-	-	38,017	38,017
Total business-type activities	8,656,797	-	141,928	-	322,179	322,179
Total	\$ 17,416,536	\$ 503,445	\$ 141,928	(7,226,524)	322,179	(6,904,345)
General revenues:						
Taxes:						
Property				5,761,229	-	5,761,229
Other				132,064	-	132,064
Motor vehicle permit fees				1,313,693	-	1,313,693
Licenses and other fees				163,490	-	163,490
Grants and contributions not restricted to specific programs				307,954	-	307,954
Miscellaneous				485,471	332,169	817,640
Transfers				(93,977)	93,977	-
Total general revenues				8,069,924	426,146	8,496,070
Change in net assets				843,400	748,325	1,591,725
Net assets, beginning				23,312,615	13,170,834	36,483,449
Net assets, ending				\$ 24,156,015	\$ 13,919,159	\$ 38,075,174

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

EXHIBIT C-1
TOWN OF WOLFEBORO, NEW HAMPSHIRE
Balance Sheet
Governmental Funds
December 31, 2006

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 6,425,634	\$ 309,086	\$ 6,734,720
Investments	-	2,213,150	2,213,150
Receivables, net of allowance for uncollectible:			
Taxes	1,113,321	-	1,113,321
Accounts	48,873	912	49,785
Intergovernmental	78,975	495,145	574,120
Interfund receivable	1,673,806	-	1,673,806
Prepaid items	2,106	-	2,106
Total assets	<u>\$ 9,342,715</u>	<u>\$ 3,018,293</u>	<u>\$ 12,361,008</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 153,895	\$ -	\$ 153,895
Accrued salaries and benefits	50,137	-	50,137
Intergovernmental payable	5,492,438	-	5,492,438
Interfund payable	-	480,501	480,501
Retainage payable	-	2,087	2,087
Escrow and performance deposits	6,341	-	6,341
Deferred revenue	838,489	-	838,489
Total liabilities	<u>6,541,300</u>	<u>482,588</u>	<u>7,023,888</u>
Fund balances:			
Reserved for encumbrances	302,989	-	302,989
Reserved for special purposes	-	1,194,014	1,194,014
Unreserved:			
Designated for contingency	133,000	-	133,000
Undesignated, reported in:			
General fund	2,365,426	-	2,365,426
Special revenue funds	-	1,341,691	1,341,691
Capital projects funds	-	-	-
Total fund balances	<u>2,801,415</u>	<u>2,535,705</u>	<u>5,337,120</u>
Total liabilities and fund balances	<u>\$ 9,342,715</u>	<u>\$ 3,018,293</u>	<u>\$ 12,361,008</u>

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

EXHIBIT C-2
TOWN OF WOLFEBORO, NEW HAMPSHIRE
Reconciliation of Total Governmental Fund Balances to the Statement of Net Assets
December 31, 2006

Total fund balances of governmental funds (Exhibit C-1)		\$ 5,337,120
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds		
Cost	\$ 28,566,138	
Less accumulated depreciation	<u>(8,872,113)</u>	19,694,025
Interfund receivables and payables between governmental funds are eliminated on the statement of net assets		
Receivables	\$ (480,501)	
Payables	<u>480,501</u>	-
Other long-term assets are not available to pay for current-period expenditures, and therefore, are deferred in governmental funds		
Deferred taxes		789,005
Interest on long-term debt is not accrued in governmental funds		
Accrued interest payable		(24,222)
Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the funds		
Bonds and notes	\$ 1,126,527	
Compensated absences payable	299,858	
Accrued landfill postclosure care costs	<u>213,528</u>	(1,639,913)
Total net assets of governmental activities (Exhibit A)		<u>\$ 24,156,015</u>

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

EXHIBIT C-3
TOWN OF WOLFEBORO, NEW HAMPSHIRE
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended December 31, 2006

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$ 5,708,858	\$ 520	\$ 5,709,378
Licenses and permits	1,477,183	-	1,477,183
Intergovernmental	454,804	238,765	693,569
Charges for services	538,662	63,846	602,508
Miscellaneous	818,072	212,491	1,030,563
Total revenues	<u>8,997,579</u>	<u>515,622</u>	<u>9,513,201</u>
Expenditures:			
Current:			
General government	1,602,477	262,119	1,864,596
Public safety	2,837,897	37,061	2,874,958
Highways and streets	1,448,333	-	1,448,333
Sanitation	794,665	-	794,665
Health	109,732	-	109,732
Welfare	74,331	-	74,331
Culture and recreation	569,613	367,809	937,422
Conservation	-	69,860	69,860
Economic development	6,000	-	6,000
Debt service:			
Principal	58,573	-	58,573
Interest	62,144	-	62,144
Capital outlay	<u>818,719</u>	<u>58,845</u>	<u>877,564</u>
Total expenditures	<u>8,382,484</u>	<u>795,694</u>	<u>9,178,178</u>
Excess (deficiency) of revenues over (under) expenditures	<u>615,095</u>	<u>(280,072)</u>	<u>335,023</u>
Other financing sources (uses):			
Transfers in	106,000	369,752	475,752
Transfers out	<u>(569,729)</u>	<u>-</u>	<u>(569,729)</u>
Total other financing sources and uses	<u>(463,729)</u>	<u>369,752</u>	<u>(93,977)</u>
Net change in fund balances	151,366	89,680	241,046
Fund balances, beginning	<u>2,650,049</u>	<u>2,446,025</u>	<u>5,096,074</u>
Fund balances, ending	<u>\$ 2,801,415</u>	<u>\$ 2,535,705</u>	<u>\$ 5,337,120</u>

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

EXHIBIT C-4
TOWN OF WOLFEBORO, NEW HAMPSHIRE
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended December 31, 2006

Net change in fund balances of governmental funds (Exhibit C-3)		\$ 241,046
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capitalized capital outlay exceeded depreciation expense in the current period.		
Capitalized capital outlay	\$ 887,044	
Depreciation expense	<u>(594,020)</u>	293,024
Revenues in the governmental activities that do not provide current financial resources are not reported as revenues in governmental funds.		
Increase in deferred tax revenue		183,915
Transfers in and out between governmental funds are eliminated on the operating statement.		
Transfers in	\$ (475,752)	
Transfers out	<u>475,752</u>	-
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds, but has no effect on net assets.		
Repayment of bond and note principal		58,584
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	\$ (6,250)	
Decrease in compensated absences payable	55,609	
Decrease in accrued landfill postclosure care costs	<u>17,472</u>	66,831
Changes in net assets of governmental activities (Exhibit B)		<u>\$ 843,400</u>

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

EXHIBIT D-1
TOWN OF WOLFEBORO, NEW HAMPSHIRE
Statement of Net Assets
Proprietary Funds
December 31, 2006

	Business-type Activities - Enterprise Funds				Total
	Water Department	Sewer Department	Electric Department	Pop Whalen Ice Arena	
ASSETS					
Current assets:					
Cash and cash equivalents	\$ -	\$ -	\$ 2,606,997	\$ 172,943	\$ 2,779,940
Receivables, net of allowances for uncollectible:					
Accounts	297,760	212,561	547,944	-	1,058,265
Special assessments	-	6,310	-	-	6,310
Intergovernmental	854,994	-	-	-	854,994
Inventory	11,723	686	248,355	-	260,764
Total current assets	<u>1,164,477</u>	<u>219,557</u>	<u>3,403,296</u>	<u>172,943</u>	<u>4,960,273</u>
Capital assets:					
Land	12,772	5,500	46,733	-	65,005
Buildings and system	11,204,229	-	209,777	741,279	12,155,285
Accumulated depreciation:					
Buildings and system	(1,847,200)	-	(61,228)	(158,469)	(2,066,897)
Machinery and equipment	3,464,718	4,638,130	5,748,266	289,817	14,140,931
Accumulated depreciation:					
Machinery and equipment	(1,295,132)	(1,663,388)	(3,482,251)	(154,658)	(6,595,429)
Construction in progress	49,372	1,062,761	2,976,861	-	4,088,994
Capital assets, net of accumulated depreciation	<u>11,588,759</u>	<u>4,043,003</u>	<u>5,438,158</u>	<u>717,969</u>	<u>21,787,889</u>
Total assets	<u>12,753,236</u>	<u>4,262,560</u>	<u>8,841,454</u>	<u>890,912</u>	<u>26,748,162</u>
LIABILITIES					
Accounts payable	12,328	39,229	167,829	1,931	221,317
Accrued salaries and benefits	6,152	2,128	3,916	753	12,949
Intergovernmental payable	-	-	112	-	112
Interfund payable	138,577	1,054,728	-	-	1,193,305
Accrued interest payable	91,959	7,336	7,486	1,062	107,843
Deferred revenue	6,759	11,551	35,240	-	53,550
Customer deposits	-	-	27,979	-	27,979
General obligation debt payable - current	273,840	26,427	265,000	25,000	590,267
Total current liabilities	<u>529,615</u>	<u>1,141,399</u>	<u>507,562</u>	<u>28,746</u>	<u>2,207,322</u>
Noncurrent liabilities:					
General obligation debt payable	5,135,267	343,559	4,220,000	25,000	9,723,826
Compensated absences	19,194	1,560	22,107	-	42,861
Total noncurrent liabilities	<u>5,154,461</u>	<u>345,119</u>	<u>4,242,107</u>	<u>25,000</u>	<u>9,766,687</u>
Total liabilities	<u>5,684,076</u>	<u>1,486,518</u>	<u>4,749,669</u>	<u>53,746</u>	<u>11,974,009</u>
NET ASSETS					
Invested in capital assets, net of related debt	6,179,652	3,673,017	2,383,699	667,969	12,904,337
Unrestricted	889,508	(896,975)	1,708,086	169,197	1,869,816
Total net assets	<u>\$ 7,069,160</u>	<u>\$ 2,776,042</u>	<u>\$ 4,091,785</u>	<u>\$ 837,166</u>	<u>\$ 14,774,153</u>

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

EXHIBIT D-2
TOWN OF WOLFEBORO, NEW HAMPSHIRE
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
December 31, 2006

	Business-type Activities - Enterprise Funds				Total
	Water Department	Sewer Department	Electric Department	Pop Whalen Ice Arena	
Operating revenues:					
Charges for sales and services:					
User charges	\$ 1,239,093	\$ 841,229	\$ 6,554,851	\$ 201,875	\$ 8,837,048
Miscellaneous	39	5,135	298,357	2,355	305,886
Total operating revenues	<u>1,239,132</u>	<u>846,364</u>	<u>6,853,208</u>	<u>204,230</u>	<u>9,142,934</u>
Operating expenses:					
Cost of sales and services	1,095,409	851,794	1,465,403	120,039	3,532,645
Cost of power	-	-	3,983,440	-	3,983,440
Depreciation	320,187	147,876	212,462	41,576	722,101
Total operating expenses	<u>1,415,596</u>	<u>999,670</u>	<u>5,661,305</u>	<u>161,615</u>	<u>8,238,186</u>
Operating income (loss)	(176,464)	(153,306)	1,191,903	42,615	904,748
Nonoperating revenues (expenses):					
Interest revenue	-	-	26,283	-	26,283
Interest expense	(238,748)	(20,571)	(157,049)	(2,243)	(418,611)
Total nonoperating revenues (expenses)	<u>(238,748)</u>	<u>(20,571)</u>	<u>(130,766)</u>	<u>(2,243)</u>	<u>(392,328)</u>
Income (loss) before contributions and transfers	<u>(415,212)</u>	<u>(173,877)</u>	<u>1,061,137</u>	<u>40,372</u>	<u>512,420</u>
Capital contributions	35,274	47,688	-	-	82,962
Transfers:					
In	-	199,977	-	-	199,977
Out	-	-	(106,000)	-	(106,000)
Total contributions and transfers	<u>35,274</u>	<u>247,665</u>	<u>(106,000)</u>	<u>-</u>	<u>176,939</u>
Net income (loss)	(379,938)	73,788	955,137	40,372	689,359
Total net assets, beginning	7,449,098	2,702,254	3,136,648	796,794	14,084,794
Total net assets, ending	<u>\$ 7,069,160</u>	<u>\$ 2,776,042</u>	<u>\$ 4,091,785</u>	<u>\$ 837,166</u>	<u>\$ 14,774,153</u>

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

EXHIBIT D-3
TOWN OF WOLFEBORO, NEW HAMPSHIRE
Statement of Cash Flows
Proprietary Funds
December 31, 2006

	Business-type Activities - Enterprise Funds				
	Water Department	Sewer Department	Electric Department	Pop Whalen Ice Arena	Total
Cash flows from operating activities:					
Receipts from customers and users	\$ 1,194,568	\$ 833,551	\$ 6,826,866	\$ 200,984	\$ 9,055,969
Payments to suppliers and employees	(1,100,422)	(828,057)	(5,736,721)	(123,770)	(7,788,970)
Net cash provided by operating activities	<u>94,146</u>	<u>5,494</u>	<u>1,090,145</u>	<u>77,214</u>	<u>1,266,999</u>
Cash flows from noncapital financing activities:					
Transfers in	-	882,958	-	-	882,958
Transfers out	(1,082,088)	-	(106,000)	-	(1,188,088)
Net cash provided (used) by noncapital financing activities	<u>(1,082,088)</u>	<u>882,958</u>	<u>(106,000)</u>	<u>-</u>	<u>(305,130)</u>
Cash flows from capital and related financing activities:					
Proceeds from debt	1,650,000	-	-	-	1,650,000
Principal payments of bonds	(179,024)	(26,427)	(265,000)	(25,000)	(495,451)
Capital contributions	283,950	47,688	-	-	331,638
Acquisition and construction of fixed assets	(559,528)	(888,796)	(919,682)	-	(2,368,006)
Interest paid	(207,456)	(20,917)	(157,049)	(2,656)	(388,078)
Net cash provided (used) by capital and related financing activities	<u>987,942</u>	<u>(888,452)</u>	<u>(1,341,731)</u>	<u>(27,656)</u>	<u>(1,269,897)</u>
Cash flows from investing activities:					
Interest received	-	-	26,283	-	26,283
Net increase (decrease) in cash	-	-	(331,303)	49,558	(281,745)
Cash, beginning	-	-	2,938,300	123,385	3,061,685
Cash, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,606,997</u>	<u>\$ 172,943</u>	<u>\$ 2,779,940</u>

Reconciliation of operating income (loss) to net cash provided by operating activities

	Business-type Activities - Enterprise Funds			
	Water Department	Sewer Department	Electric Department	Pop Whalen Ice Arena
Operating income (loss)	\$ (176,464)	\$ (153,306)	\$ 1,191,903	\$ 42,615
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation expense	320,187	147,876	212,462	41,576
(Increase) decrease in accounts receivable	(43,324)	(14,891)	(39,785)	1,450
Decrease in special assessments	-	314	-	-
(Increase) decrease in inventory	(2,752)	71	(42,695)	-
Increase (decrease) in accounts payable	1,135	28,704	(242,833)	(3,844)
Increase (decrease) in accrued payroll and benefits	(1,031)	(284)	(1,576)	113
Decrease in intergovernmental payable	-	-	(2,777)	-
Increase (decrease) in deferred revenue	(1,240)	1,764	12,389	(4,696)
Increase in customer deposits	-	-	1,054	-
Increase (decrease) in compensated absences payable	(2,365)	(4,754)	2,003	-
Total adjustments	270,610	158,800	(101,758)	34,599
Net cash provided by operating activities	\$ 94,146	\$ 5,494	\$ 1,090,145	\$ 77,214
				\$ 1,266,999

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

EXHIBIT E-1
TOWN OF WOLFEBORO, NEW HAMPSHIRE
Fiduciary Funds
Statement of Fiduciary Net Assets
December 31, 2006

	Private Purpose Trust	Agency
ASSETS		
Cash and cash equivalents	\$ 13,775	\$ 222,331
Investments	296,487	834,526
Total assets	<u>310,262</u>	<u>1,056,857</u>
LIABILITIES		
Due to other governmental units	-	834,526
Performance bonds payable	-	222,331
Total liabilities	<u>-</u>	<u>1,056,857</u>
NET ASSETS		
Held in trust for specific purposes	<u>\$ 310,262</u>	<u>\$ -</u>

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

EXHIBIT E-2
TOWN OF WOLFEBORO, NEW HAMPSHIRE
Fiduciary Funds
Statement of Changes in Fiduciary Net Assets
For the Fiscal Year Ended December 31, 2006

	<u>Private Purpose Trust</u>
ADDITIONS	
Investment earnings:	
Interest	\$ 11,501
Net increase in fair value of investments	39,980
Total additions	<u>51,481</u>
 DEDUCTIONS	
Scholarships and other distributions	<u>8,084</u>
Change in net assets	43,397
Net assets, beginning, as previously reported	648,523
Adjustment to reclassify as agency funds	(381,658)
Net assets, ending	<u><u>\$ 310,262</u></u>

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

TOWN OF WOLFEBORO, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2006

Summary of Significant Accounting Policies	1
Reporting Entity	1-A
Basis of Presentation	1-B
Measurement Focus	1-C
Basis of Accounting	1-D
Assets, Liabilities and Net Assets or Fund Equity	1-E
Cash, Cash Equivalents and Investments	1-E-1
Receivables	1-E-2
Interfund Balances	1-E-3
Inventory and Prepaid Items	1-E-4
Capital Assets	1-E-5
Compensated Absences	1-E-6
Accrued Liabilities and Long-Term Obligations	1-E-7
Equity	1-E-8
Interfund Activity	1-E-9
Estimates	1-E-10
 Detailed Notes on All Funds and Government-Wide Statements	 2
Custodial Credit Risk for Deposits and Investment Risks	2-A
Taxes Receivable	2-B
Other Receivables	2-C
Capital Assets	2-D
Interfund Balances and Transfers	2-E
Intergovernmental Payable	2-F
Deferred/Unearned Revenue	2-G
Long-Term Liabilities	2-H
Water Filtration Grant	2-I
Restatement of Net Assets	2-J
 Other Matters	 3
Pensions	3-A
Risk Management	3-B
Contingent Liabilities	3-C

TOWN OF WOLFEBORO, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to the governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Town's accounting policies are described below.

1-A Reporting Entity

The Town of Wolfeboro, New Hampshire (the Town), is a municipal corporation governed by an elected 5-member Board of Selectmen and Town Manager. The reporting entity is comprised of the primary government and any other organizations that are included to ensure that the financial statements are not misleading.

Component units are legally separate organizations for which the Town is financially accountable. The Town is financially accountable for an organization if the Town appoints a voting majority of the organization's governing board, and (1) the Town is able to significantly influence the programs or services performed or provided by the organization; or (2) the Town is legally entitled to or can otherwise access the organization's resources; the Town is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Town is obligated for the debt of the organization. Based on the foregoing criteria, no other organizations are included in the Town's financial reporting entity.

1-B Basis of Presentation

The Town's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities; and fund financial statements, which provide a more detailed level of financial information.

Government-wide Financial Statements - The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the Town as a whole. Fiduciary activities are not included at the government-wide reporting level. Individual funds are not displayed at this reporting level as all individual funds are consolidated as governmental or business-type activities.

The statement of net assets presents the financial position of the governmental and business-type activities of the Town at year-end. This statement includes all of the Town's assets, liabilities and net assets.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Town's governmental and business-type activities. Direct expenses are those that are specifically associated with the function, and therefore, clearly identifiable to that particular function.

The statement of activities reports the expenses of a given function offset by program revenues directly related to the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with the functional activity. Program revenues include: (1) charges for services, which include charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment, (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions, which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to the program uses.

For identifying to which function program revenue pertains, the determining factor for *charges for services* is which functions generate the revenue. For *grants and contributions*, the determining factor is to which functions the revenues are *restricted*

Fund Financial Statements - During the year, the Town segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. A fund is a fiscal and accounting entity with a self-balancing set of accounts. Fund financial statements are designed to present financial information of the Town at this more detailed level. Fund financial statements are provided for governmental, proprietary and fiduciary funds.

TOWN OF WOLFEBORO, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2006

Fund Accounting - The Town uses funds to maintain its financial records during the year. The Town uses three categories of funds: governmental, proprietary, and fiduciary.

Governmental Funds - Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Fund liabilities are assigned to the fund from which they will be liquidated. The Town reports the difference between governmental fund assets and liabilities as fund balance. The following is the Town's major governmental fund:

General Fund - The general fund is the primary operating fund of the Town. All general revenues and other receipts that are not allocated by law or contractual agreement to another fund are accounted for in this fund. This fund accounts for general operating expenditures, fixed charges, and the capital improvement costs that are not reported in other funds.

Proprietary Funds - Proprietary funds are those which account for activities of the government that are similar to activities that may be performed by a commercial enterprise. These funds cover those activities that generally charge a fee in order to recover operational costs. The Town reports the difference between proprietary fund assets and liabilities as net assets. All of the Town's proprietary funds are in the following category:

Enterprise Funds - Enterprise funds are used to report activities for which a fee is charged to external users for goods or services. The Town reports four major enterprise funds.

Fiduciary Funds - Fiduciary fund reporting focuses on net assets. The Town's fiduciary funds consist of two types of funds, private purpose trust and agency funds. The agency funds are custodial in nature (assets equal liabilities), and do not involve the measurement of results of operations.

1-C Measurement Focus

Government-wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the Town are included on the statement of net assets.

Fund Financial Statements - All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the governmental fund statements.

All proprietary funds are accounted for using the accrual basis of accounting. Using this basis of accounting, revenues are recognized when they are earned, and expenses are recognized when they are incurred (flow of economic resources measurement focus).

Fiduciary funds use an economic resources measurement focus. These funds report all assets and liabilities on the statement of fiduciary net assets. The statement of changes in fiduciary net assets reports additions and deductions to net assets of the private purpose trust funds.

1-D Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. At the fund reporting level, governmental funds use the modified accrual basis of accounting, and proprietary and fiduciary funds use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of some deferred revenue, and in the presentation of expenses versus expenditures. Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB.

TOWN OF WOLFEBORO, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2006

Revenues - Exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded when the exchange takes place and in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year, generally within sixty days of year-end.

Revenues - Nonexchange Transactions - Nonexchange transactions, in which the Town receives value without directly giving equal value in return, include grants and donations. Revenue from grants and donations is recognized in the fiscal year in which all grantor imposed eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the Town must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Town on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions also must be available (i.e., collected within 60 days) before it can be recognized, with the exception of property taxes which are recognized if expected to be collected in time to be used to pay the liability to the school district which is due over the next six months.

Under the modified accrual basis, the following revenue sources are considered to be susceptible to accrual: taxes, charges for services, interest, and federal and state grants.

Deferred Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. On governmental fund financial statements (i.e., on the modified accrual basis), receivables that will not be collected within the available period have been reported as deferred revenue (i.e., they are measurable, but not available) rather than as revenue. Grants and entitlements received before the eligibility requirements are met (e.g., cash advances) also are recorded as deferred revenue in the governmental funds, and as unearned revenue on the government-wide financial statements.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. On the modified accrual basis, expenditures generally are recognized in the accounting period in which the related fund liability is incurred and due, if measurable.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's primary ongoing operations. The principal operating revenue of the enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

1-E Assets, Liabilities and Net Assets or Fund Equity

1-E-1 Cash, Cash Equivalents and Investments

Cash and Cash Equivalents - Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the Town.

New Hampshire statutes require that the Town treasurer have custody of all moneys belonging to the Town and pay out the same only upon orders of the Town Manager. The treasurer shall deposit all such moneys in participation units in the public deposit investment pool established pursuant to N.H. RSA 383:22 or in solvent banks in the state. Funds may be deposited in banks outside the state if such banks pledge 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 of the State of New Hampshire in value at least equal to the amount of the deposit in each case.

Investments - Wherever the treasurer has in custody an excess of funds, which are not immediately needed for the purpose of expenditure, the treasurer shall, with the approval of the Town Manager, invest the excess funds.

TOWN OF WOLFEBORO, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2006

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.

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

1-E-2 Receivables

Tax revenue is recorded when a warrant for collection is committed to the tax collector. Taxes receivable are reported net of an allowance established where collection is in doubt.

As prescribed by law, the tax collector executes a lien on properties for all uncollected property taxes in the following year after taxes are due. The lien on these properties has priority over other liens and accrues interest at 18% per annum. If property is not redeemed within the 2-year redemption period, the property is tax deeded to the Town.

Accounts receivable include various service charges which are recorded as revenue for the period when service was provided. These receivables are reported net of any allowances for uncollectible amounts.

1-E-3 Interfund Balances

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated on the statement of net assets. Balances between governmental and proprietary funds are eliminated on the line "internal balances."

1-E-4 Inventory and Prepaid Items

Inventory is valued at cost using the first-in, first-out method. The consumption method is used to account for inventory. Under the consumption method, inventory is recorded when items are consumed rather than when purchased.

Payments made to vendors for services that will benefit periods beyond year-end are recorded as prepaid items using the consumption method, by recording an asset for the prepaid amount and reflecting the expenditure in the year in which services are consumed.

1-E-5 Capital Assets

Capital assets are those assets of a capital nature which the Town owns. These assets are reported in the applicable columns of the government-wide financial statements. The enterprise funds' capital assets are reported in both the government-wide and fund statements. General governmental capital assets are reported only in the governmental activities column of the government-wide statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The Town maintains a capitalization threshold of \$5,000 - \$50,000 depending on the type of asset, and more than one year of estimated life. Improvements to capital assets are capitalized; the costs of normal maintenance and repairs that do not add to the value of an asset or materially extend the asset's life are expensed.

TOWN OF WOLFEBORO, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2006

All depreciable capital assets are depreciated over their estimated useful lives. Depreciation is computed using the straight-line method over the following useful lives:

	<u>Years</u>
Buildings, building improvements and system	10-50
Improvements other than buildings	3-159
Machinery, equipment and vehicles	5-10
Infrastructure	5-75

1-E-6 Compensated Absences

It is the Town's policy to permit employees to accumulate earned, but unused vested benefits. All vested benefits are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

1-E-7 Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of these funds. However, claims and judgments, and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are "due for payment" during the current year.

1-E-8 Equity

Fund equity at the governmental fund financial reporting level is classified as "fund balance." Equity for all other reporting is classified as "net assets."

Fund Balance - Generally, fund balance represents the difference between the current assets and current liabilities. The Town reserves those portions of fund balance that are legally segregated for a specific future use or which do not represent available, spendable resources, and therefore, are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund balance that is available for appropriation in future periods. Designations are management's intent to set aside these resources for specific purposes.

Net Assets - Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. All other net assets are reported as unrestricted.

The Town applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

1-E-9 Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement of repayment are reported as interfund transfers. At the fund reporting level, interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

At the government-wide financial reporting level, transfers between funds that would be reported in the individual funds are eliminated.

TOWN OF WOLFEBORO, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2006

1-E-10 Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles, requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 2 - DETAILED NOTES ON ALL FUNDS AND GOVERNMENT-WIDE STATEMENTS

2-A Custodial Credit Risk for Deposits and Investment Risks

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk. As of December 31, 2006, \$210,350 of the Town's bank balance of \$10,290,644 was exposed to custodial credit risk as uninsured and uncollateralized.

As of December 31, 2006, the Town had the following investments:

Certificates of deposit	\$ 1,959,297
Stocks	176,401
Corporate Bonds	87,871
Mutual funds	1,085,143
New Hampshire Public Deposit Investment Pool	35,451
Total	<u>\$ 3,344,163</u>
 Investment reconciliation:	
Governmental funds balance sheet (Exhibit C-1)	\$ 2,213,150
Fiduciary funds statement of fiduciary net assets (Exhibit E-1)	1,131,013
Total	<u>\$ 3,344,163</u>

Interest Rate Risk - 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.

Credit Risk - State law limits investments to those described in Note 1-D-1. The Town has no investment policy that would further limit its investment choices.

Custodial Credit Risk - The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Of the Town's \$3,344,163 of investments, \$812,954 is subject to custodial credit risk because the securities are held by the counter party's trust department or agent, not in the Town's name. The Town does not have policies for custodial credit risk.

Concentration of Credit Risk - The Town places no limit on the amount it may invest in any one issuer. Other than investments in the New Hampshire Public Deposit Investment Pool and mutual funds, more than 5% of the Town's investments are in certificates of deposit at TD Banknorth, NA and Community Bank & Trust. These investments represent 21.58% and 37.01% respectively, of the Town's total investments.

2-B Taxes Receivable

The property tax year is from April 1 to March 31 and all property taxes are assessed on the inventory taken in April of that year. The net assessed valuation as of April 1, 2006, upon which the 2006 property tax levy was based is:

For the New Hampshire education tax	\$ 1,565,314,426
For all other taxes	\$ 1,565,417,426

TOWN OF WOLFEBORO, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2006

The Town subscribes to the semi-annual method of tax collection as provided for by RSA 76:15-a. Under this method, tax bills are due on or around July 1 and December 1 of each year, with interest accruing at a rate of 12% on bills outstanding after the due date. The first billing is considered an estimate only and is one half of the previous year's tax billing. The remaining balance of taxes due is billed in the fall after the New Hampshire Department of Revenue Administration has calculated and approved the Town's tax rate for the fiscal year.

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 abatements and refunds of property taxes, known as overlay. This amount is reported as a reduction in tax revenue and is adjusted by management for any tax allowances at year-end. The property taxes collected by the Town include taxes levied for the State of New Hampshire, Governor Wentworth Regional School District, and Carroll County, which are remitted as required by law. The ultimate responsibility for the collection of taxes rests with the Town.

The tax rates and amounts assessed for the year ended December 31, 2006, were as follows:

	Per \$1,000 of Assessed Valuation	Property Taxes Assessed
Municipal portion	\$3 89	\$ 6,091,075
School portion:		
State of New Hampshire	\$2 89	4,522,357
Local	\$4 13	6,460,123
County portion	\$0.95	1,491,999
Total		\$ 18,565,554

During the current fiscal year, the tax collector executed a lien on April 21 for all uncollected 2005 property taxes.

Taxes receivable at December 31, 2006, are as follows:

Property:		
Levy of 2006		\$ 1,013,523
Unredeemed (under tax lien):		
Levy of 2005		93,050
Levy of 2004		59,395
Levy of 2003		1,673
Levies of 2002 and prior		56,882
Yield		2,176
Land use change		5,297
Less: allowance for estimated uncollectible taxes		(118,675)
Net taxes receivable		\$ 1,113,321

2-C Other Receivables

Other receivables at December 31, 2006, consisted of accounts (reimbursements, water, sewer, electric 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 collectibility.

TOWN OF WOLFEBORO, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2006

Amounts receivable at December 31, 2006 are as follows:

	Governmental Activities	Business-type Activities	Total
Accounts	\$ 49,785	\$ 1,224,979	\$ 1,274,764
Intergovernmental	574,120	-	574,120
Special assessments	-	6,310	6,310
Less: allowance for uncollectible amounts	-	(166,714)	(166,714)
Net receivable	<u>\$ 623,905</u>	<u>\$ 1,064,575</u>	<u>\$ 1,688,480</u>

2-D Capital Assets

Capital asset activity for the year ended December 31, 2006 was as follows:

	Balance, beginning	Changes	Balance, ending
Governmental activities:			
At cost:			
Not being depreciated:			
Land	\$ 5,839,095	\$ -	\$ 5,839,095
Construction in progress	96,653	(7,243)	89,410
Total capital assets not being depreciated	<u>5,935,748</u>	<u>(7,243)</u>	<u>5,928,505</u>
Being depreciated:			
Buildings and building improvements	1,349,498	49,383	1,398,881
Improvements other than buildings	938,254	68,907	1,007,161
Machinery, equipment and vehicles	3,798,175	376,879	4,175,054
Infrastructure	15,695,419	361,118	16,056,537
Total capital assets being depreciated	<u>21,781,346</u>	<u>856,287</u>	<u>22,637,633</u>
Total all capital assets	<u>27,717,094</u>	<u>849,044</u>	<u>28,566,138</u>
Less accumulated depreciation:			
Buildings and building improvements	(649,575)	(30,591)	(680,166)
Improvements other than buildings	(755,866)	(35,930)	(791,796)
Machinery, equipment and vehicles	(2,314,979)	(266,378)	(2,581,357)
Infrastructure	(4,595,673)	(223,121)	(4,818,794)
Total accumulated depreciation	<u>(8,316,093)</u>	<u>(556,020)</u>	<u>(8,872,113)</u>
Net book value, capital assets being depreciated	<u>13,465,253</u>	<u>300,267</u>	<u>13,765,520</u>
Net book value, all capital assets	<u>\$ 19,401,001</u>	<u>\$ 293,024</u>	<u>\$ 19,694,025</u>
Business-type activities:			
At cost:			
Not being depreciated:			
Land	\$ 65,005	\$ -	\$ 65,005
Construction in progress	2,473,317	1,615,677	4,088,994
Total capital assets not being depreciated	<u>2,538,322</u>	<u>1,615,677</u>	<u>4,153,999</u>
Being depreciated:			
Buildings and systems	11,863,123	292,162	12,155,285
Machinery, equipment and vehicles	14,049,100	91,831	14,140,931
Total capital assets being depreciated	<u>25,912,223</u>	<u>383,993</u>	<u>26,296,216</u>
Total all capital assets	<u>28,450,545</u>	<u>1,999,670</u>	<u>30,450,215</u>
Less accumulated depreciation:			
Buildings and systems	(1,827,281)	(239,616)	(2,066,897)
Machinery, equipment and vehicles	(6,129,521)	(465,908)	(6,595,429)
Total accumulated depreciation	<u>(7,956,802)</u>	<u>(705,524)</u>	<u>(8,662,326)</u>
Net book value, capital assets being depreciated	<u>17,955,421</u>	<u>(321,531)</u>	<u>17,633,890</u>
Net book value, all capital assets	<u>\$ 20,493,743</u>	<u>\$ 1,294,146</u>	<u>\$ 21,787,889</u>

TOWN OF WOLFEBORO, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2006

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:		
General government		\$ 9,635
Public safety		140,177
Highways and streets		372,625
Sanitation		37,448
Culture and recreation		34,135
Total depreciation expense - governmental activities		<u>\$ 594,020</u>
Business-type activities		
Water department		\$ 320,187
Sewer department		147,876
Electric department		212,462
Pop Whalen Ice Arena		41,576
Total depreciation expense - business-type activities		<u>\$ 722,101</u>

2-E Interfund Balances and Transfers

Interfund balances at December 31, 2006 consist of overdrafts in the pooled cash and budgetary transfers.

The composition of interfund balances as of December 31, 2006 is as follows:

Receivable fund	Payable fund	Amount
General	Nonmajor governmental	\$ 480,501
	Water department	138,577
	Sewer department	1,054,728
		<u>\$ 1,673,806</u>

Interfund transfers during the year consisted of current year appropriations and were comprised of the following:

	Transfer in:			Total
	General Fund	Nonmajor Governmental Funds	Sewer Department Fund	
Transfer out:				
General fund	\$ -	\$ 369,752	\$ 199,977	\$ 569,729
Electric department fund	106,000	-	-	106,000
Total	<u>\$ 106,000</u>	<u>\$ 369,752</u>	<u>\$ 199,977</u>	<u>\$ 675,729</u>

2-F Intergovernmental Payable

Amounts due to other governments at December 31, 2006 consist of:

Governmental activities:		
Town clerk fees due to the State of NH		\$ 1,198
Balance of 2006-2007 district assessment due to the Governor Wentworth Regional School District		<u>5,491,240</u>
		\$ 5,492,438
Business-type activities:		
Consumption taxes due to the State of New Hampshire from the electric department		112
Total		<u>\$ 5,492,550</u>

2-G Deferred/Unearned Revenue

Deferred revenue at December 31, 2006 consists of \$789,005 of property taxes not collected timely enough to be used to pay liabilities of the current year, \$49,284 of property tax overpayments to be applied to subsequent levies, \$200 of miscellaneous amounts, and \$53,550 of overpaid utility charges. The latter three amounts are reported as unearned revenue on the government-wide statements.

TOWN OF WOLFEBORO, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2006

2-H Long-Term Liabilities

Changes in the Town's long-term obligations during the year ended December 31, 2006, consisted of the following:

	General Obligation Bonds/Notes Payable	Compensated Absences Payable	Accrued Landfill Postclosure Care Costs	Total
Governmental activities:				
Balance, beginning	\$ 1,185,111	\$ 355,467	\$ 231,000	\$ 1,771,578
Reductions	(58,584)	(55,609)	(17,472)	(131,665)
Balance, ending	<u>\$ 1,126,527</u>	<u>\$ 299,858</u>	<u>\$ 213,528</u>	<u>\$ 1,639,913</u>
Business-type activities:				
Balance, beginning	\$ 10,809,544	\$ 47,977	\$ -	\$ 10,857,521
Additions	-	2,003	-	2,003
Reductions	(495,451)	(7,119)	-	(502,570)
Balance, ending	<u>\$ 10,314,093</u>	<u>\$ 42,861</u>	<u>\$ -</u>	<u>\$ 10,356,954</u>

Long-term liabilities payable are comprised of the following:

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at December 31, 2006	Current Portion
Governmental activities:						
General obligation bonds/notes payable:						
Landfill closure	\$ 600,000	1997	2017	5 80	\$ 330,000	\$ 30,000
Public improvements	\$ 578,500	2000	2020	5 125-5 500	400,013	28,573
Friend Street water system	\$ 396,514	2005	2026	4 0-4 3	396,514	22,577
					<u>1,126,527</u>	<u>81,150</u>
Compensated absences payable					299,858	29,986
Accrued landfill postclosure care costs					213,528	10,168
Total					<u>\$ 1,639,913</u>	<u>\$ 121,304</u>
Business-type activities:						
Water department:						
Bonds:						
Water bond	\$ 3,000,000	1996	2025	4 50	\$ 1,965,670	\$ 103,449
Water system improvements	\$ 450,000	1996	2021	4 50	318,725	16,004
Water system improvements	\$ 550,000	1997	2025	4 50	373,213	19,643
Water system improvements	\$ 1,183,080	2004	2033	4 25	1,101,488	40,796
Water system improvements	\$ 1,650,011	2005	2016	4 0-4 5	1,650,011	93,948
					<u>5,409,107</u>	<u>273,840</u>
Compensated absences payable					19,194	-
Total water department					<u>5,428,301</u>	<u>273,840</u>
Sewer department:						
Sewer improvements bond	\$ 535,000	2000	2020	5 125-5 500	369,986	26,428
Compensated absences payable					1,560	-
Total sewer department					<u>371,546</u>	<u>26,428</u>
Electric department:						
Bonds	\$ 5,281,000	2003	2023	2 25-4 25	4,485,000	265,000
Compensated absences payable					22,107	-
Total electric department					<u>4,507,107</u>	<u>265,000</u>
Pop Whalen Ice Arena bonds	\$ 138,865	2002	2008	4 25	50,000	25,000
Total business-type activities					<u>\$ 10,356,954</u>	<u>\$ 590,268</u>

TOWN OF WOLFEBORO, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2006

The annual requirements to amortize all general obligation debt outstanding as of December 31, 2006, including interest payments, are as follows:

Annual Requirements To Amortize General Obligation Bonds/Notes Payable

Fiscal Year Ending December 31,	Principal	Interest	Total
2007	\$ 81,150	\$ 55,964	\$ 137,114
2008	81,823	51,842	133,665
2009	81,823	47,708	129,531
2010	81,823	43,574	125,397
2011	81,823	39,418	121,241
2012-2016	409,115	134,696	543,811
2017-2021	226,628	43,411	270,039
2022-2026	82,342	8,832	91,174
Totals	<u>\$ 1,126,527</u>	<u>\$ 425,445</u>	<u>\$ 1,551,972</u>

Annual Requirements To Amortize Business-type Activities Bonds Payable

Fiscal Year Ending December 31,	Principal	Interest	Total
2007	\$ 590,268	\$ 402,370	\$ 992,638
2008	593,798	381,844	975,642
2009	569,559	361,431	930,990
2010	570,355	341,180	911,535
2011	571,187	320,213	891,400
2012-2016	2,869,808	1,267,170	4,136,978
2017-2021	2,704,408	694,345	3,398,753
2022-2026	1,558,979	194,827	1,753,806
2027-2031	203,980	39,010	242,990
2032-2033	81,751	4,353	86,104
Totals	<u>\$ 10,314,093</u>	<u>\$ 4,006,743</u>	<u>\$ 14,320,836</u>

All debt is general obligation debt of the Town, which is backed by its full faith and credit. Proprietary fund debt will be funded through user fees. All other debt will be repaid from general governmental revenues. The vast majority of the compensated absences of governmental activities has typically been paid by the general fund.

Accrued Landfill Postclosure Care Costs

The Town landfill has been closed in prior years. Federal and State laws and regulations require that the Town continue to perform certain maintenance and monitoring functions at the landfill site. A liability is being recognized for the postclosure care costs that will be incurred. The estimated liability for landfill postclosure care costs has a balance of \$213,528 as of December 31, 2006, which is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor and maintain the landfill were acquired as of December 31, 2006. However, the actual cost of postclosure care may be higher or lower due to inflation, changes in technology, or changes in landfill laws and regulations. The Town expects to finance the postclosure care costs by annual appropriation.

TOWN OF WOLFEBORO, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2006

2-I Water Filtration Grant

The Town is due to receive from the State of New Hampshire a percentage of the annual charges on the original costs resulting from the construction of water treatment facilities, in the following annual amounts to offset debt payments in the water department fund:

Fiscal Year Ending December 31,	Amount
2007	\$ 57,569
2008	56,173
2009	54,776
2010	53,379
2011	51,983
2012-2025	581,114
Totals	<u>\$ 854,994</u>

2-J Restatement of Net Assets

Net assets of the water department fund at January 1, 2006, were restated to record the water filtration grant from the State as follows:

Adjustment	\$ 913,960
Net assets, as previously stated	6,535,138
Net assets, as restated	<u>\$ 7,449,098</u>

NOTE 3 - OTHER MATTERS

3-A Pensions

The Town of Wolfeboro participates in the New Hampshire Retirement System (the System) which consists of a cost-sharing, multiple-employer contributory pension plan and trust 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 plan is a contributory, defined benefit plan providing service, disability, death and vested retirement benefits to members and their beneficiaries. Provisions for benefits and contributions are established and can be amended by the New Hampshire Legislature. 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.

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 except police officers and firefighters are required to contribute 5% of earnable compensation. Police officers and firefighters are required to contribute 9.3% of gross earnings. For 2006, the Town contributed 9.68% for police, 14.36% for fire, and 6.81% for other employees. The contribution requirements for the Town of Wolfeboro for the fiscal years 2004, 2005 and 2006 were \$233,708, \$260,654, and \$283,183, respectively, which were paid in full in each year.

The State of New Hampshire funds 35% of employer costs for police officers and firefighters employed by the Town. This amount, \$75,198, is reported as an "on-behalf" payment," as an expenditure and revenue on the governmental fund operating statement, and as an expense and revenue on the government-wide statement of activities.

TOWN OF WOLFEBORO, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2006

3-B 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 2006, the Town was a member of the New Hampshire Public Risk Management Exchange (Primex) Workers' Compensation and Property/Liability Programs, which are pooled risk management programs under RSAs 5-B and 281-A. The workers' compensation and employer's liability policy provides statutory coverage for workers' compensation and up to \$2,000,000 of employer's liability coverage. Primex retained \$500,000 of each workers' compensation and liability loss, and \$200,000 of each property loss. The combined liability package includes coverage for property, auto, liability, errors and omissions, crime, and boiler and machinery. The membership and coverage run from January 1 through December 31. The estimated net contribution from the Town of Wolfeboro billed and paid for the year ended December 31, 2006 was \$99,405 for workers' compensation and \$122,745 for property/liability. The member participation agreements permit Primex to make additional assessments to members, should there be a deficiency in contributions for any member year, not to exceed the member's annual contribution. At this time, Primex foresees no likelihood of any additional assessment for this or any prior year.

3-C Contingent Liabilities

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

The Town has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designee. These audits could result in a request for reimbursement from the grantor agency for costs disallowed under terms of the grant. Based on prior experience, the Town believes such disallowances, if any, will be immaterial.

REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT F
TOWN OF WOLFEBORO, NEW HAMPSHIRE
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Fiscal Year Ended December 31, 2006

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Taxes	\$ 5,933,155	\$ 5,708,858	\$ (224,297)
Licenses and permits	1,445,770	1,477,183	31,413
Intergovernmental	348,380	379,606	31,226
Charges for services	384,000	538,662	154,662
Miscellaneous	653,662	818,072	164,410
Total revenues	<u>8,764,967</u>	<u>8,922,381</u>	<u>157,414</u>
Expenditures:			
Current:			
General government	1,586,553	1,658,587	(72,034)
Public safety	2,891,010	2,747,314	143,696
Highways and streets	1,554,169	1,450,495	103,674
Sanitation	822,299	795,306	26,993
Health	110,155	109,732	423
Welfare	58,019	74,331	(16,312)
Culture and recreation	592,794	593,363	(569)
Economic development	6,000	6,000	-
Debt service:			
Principal	85,288	58,573	26,715
Interest	54,181	62,144	(7,963)
Capital outlay	795,975	711,119	84,856
Total expenditures	<u>8,556,443</u>	<u>8,266,964</u>	<u>289,479</u>
Excess of revenues over expenditures	<u>208,524</u>	<u>655,417</u>	<u>446,893</u>
Other financing sources (uses):			
Transfers in	108,000	106,000	(2,000)
Transfers out	(569,729)	(569,729)	-
Total other financing sources and uses	<u>(461,729)</u>	<u>(463,729)</u>	<u>(2,000)</u>
Net change in fund balances	<u>\$ (253,205)</u>	191,688	<u>\$ 444,893</u>
Unreserved fund balance, beginning		2,306,738	
Unreserved fund balance, ending		<u>\$ 2,498,426</u>	

The notes to the required supplementary information are an integral part of this schedule.

TOWN OF WOLFEBORO, NEW HAMPSHIRE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2006

General Budget Policies	1
Budgetary Reconciliation	2

TOWN OF WOLFEBORO, NEW HAMPSHIRE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2006

1. General Budget Policies

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 fund, as well as some of the nonmajor governmental funds. Except as reconciled below, the budget was adopted on a basis consistent with U.S. 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.

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 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 unreserved fund balance to achieve that end. In the fiscal year 2006, \$253,205 of the beginning general fund fund balance was applied for this purpose.

2. Budgetary Reconciliation

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

Revenues and other financing sources:	
Per Exhibit F (budgetary basis)	\$ 9,028,381
Adjustment:	
Basis difference:	
On-behalf retirement contributions made by the State of New Hampshire recognized as revenue on the GAAP basis, but not on the budgetary basis	75,198
Per Exhibit C-3 (GAAP basis)	<u>\$ 9,103,579</u>
Expenditures and other financing uses:	
Per Exhibit F (budgetary basis)	\$ 8,836,693
Adjustments:	
Basis difference:	
Encumbrances, beginning	343,311
Encumbrances, ending	(302,989)
On-behalf retirement contributions made by the State of New Hampshire recognized as expenditures on the GAAP basis, but not on the budgetary basis	75,198
Per Exhibit C-3 (GAAP basis)	<u>\$ 8,952,213</u>

COMBINING AND INDIVIDUAL FUND SCHEDULES

SCHEDULE 1
TOWN OF WOLFEBORO, NEW HAMPSHIRE
Major General Fund
Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2006

	Estimated	Actual	Variance Positive (Negative)
Taxes:			
Property	\$ 5,764,952	\$ 5,577,314	\$ (187,638)
Land use change	9,000	-	(9,000)
Yield	31,000	31,861	861
Excavation	500	37	(463)
Payment in lieu of taxes	12,703	12,703	-
Interest and penalties on taxes	115,000	86,943	(28,057)
Total taxes	<u>5,933,155</u>	<u>5,708,858</u>	<u>(224,297)</u>
Licenses, permits and fees:			
Business licenses, permits and fees	5,350	5,059	(291)
Motor vehicle permit fees	1,300,000	1,313,693	13,693
Building permits	65,000	81,872	16,872
Other	75,420	76,559	1,139
Total licenses, permits and fees	<u>1,445,770</u>	<u>1,477,183</u>	<u>31,413</u>
Intergovernmental:			
State:			
Shared revenue block grant	307,912	307,912	-
Highway block grant	30,343	30,343	-
State and federal forest land reimbursement	80	81	1
Other	10,045	11,406	1,361
Federal	-	29,864	29,864
Total intergovernmental	<u>348,380</u>	<u>379,606</u>	<u>31,226</u>
Charges for services:			
Income from departments	<u>384,000</u>	<u>538,662</u>	<u>154,662</u>
Miscellaneous:			
Administrative contributions	427,262	427,262	-
Sale of municipal property	1,000	222	(778)
Interest on investments	130,000	197,948	67,948
Rent of property	-	40,910	40,910
Fines and forfeits	-	9,455	9,455
Insurance dividends and reimbursements	-	51,335	51,335
Contributions and donations	-	10,000	10,000
Other	95,400	80,940	(14,460)
Total miscellaneous	<u>653,662</u>	<u>818,072</u>	<u>164,410</u>
Other financing sources:			
Transfers in:			
Electric department fund	106,000	106,000	-
Nonmajor governmental fund	2,000	-	(2,000)
Total other financing sources	<u>108,000</u>	<u>106,000</u>	<u>(2,000)</u>
Total revenues and other financing sources	8,872,967	<u>\$ 9,028,381</u>	<u>\$ 155,414</u>
Unreserved fund balance used to reduce tax rate	253,205		
Total revenues, other financing sources and use of fund balance	<u>\$ 9,126,172</u>		

SCHEDULE 2
TOWN OF WOLFEBORO, NEW HAMPSHIRE
Major General Fund
Schedule of Appropriations, Expenditures and Encumbrances (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2006

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
General government:					
Executive	\$ -	\$ 496,135	\$ 585,876	\$ -	\$ (89,741)
Election and registration	-	198,466	196,691	-	1,775
Financial administration	-	730,801	661,162	56,110	13,529
Planning and zoning	-	106,651	111,636	-	(4,985)
General government buildings	-	48,374	40,694	-	7,680
Cemeteries	-	6,126	6,418	-	(292)
Total general government	<u>-</u>	<u>1,586,553</u>	<u>1,602,477</u>	<u>56,110</u>	<u>(72,034)</u>
Public safety:					
Police	1,241	1,107,456	1,046,683	-	62,014
Ambulance	-	-	53	-	(53)
Fire	14,144	1,268,418	1,220,033	-	62,529
Building inspection	-	137,491	150,327	-	(12,836)
Emergency management	-	1,000	-	-	1,000
Other	-	376,645	345,603	-	31,042
Total public safety	<u>15,385</u>	<u>2,891,010</u>	<u>2,762,699</u>	<u>-</u>	<u>143,696</u>
Highways and streets:					
Administration	-	160,312	164,673	-	(4,361)
Highways and streets	-	957,755	909,794	1,162	46,799
Public works garage	-	333,147	306,220	1,000	25,927
Buildings and grounds	-	102,955	67,646	-	35,309
Total highways and streets	<u>-</u>	<u>1,554,169</u>	<u>1,448,333</u>	<u>2,162</u>	<u>103,674</u>
Sanitation:					
Solid waste disposal	<u>-</u>	<u>822,299</u>	<u>794,665</u>	<u>641</u>	<u>26,993</u>
Health:					
Administration	-	4,928	4,544	-	384
Pest control	-	18,281	18,242	-	39
Health agencies and hospitals	-	86,946	86,946	-	-
Total health	<u>-</u>	<u>110,155</u>	<u>109,732</u>	<u>-</u>	<u>423</u>
Welfare:					
Administration	-	19,719	19,589	-	130
Direct assistance	-	38,300	54,742	-	(16,442)
Total welfare	<u>-</u>	<u>58,019</u>	<u>74,331</u>	<u>-</u>	<u>(16,312)</u>
Culture and recreation:					
Parks and recreation	-	538,638	514,096	24,550	(8)
Patriotic purposes	-	15,977	16,476	-	(499)
Other	3,852	38,179	39,041	3,052	(62)
Total culture and recreation	<u>3,852</u>	<u>592,794</u>	<u>569,613</u>	<u>27,602</u>	<u>(569)</u>
Economic development	<u>-</u>	<u>6,000</u>	<u>6,000</u>	<u>-</u>	<u>-</u>

(continued)

SCHEDULE 2 (continued)
TOWN OF WOLFEBORO, NEW HAMPSHIRE
Major General Fund
Schedule of Appropriations, Expenditures and Encumbrances (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2006

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Debt service:					
Principal of long-term debt	-	85,288	58,573	-	26,715
Interest on long-term debt	-	54,181	62,144	-	(7,963)
Total debt service	-	139,469	120,717	-	18,752
Capital outlay	324,074	795,975	818,719	216,474	84,856
Other financing uses:					
Transfers out:					
Sewer department fund	-	199,977	199,977	-	-
Nonmajor governmental funds:					
Public library	-	356,500	356,500	-	-
Conservation commission	-	12,252	12,252	-	-
Expendable trust	-	1,000	1,000	-	-
Total other financing uses	-	569,729	569,729	-	-
Total appropriations, expenditures, other financing uses and encumbrances	\$ 343,311	\$ 9,126,172	\$ 8,877,015	\$ 302,989	\$ 289,479

SCHEDULE 3
TOWN OF WOLFEBORO, NEW HAMPSHIRE
Major General Fund
Schedule of Changes in Unreserved - Undesignated Fund Balance (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2006

Unreserved, undesignated fund balance, beginning		\$ 2,049,998
Changes:		
Unreserved fund balance used to reduce 2006 tax rate		(253,205)
2006 Budget summary:		
Revenue surplus (Schedule 1)	\$ 155,414	
Unexpended balance of appropriations (Schedule 2)	<u>289,479</u>	
2006 Budget surplus		444,893
Decrease in fund balance designated for contingency		<u>123,740</u>
Unreserved, undesignated fund balance, ending		<u><u>\$ 2,365,426</u></u>

SCHEDULE 4
TOWN OF WOLFEBORO, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2006

	Special Revenue Funds					Capital Projects Funds					Total	
	Public Library	Conservation Commission	Josiah Brown	CDBG Grant	Land Use	Police Detail	Expendable Trust	Whitten Neck Road Bridge	Public Improvements	Bay Street Bridge		Permanent Fund
ASSETS												
Cash and cash equivalents	\$ 187,202	\$ 5,103	\$ 319	\$ -	\$ 520	\$ 8,878	\$ -	\$ 1,003	\$ -	\$ 72,277	\$ 33,784	\$ 309,086
Investments	264,271	35,451	-	-	-	-	1,124,771	-	-	-	788,657	2,213,150
Receivables:												
Accounts	-	-	-	-	-	912	-	-	-	-	-	912
Intergovernmental	-	-	-	-	-	-	-	495,145	-	-	-	495,145
Total assets	\$ 451,473	\$ 40,554	\$ 319	\$ -	\$ 520	\$ 9,790	\$ 1,124,771	\$ 495,145	\$ 1,003	\$ 72,277	\$ 822,441	\$ 3,018,293
LIABILITIES AND FUND BALANCES												
Liabilities:												
Interfund payable	\$ -	\$ 828	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 479,673	\$ -	\$ -	\$ -	\$ 480,501
Retainage payable	-	-	-	-	-	-	-	-	2,087	-	-	2,087
Total liabilities	-	828	-	-	-	-	-	479,673	2,087	-	-	482,588
Fund balances:												
Reserved for special purposes	371,573	-	-	-	-	-	-	-	-	-	822,441	1,194,014
Unreserved, undesignated	79,900	39,726	319	-	520	9,790	1,124,771	15,472	(1,084)	72,277	-	1,341,691
Total fund balances	451,473	39,726	319	-	520	9,790	1,124,771	15,472	(1,084)	72,277	822,441	2,535,705
Total liabilities and fund balances	\$ 451,473	\$ 40,554	\$ 319	\$ -	\$ 520	\$ 9,790	\$ 1,124,771	\$ 495,145	\$ 1,003	\$ 72,277	\$ 822,441	\$ 3,018,293

SCHEDULE 5
TOWN OF WOLFEBORO, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Fiscal Year Ended December 31, 2006

	Special Revenue Funds							Capital Projects Funds					Total
	Public Library	Conservation Commission	Josiah Brown	CDBG Grant	Land Use	Police Detail	Expendable Trust	Whitten Neck Road Bridge	Public Improvements	Street Bridge	Permanent Fund		
Revenues:													
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 520	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 520	
Intergovernmental	-	-	-	238,765	-	-	-	-	-	-	-	238,765	
Charges for services	16,995	-	-	-	-	46,851	-	-	-	-	-	63,846	
Miscellaneous	45,659	3,017	17	-	-	-	45,968	-	-	-	117,830	212,491	
Total revenues	62,654	3,017	17	238,765	520	46,851	45,968	-	-	-	117,830	515,622	
Expenditures:													
Current:													
General government	-	-	13,500	238,765	-	-	-	-	-	-	9,854	262,119	
Public safety	-	-	-	-	-	37,061	-	-	-	-	-	37,061	
Culture and recreation	367,809	-	-	-	-	-	-	-	-	-	-	367,809	
Conservation	-	69,860	-	-	-	-	-	-	-	-	-	69,860	
Capital outlay	-	-	-	-	-	-	56,262	-	145	2,438	-	58,845	
Total expenditures	367,809	69,860	13,500	238,765	520	37,061	56,262	-	145	2,438	9,854	795,694	
Excess (deficiency) of revenues over (under) expenditures	(305,155)	(66,843)	(13,483)	-	520	9,790	(10,294)	-	(145)	(2,438)	107,976	(280,072)	
Other financing sources:													
Transfers in	356,500	12,252	-	-	-	-	1,000	-	-	-	-	369,752	
Net change in fund balances	51,345	(54,591)	(13,483)	-	520	9,790	(9,294)	-	(145)	(2,438)	107,976	89,680	
Fund balances, beginning	400,128	94,317	13,802	-	-	-	1,134,065	15,472	(939)	74,715	714,465	2,446,025	
Fund balances, ending	\$ 451,473	\$ 39,726	\$ 319	\$ -	\$ 520	\$ 9,790	\$ 1,124,771	\$ 15,472	\$ (1,084)	\$ 72,277	\$ 822,441	\$ 2,535,705	



PLODZIK & SANDERSON

Professional Association/Accountants & Auditors

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INDEPENDENT AUDITOR'S COMMUNICATION OF CONTROL DEFICIENCIES AND OTHER MATTERS

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

In planning and reporting our audit of the financial statements of the Town of Wolfeboro as of and for the fiscal year ended December 31, 2006, in accordance with auditing standards generally accepted in the United States of America, we considered the Town of Wolfeboro's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Wolfeboro's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Wolfeboro's internal control.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Town of Wolfeboro's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Town of Wolfeboro's financial statements that is more than inconsequential will not be prevented or detected by the Town of Wolfeboro's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Town of Wolfeboro's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

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

*Plodzik & Sanderson
Professional Association*

November 30, 2007