

TOWN OF WOLFEBORO, NEW HAMPSHIRE

Financial Statements

December 31, 2007

and

Independent Auditor's Report

**TOWN OF WOLFEBORO, NEW HAMPSHIRE
FINANCIAL STATEMENTS
December 31, 2007**

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Wolfeboro, New Hampshire (the Town) as of and for the year ended December 31, 2007, 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 of Wolfeboro, New Hampshire'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 the 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, New Hampshire, as of December 31, 2007, 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 on pages i-ix and 28-29, respectively, 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, New Hampshire's basic financial statements. The combining nonmajor fund and fiduciary fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund and fiduciary fund financial statements 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.

Vachon, Clukay & Co., PC
September 22, 2008

TOWN OF WOLFEBORO, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ending December 31, 2007

Presented herewith please find the Management Discussion & Analysis Report for the Town of Wolfeboro for the year ending December 31, 2007. The responsibility for accuracy of the data, the completeness and fairness of this documentation (including all disclosures) rests with management. To the best of our knowledge and belief, the data contained herein is accurate in material aspects. This report and its content have been designed to fairly present the Town's financial position, including the result of operations of all the funds of the Town. All the disclosures necessary to enable and to assist the reader in acquiring an accurate understanding of the Town's financial activities have been included.

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

Overview of the Financial Statements

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

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

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

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

Government-Wide Financial Statements

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

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

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

TOWN OF WOLFEBORO, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ending December 31, 2007

Both of the government-wide financial statements have separate sections for two types of activities:

Governmental activities – represent most of the Town's basic services

Business-type activities – account for the Town's water and sewer operations and receive a majority of their revenue from user fees.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain the control over resources that have been segregated for specific activities or objectives. The Town uses fund accounting to ensure and to demonstrate compliance with finance-related legal requirements. The Town maintains three fund types: governmental, proprietary, and fiduciary funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Town's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, our readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between the governmental activities statement of net assets and statement of activities.

The Town maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and the statement of revenues, expenditures and changes in fund balances for the General Fund and the Permanent Funds, which are considered major funds. Other governmental funds are aggregated as non-major funds.

The Town adopts an annual appropriation budget for its governmental funds. A budgetary comparison has been provided for the General Fund to demonstrate compliance with this budget.

Proprietary funds provide municipal electric, water and sewer services to customer, as well and charge a user fee. The Town of Wolfeboro also provides the Pop Whalen Ice Arena's facility for use by the public. This facility is partially subsidized by the general fund, however, other organizations and users are charged a fee. These funds are presented on the accrual basis of accounting.

Fiduciary funds are used to account for resources held for the benefit of parties outside of the Town. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's own programs.

**TOWN OF WOLFEBORO, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ending December 31, 2007**

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information

The basic financial statements and accompanying notes are followed by a section of required supplementary information. This section includes a budgetary comparison schedule for the Town's major governmental funds and includes a reconciliation between the reported activity of the revenues, expenditures and operating transfers for budgetary purposes (Schedule 1) and the activity as presented in the governmental fund financial statements (Exhibit D). The Town's only major governmental fund with an adopted budget is the General Fund.

Other Supplementary Information

Other supplementary information includes combining financial statements for non-major governmental funds.

Government-Wide Financial Analysis

Governmental Activities

Net assets of the Town of Wolfeboro governmental activities as of December 31, 2007 and 2006 are as follows:

| | <u>2007</u> | <u>2006</u> |
|---|----------------------|----------------------|
| Current and other assets: | | |
| Capital assets | \$ 20,349,413 | \$ 19,694,025 |
| Other assets | 13,366,720 | 11,880,507 |
| Total assets | <u>\$ 33,716,133</u> | <u>\$ 31,574,532</u> |
| Long-term liabilities | \$ 2,961,310 | \$ 1,518,609 |
| Other liabilities | 7,121,444 | 5,899,908 |
| Total liabilities | <u>\$ 10,082,754</u> | <u>\$ 7,418,517</u> |
| Net assets: | | |
| Invested in capital assets, net of related debt | \$ 18,011,721 | \$ 18,567,498 |
| Restricted | 2,033,140 | 909,106 |
| Unrestricted | 3,588,518 | 4,679,411 |
| Total net assets | <u>\$ 23,633,379</u> | <u>\$ 24,156,015</u> |

The Town's net assets totaled \$23,633,379 at the end of fiscal year 2007, a decrease of \$522,636 when compared to the end of the previous fiscal year. This decrease is due largely to the decrease in capital assets net of related debt of \$555,777.

TOWN OF WOLFEBORO, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ending December 31, 2007

A large portion of the Town's net assets reflects its investment in capital assets such as land, buildings, and equipment less any related outstanding debt used to acquire those assets. Another significant portion of the Town's net assets is restricted in regard to how they may be used. For the Town of Wolfeboro, those restrictions include those related to non-expendable trust funds, capital reserve funds, and conservation funds. The remaining unrestricted portion represents the part of net assets of the Town of Wolfeboro that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements.

Changes in net assets for governmental activities for the year ending December 31, 2007 and 2006 are as follows:

| | <u>2007</u> | <u>2006</u> |
|--------------------------------------|-------------------|------------------|
| Program revenues: | | |
| Charges for services | \$ 1,103,998 | \$ 1,029,770 |
| Operating grants and contributions | 124,114 | 503,445 |
| Capital grants and contributions | <u>195,222</u> | <u>-</u> |
| Total program revenues | <u>1,423,334</u> | <u>1,533,215</u> |
| General revenues: | | |
| Property and other taxes | 6,480,460 | 5,893,293 |
| Licenses and permits | 1,455,112 | 1,477,183 |
| Intergovernmental revenue | 301,567 | 307,954 |
| Interest and investment earnings | 243,359 | 132,064 |
| Miscellaneous | 198,044 | 353,407 |
| Transfers | <u>(383,326)</u> | <u>(93,977)</u> |
| Total general revenues and transfers | <u>8,295,216</u> | <u>8,069,924</u> |
| Total revenues | <u>9,718,550</u> | <u>9,603,139</u> |
| Program expenses: | | |
| General government | 2,273,121 | 1,838,162 |
| Public safety | 3,227,329 | 2,960,994 |
| Highways and streets | 2,342,342 | 1,820,791 |
| Health and welfare | 174,981 | 184,063 |
| Sanitation | 1,052,388 | 807,683 |
| Culture and recreation | 1,084,933 | 968,256 |
| Conservation | | 69,812 |
| Economic development | 6,430 | 6,000 |
| Debt service | 79,662 | 68,383 |
| Capital outlay | | <u>35,595</u> |
| Total expenses | <u>10,241,186</u> | <u>8,759,739</u> |

**TOWN OF WOLFEBORO, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ending December 31, 2007**

| | | |
|--------------------------------|----------------------|----------------------|
| Change in net assets | (522,636) | 843,400 |
| Net assets - beginning of year | <u>24,156,015</u> | <u>23,312,615</u> |
| Net assets - ending of year | <u>\$ 23,633,379</u> | <u>\$ 24,156,015</u> |

As shown in the above statement the Town experienced a net decrease in financial position of (\$522,636) on the full accrual basis of accounting.

During the year ended December 31, 2007, program revenues covered 14% of program expenses. The remaining 86% was funded by general revenues (e.g. taxes, grants and contributions).

The Town's expenses cover a range of services. The largest expenses were for general government (22%), public safety (32%) and highways and streets (23%), which accounted for 77% of total expenses.

Business-type Activities

Net assets of the business type activities as of December 31, 2007 and 2006 are as follows:

| | <u>2007</u> | <u>2006</u> |
|---|----------------------|----------------------|
| Current and other assets: | | |
| Capital assets | \$ 25,244,717 | \$ 21,787,889 |
| Other assets | <u>7,337,669</u> | <u>4,960,273</u> |
| Total assets | <u>\$ 32,582,386</u> | <u>\$ 26,748,162</u> |
| Long-term liabilities | \$ 12,411,468 | \$ 9,766,687 |
| Other liabilities | <u>3,636,969</u> | <u>2,207,322</u> |
| Total liabilities | <u>\$ 16,048,437</u> | <u>\$ 11,974,009</u> |
| Net assets: | | |
| Invested in capital assets, net of related debt | \$ 9,876,706 | \$ 12,904,337 |
| Unrestricted | <u>6,657,243</u> | <u>1,869,816</u> |
| Total net assets | <u>\$ 16,533,949</u> | <u>\$ 14,774,153</u> |

The largest portion of the Town's net assets for its business-type activities reflects its investment in capital assets such as land, buildings, and equipment less any related outstanding debt used to acquire those assets. These assets are utilized by the Town of Wolfeboro to provide services to its citizenry; therefore, they are not available for future spending.

**TOWN OF WOLFEBORO, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ending December 31, 2007**

Changes in net assets for the business-type activities for the year ending December 31, 2007 and 2006 are as follows:

| | <u>2007</u> | <u>2006</u> |
|--------------------------------------|----------------------|----------------------|
| Program revenues: | | |
| Charges for services | \$ 9,605,025 | \$ 8,837,048 |
| Operating grants and contributions | 7,979 | |
| Capital grants and contributions | <u>1,266,341</u> | <u>141,928</u> |
| Total program revenues | <u>10,879,345</u> | <u>8,978,976</u> |
| General revenues: | | |
| Interest and investment earnings | 73,988 | |
| Miscellaneous | 25,591 | 332,169 |
| Transfers | <u>383,326</u> | <u>93,977</u> |
| Total general revenues and transfers | <u>482,905</u> | <u>426,146</u> |
| Total revenues | <u>11,362,250</u> | <u>9,405,122</u> |
| Program expenses: | | |
| Electric | 6,648,912 | 5,818,354 |
| Water | 1,288,932 | 1,654,344 |
| Sewer | 1,464,199 | 1,020,241 |
| Pop Whalen | <u>200,411</u> | <u>163,858</u> |
| Total program expenses | <u>9,602,454</u> | <u>8,656,797</u> |
| Change in net assets | 1,759,796 | 748,325 |
| Net assets - beginning of year | <u>14,774,153</u> | <u>13,170,834</u> |
| Net assets - ending of year | <u>\$ 16,533,949</u> | <u>\$ 13,919,159</u> |

The primary funding source for business-type activities is the charges for services, which comprises 85% of all funding sources. Program revenues provided funding for 113% of program expenses. This contributed to the overall increase in net assets of \$2,614,790.

Financial Analysis of the Town's Funds

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

Governmental Funds

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

**TOWN OF WOLFEBORO, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ending December 31, 2007**

General Fund

The General Fund is the main operating fund of the Town. At the end of the current fiscal year, the general fund had an unreserved, undesignated fund balance of \$1,933,201 while total fund equity was \$2,205,026. The total fund equity includes a reserve for encumbrances of \$271,825. The General Fund balance decreased \$596,389 from December 31, 2006.

During the tax setting process the Finance Department applies the calculation outlined in the vote of the 2002 Town Meeting under Article 18 in determining the appropriate amount of fund balance to retain for the following year. This calculation sets the balance below that recommended by the State of New Hampshire, Department of Revenue Administration's guidelines. The amount of fund balance used to offset the tax rate for 2007 was \$528,972.

Permanent Funds

Permanent funds account for resources that are legally restricted to the extent that only earnings and not principal may be used for purposes that support the Town's programs. At December 31, 2007, the balance of \$853,955 was comprised of \$604,829 reserved for endowments and \$249,126 in total income.

Other Governmental Funds

Total Fund Balance in Other Governmental Funds is \$2,974,234. The various funds within this category are: Special Revenue Funds: Library Fund \$485,869; Conservation Commission \$31,427; Josiah Brown Fund \$293; Police Detail Fund \$16,896 and Expendable Trust Funds \$1,236,417. Various Capital Projects have a fund balance of \$349,377 and the previously noted Permanent Fund totals \$853,955.

Proprietary Funds

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

The Town of Wolfeboro's proprietary funds consist of the Water Department, Sewer Department, Electric Department and Pop Whalen Ice Arena. Total net assets increased a total of \$1,759,796 from December 31, 2006 to \$16,533,949. Net income before capital distributions was as follows: Electric \$491,279; Water \$194,650; Sewer (\$546,393) and Pop Whalen \$5,103. In October 2007 the Board of Selectmen increased the quarterly unit and per gallon charges in order to bring the Water and Sewer Funds into balance. A rate study performed by the engineering firm of Wright Pearce indicated that the Town should anticipate rate increases over the next several years to cover the cost of operations and debt service in the Water Fund and the cost of operations in the Sewer Fund. The general fund currently subsidizes the cost of debt service in the Sewer Fund.

It should also be noted that the Electric Department's current contract for purchased power expires at the end of 2008. This will lead to increases in the cost of operations of that fund.

**TOWN OF WOLFEBORO, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ending December 31, 2007**

General Fund Budgetary Highlights

Revenues for the year exceeded original estimates by \$173,953. Estimated revenues fell short in two areas; Taxes (\$84,752) and Interest and income (\$18,796) primarily due to economic conditions at the time. Revenues exceeded estimations in several categories; Licenses & permits \$62,420; Intergovernmental revenues \$72,379; Charges for services \$86,661 and Miscellaneous income \$56,041.

Expenditures for the year remained within appropriated amounts overall. The Town under-expended its budget by \$201,832 with resulting excess revenues over expenditures on a budgetary basis of \$474,994.

Capital Assets and Long-Term Obligations

Capital Assets

The Town considers a capital asset to be an asset whose costs exceeds \$5,000 to \$50,000 depending on the type of asset and has a useful life of greater than one year. Assets are depreciated using the straight-line method over the course of their useful life.

The Town's investment in capital assets for its governmental activities and business-type activities as of December 31, 2007 amounts to \$20,349,413 and \$25,244,717, respectively. This investment in capital assets includes infrastructure, buildings and improvements, vehicles and equipment. See Note 6 in the Notes to the Basic Financial Statements for a summary of all capital assets.

Long-Term Obligations

At December 31, 2007, the Town of Wolfeboro had total outstanding bonded debt of \$2,207,992 and \$13,133,111 in the governmental activities and business-type activities, respectively. Principal payments during the year reduced this outstanding debt by \$671,417 and new bonding activity totaling \$4,701,600, resulting in a combined balance at year-end of \$15,470,803.

Compensated absence at year-end totaled \$377,195 overall. The Town's estimated liability for miscellaneous landfill post closure costs as required by the State of NH Department of Environmental Services totaled \$460,000.

See Note 8 in the Notes to the Basic Financial Statements for a summary of all outstanding long-term obligations.

Economic Conditions

Weather at the beginning of the year caused some budgetary stress due to flooding of a number of town roads in April. A disaster declaration was approved by the President of the United States that resulted in FEMA payments totaling \$196,868 which represented in excess of 75% of the actual costs to the Town.

Assessed real estate value increased from \$1,565,417,426 to \$2,048,628,792 or \$483,211,336 as a result of the Town's ongoing revaluation of property by the Assessing Department.

TOWN OF WOLFEBORO, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ending December 31, 2007

This helped keep the new tax rate of December 2007 relatively low at \$9.95 per thousand overall. Totals for uncollected taxes at year end remained low.

The operating budget for calendar year 2007 was \$9,338,715. The town maintains a Capital Improvement Plan through the CIP Committee, who makes recommendations to the Board of Selectmen via the Planning Board. A number of recommendations forwarded by the CIP Committee were not included in the budget by the Board of Selectmen due to budget constraints, or subsequent action of the Town Budget Committee.

Economic conditions for Carroll County remained stable while not robust for the year ended December 31, 2007. The overall unemployment rate for the year was 2.98%; lower than the national average. The yearly Consumer Price Index totaled 2.6%.

Requests for Information

This financial report is designed to provide a general overview of the Town's finances for all of Wolfeboro's citizens, taxpayers, and creditors. This financial report seeks to demonstrate the Town's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: Peter A. Chamberlin, Finance Director, Town of Wolfeboro Finance Office, 84 South Main Street, Wolfeboro NH 03894. Telephone Number 603-569-8168.

EXHIBIT A
TOWN OF WOLFEBORO, NEW HAMPSHIRE
Statement of Net Assets
December 31, 2007

| ASSETS | Governmental Activities | Business-type Activities | Total |
|---|----------------------------|-----------------------------|----------------------|
| Current Assets: | | | |
| Cash and cash equivalents | \$ 13,113,886 | \$ 542,124 | \$ 13,656,010 |
| Investments | 2,506,467 | | 2,506,467 |
| Taxes receivable, net | 1,931,071 | | 1,931,071 |
| Accounts receivable, net | 16,613 | 1,391,547 | 1,408,160 |
| Special assessments | | 6,110 | 6,110 |
| Due from other governments | 109,826 | 797,425 | 907,251 |
| Internal balances | (4,311,143) | 4,311,143 | - |
| Inventory | - | 289,320 | 289,320 |
| Total Current Assets | <u>13,366,720</u> | <u>7,337,669</u> | <u>20,704,389</u> |
| Noncurrent Assets: | | | |
| Capital assets: | | | |
| Non-depreciable capital assets | 6,049,948 | 2,343,498 | 8,393,446 |
| Depreciable capital assets, net | 14,299,465 | 22,901,219 | 37,200,684 |
| Total Noncurrent Assets | <u>20,349,413</u> | <u>25,244,717</u> | <u>45,594,130</u> |
| Total Assets | <u>\$ 33,716,133</u> | <u>\$ 32,582,386</u> | <u>\$ 66,298,519</u> |
| LIABILITIES | | | |
| Current Liabilities: | | | |
| Accounts payable | \$ 444,324 | \$ 279,848 | \$ 724,172 |
| Accrued expenses | 39,083 | 12,079 | 51,162 |
| Accrued interest payable | 58,496 | 190,370 | 248,866 |
| Retainage payable | | 36,809 | 36,809 |
| Bond anticipation notes payable | 500,000 | 2,234,900 | 2,734,900 |
| Deferred bond premium | 14,015 | 40,715 | 54,730 |
| Deferred revenue | 200 | 42,948 | 43,148 |
| Deposits payable | 6,376 | 31,105 | 37,481 |
| Due to other governments | 5,891,813 | 112 | 5,891,925 |
| Current portion of bonds payable | 144,137 | 768,083 | 912,220 |
| Current portion of estimated liability for landfill postclosure care costs | 23,000 | | 23,000 |
| Total Current Liabilities | <u>7,121,444</u> | <u>3,636,969</u> | <u>10,758,413</u> |
| Noncurrent Liabilities: | | | |
| Bonds payable | 2,193,555 | 12,365,028 | 14,558,583 |
| Compensated absences | 330,755 | 46,440 | 377,195 |
| Estimated liability for landfill postclosure care costs | 437,000 | | 437,000 |
| Total Noncurrent Liabilities | <u>2,961,310</u> | <u>12,411,468</u> | <u>15,372,778</u> |
| Total Liabilities | <u>10,082,754</u> | <u>16,048,437</u> | <u>26,131,191</u> |
| NET ASSETS | | | |
| Invested in capital assets, net of related debt | 18,011,721 | 9,876,706 | 27,888,427 |
| Restricted | 2,033,140 | | 2,033,140 |
| Unrestricted | 3,588,518 | 6,657,243 | 10,245,761 |
| Total Net Assets | <u>23,633,379</u> | <u>16,533,949</u> | <u>40,167,328</u> |
| Total Liabilities and Net Assets | <u>\$ 33,716,133</u> | <u>\$ 32,582,386</u> | <u>\$ 66,298,519</u> |

See accompanying notes to the basic financial statements

EXHIBIT B
TOWN OF WOLFEBORO, NEW HAMPSHIRE
Statement of Activities
For the Year Ended December 31, 2007

| Functions/Programs | Expenses | 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 | \$ 2,273,121 | \$ 466,298 | \$ 18,664 | | \$ (1,788,159) | | \$ (1,788,159) |
| Public safety | 3,227,329 | 83,813 | 95,796 | | (3,047,720) | | (3,047,720) |
| Highways and streets | 2,342,342 | 209,361 | | \$ 195,222 | (1,937,759) | | (1,937,759) |
| Health and welfare | 174,981 | | | | (174,981) | | (174,981) |
| Sanitation | 1,052,388 | 260,535 | 9,654 | | (782,199) | | (782,199) |
| Culture and recreation | 1,084,933 | 83,991 | | | (1,000,942) | | (1,000,942) |
| Economic development | 6,430 | | | | (6,430) | | (6,430) |
| Interest and fiscal charges | 79,662 | | | | (79,662) | | (79,662) |
| Total governmental activities | 10,241,186 | 1,103,998 | 124,114 | 195,222 | (8,817,852) | \$ - | (8,817,852) |
| Business-type activities: | | | | | | | |
| Electric | 6,648,912 | 7,092,128 | 7,979 | | | 451,195 | 451,195 |
| Water | 1,288,932 | 1,442,794 | | | | 153,862 | 153,862 |
| Sewer | 1,464,199 | 871,167 | | 1,266,341 | | 673,309 | 673,309 |
| Pop Whalen Ice Arena | 200,411 | 198,936 | | | | (1,475) | (1,475) |
| Total business-type activities | 9,602,454 | 9,605,025 | 7,979 | 1,266,341 | - | 1,276,891 | 1,276,891 |
| Total primary government | \$ 19,843,640 | \$ 10,709,023 | \$ 132,093 | \$ 1,461,563 | (8,817,852) | 1,276,891 | (7,540,961) |
| General revenues: | | | | | | | |
| Property and other taxes | | | | | 6,480,460 | | 6,480,460 |
| Licenses and permits | | | | | 1,455,112 | | 1,455,112 |
| Grants and contributions: | | | | | | | |
| State shared revenues | | | | | 31,365 | | 31,365 |
| Rooms and meals tax distribution | | | | | 270,131 | | 270,131 |
| State and federal forest land reimbursement | | | | | 71 | | 71 |
| Interest and investment earnings | | | | | 243,359 | 73,988 | 317,347 |
| Miscellaneous | | | | | 198,044 | 25,591 | 223,635 |
| Transfers | | | | | (383,326) | 383,326 | - |
| Total general revenues and transfers | | | | | 8,295,216 | 482,905 | 8,778,121 |
| Change in net assets | | | | | (522,636) | 1,759,796 | 1,237,160 |
| Net assets - beginning | | | | | 24,156,015 | 14,774,153 | 38,930,168 |
| Net assets - ending | | | | | \$ 23,633,379 | \$ 16,533,949 | \$ 40,167,328 |

See accompanying notes to the basic financial statements

EXHIBIT C
TOWN OF WOLFEBORO, NEW HAMPSHIRE
Balance Sheet
Governmental Funds
December 31, 2007

| | General Fund | Other Governmental Funds | Total Governmental Funds |
|-------------------------------------|----------------------|--------------------------------|--------------------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 12,972,934 | \$ 140,952 | \$ 13,113,886 |
| Investments | | 2,506,467 | 2,506,467 |
| Taxes receivable, net | 1,931,071 | | 1,931,071 |
| Accounts receivable | 7,899 | 8,714 | 16,613 |
| Due from other governments | 109,826 | | 109,826 |
| Due from other funds | 40,515 | 858,616 | 899,131 |
| Total Assets | <u>\$ 15,062,245</u> | <u>\$ 3,514,749</u> | <u>\$ 18,576,994</u> |
| LIABILITIES | | | |
| Accounts payable | \$ 444,324 | | \$ 444,324 |
| Accrued expenses | 39,083 | | 39,083 |
| Bond anticipation notes payable | | \$ 500,000 | 500,000 |
| Deferred bond premium | 14,015 | | 14,015 |
| Deferred revenue | 1,291,849 | | 1,291,849 |
| Deposits payable | 6,376 | | 6,376 |
| Due to other governments | 5,891,813 | | 5,891,813 |
| Due to other funds | 5,169,759 | 40,515 | 5,210,274 |
| Total Liabilities | <u>12,857,219</u> | <u>540,515</u> | <u>13,397,734</u> |
| FUND BALANCES | | | |
| Reserved for encumbrances | 271,825 | 157,483 | 429,308 |
| Reserved for endowments | | 604,829 | 604,829 |
| Unreserved, reported in: | | | |
| General fund | 1,933,201 | | 1,933,201 |
| Special revenue funds | | 1,770,902 | 1,770,902 |
| Permanent funds | | 249,126 | 249,126 |
| Capital project funds | | 191,894 | 191,894 |
| Total Fund Balances | <u>2,205,026</u> | <u>2,974,234</u> | <u>5,179,260</u> |
| Total Liabilities and Fund Balances | <u>\$ 15,062,245</u> | <u>\$ 3,514,749</u> | |

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 20,349,413

Property taxes are recognized on an accrual basis in the statement of net assets, not the modified accrual basis 1,291,649

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Long-term liabilities at year end consist of:

Bonds payable (2,337,692)
Accrued interest on long-term obligations (58,496)
Compensated absences (330,755)
Estimated liability for landfill postclosure care costs (460,000)

Net assets of governmental activities \$ 23,633,379

See accompanying notes to the basic financial statements

EXHIBIT D
TOWN OF WOLFEBORO, NEW HAMPSHIRE
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2007

TOWN OF WOLFEBORO, NEW HAMPSHIRE
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended December 31, 2007

| | General Fund | Other Governmental Funds | Total Governmental Funds | |
|--|---------------------|--------------------------------|--------------------------------|--------------|
| Revenues: | | | | |
| Taxes | \$ 5,966,370 | \$ 11,446 | \$ 5,977,816 | \$ (157,860) |
| Licenses and permits | 1,455,112 | | 1,455,112 | |
| Intergovernmental revenues | 620,903 | | 620,903 | |
| Charges for services | 1,079,666 | 24,332 | 1,103,998 | |
| Interest and investment income | 111,204 | 132,155 | 243,359 | |
| Miscellaneous | 163,967 | 34,077 | 198,044 | |
| Total Revenues | <u>9,397,222</u> | <u>202,010</u> | <u>9,599,232</u> | |
| Expenditures: | | | | |
| Current operations: | | | | |
| General government | 1,789,757 | 1,866 | 1,791,623 | |
| Public safety | 3,115,335 | 17,226 | 3,132,561 | |
| Highways and streets | 1,728,850 | 1,066 | 1,729,916 | |
| Health and welfare | 174,981 | | 174,981 | |
| Sanitation | 761,543 | | 761,543 | |
| Culture and recreation | 644,478 | 396,977 | 1,041,455 | |
| Economic development | 6,430 | | 6,430 | |
| Capital outlay | 807,966 | 1,093,068 | 1,901,034 | |
| Debt service: | | | | |
| Principal retirement | 81,150 | | 81,150 | |
| Interest and fiscal charges | 45,388 | | 45,388 | |
| Total Expenditures | <u>9,155,878</u> | <u>1,510,203</u> | <u>10,666,081</u> | (1,306,330) |
| Excess revenues over (under) expenditures | <u>241,344</u> | <u>(1,308,193)</u> | <u>(1,066,849)</u> | |
| Other Financing Sources (Uses): | | | | |
| Proceeds from bonds issued | | 1,306,330 | 1,306,330 | |
| Bond premium | (14,015) | | (14,015) | |
| Operating transfers in | 101,747 | 542,659 | 644,406 | |
| Operating transfers out | (925,465) | (102,267) | (1,027,732) | |
| Total Other Financing Sources (Uses) | <u>(837,733)</u> | <u>1,746,722</u> | <u>908,989</u> | (34,274) |
| Excess of revenues and other sources over (under) expenditures and other uses | (596,389) | 438,529 | (157,860) | |
| Fund balances at beginning of year | <u>2,801,415</u> | <u>2,535,705</u> | <u>5,337,120</u> | |
| Fund balances at end of year | <u>\$ 2,205,026</u> | <u>\$ 2,974,234</u> | <u>\$ 5,179,260</u> | \$ (522,636) |

Change in Fund Balances - Total Governmental Funds \$ (157,860)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, 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 capital outlays exceed depreciation in the current period. 655,388

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 502,644

Proceeds from bond issues are an other financing source in the funds, but a bond issue increases long-term liabilities in the statement of net assets. (1,306,330)

Governmental funds report the effect of bond issuance premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. 14,015

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 81,150

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. (34,274)

Some expenses reported in the statement of activities, such as the estimated liability for landfill postclosure care cost and compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (277,369)

Change in net assets of governmental activities \$ (522,636)

EXHIBIT E
TOWN OF WOLFEBORO, NEW HAMPSHIRE
Statement of Net Assets
Proprietary Funds
December 31, 2007

| | Business-type Activities | | | | Totals |
|---|--------------------------|----------------------|---------------------|---------------------------------|----------------------|
| | Electric Department | Water Department | Sewer Department | Pop Whalen Ice Arena Fund | |
| ASSETS | | | | | |
| Current Assets: | | | | | |
| Cash and cash equivalents | \$ 542,124 | | | | \$ 542,124 |
| Accounts receivable, net | 791,014 | \$ 350,239 | \$ 237,547 | \$ 12,747 | 1,391,547 |
| Special assessments | | | 6,110 | | 6,110 |
| Due from other governments | | 797,425 | | | 797,425 |
| Due from other funds | 1,105,991 | 1,990,705 | 997,758 | 216,689 | 4,311,143 |
| Inventory | 276,910 | 11,723 | 687 | | 289,320 |
| Total Current Assets | <u>2,716,039</u> | <u>3,150,092</u> | <u>1,242,102</u> | <u>229,436</u> | <u>7,337,669</u> |
| Noncurrent Assets: | | | | | |
| Capital assets: | | | | | |
| Non-depreciable capital assets | 46,733 | 179,059 | 2,117,706 | | 2,343,498 |
| Depreciable capital assets, net | 6,232,824 | 12,252,707 | 3,255,456 | 1,160,232 | 22,901,219 |
| Total Noncurrent Assets | <u>6,279,557</u> | <u>12,431,766</u> | <u>5,373,162</u> | <u>1,160,232</u> | <u>25,244,717</u> |
| Total Assets | <u>\$ 8,995,596</u> | <u>\$ 15,581,858</u> | <u>\$ 6,615,264</u> | <u>\$ 1,389,668</u> | <u>\$ 32,582,386</u> |
| LIABILITIES | | | | | |
| Current Liabilities: | | | | | |
| Accounts payable | \$ 92,041 | \$ 77,090 | \$ 81,012 | \$ 29,705 | \$ 279,848 |
| Retainage payable | | 29,678 | 7,131 | | 36,809 |
| Accrued expenses | 4,342 | 5,637 | 1,181 | 919 | 12,079 |
| Accrued interest payable | 6,171 | 140,865 | 32,459 | 10,875 | 190,370 |
| Bond anticipation notes payable | | | 1,754,000 | 480,900 | 2,234,900 |
| Deferred bond premium | | 33,705 | 7,010 | | 40,715 |
| Deferred revenue | 26,729 | 8,078 | 8,141 | | 42,948 |
| Deposits payable | 31,105 | | | | 31,105 |
| Due to other governments | 112 | | | | 112 |
| Current portion of bonds payable | 265,000 | 423,665 | 54,418 | 25,000 | 768,083 |
| Total Current Liabilities | <u>425,500</u> | <u>718,718</u> | <u>1,945,352</u> | <u>547,399</u> | <u>3,636,969</u> |
| Noncurrent Liabilities: | | | | | |
| Bonds payable | 3,955,000 | 7,527,897 | 882,131 | | 12,365,028 |
| Compensated absences payable | 24,053 | 21,433 | 954 | | 46,440 |
| Total Noncurrent Liabilities | <u>3,979,053</u> | <u>7,549,330</u> | <u>883,085</u> | <u>-</u> | <u>12,411,468</u> |
| Total Liabilities | <u>4,404,553</u> | <u>8,268,048</u> | <u>2,828,437</u> | <u>547,399</u> | <u>16,048,437</u> |
| NET ASSETS | | | | | |
| Invested in capital assets, net of related debt | 2,059,557 | 4,480,204 | 2,682,613 | 654,332 | 9,876,706 |
| Unrestricted | 2,531,486 | 2,833,606 | 1,104,214 | 187,937 | 6,657,243 |
| Total Net Assets | <u>4,591,043</u> | <u>7,313,810</u> | <u>3,786,827</u> | <u>842,269</u> | <u>16,533,949</u> |
| Total Liabilities and Net Assets | <u>\$ 8,995,596</u> | <u>\$ 15,581,858</u> | <u>\$ 6,615,264</u> | <u>\$ 1,389,668</u> | <u>\$ 32,582,386</u> |

See accompanying notes to the basic financial statements

EXHIBIT F
TOWN OF WOLFEBORO, NEW HAMPSHIRE
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
For the Year Ended December 31, 2007

| | Business-type Activities | | | | Totals |
|--|--------------------------|---------------------|---------------------|---------------------------------|----------------------|
| | Electric Department | Water Department | Sewer Department | Pop Whalen Ice Arena Fund | |
| Operating revenues: | | | | | |
| Charges for services | \$ 7,092,128 | \$ 1,442,794 | \$ 871,167 | \$ 198,936 | \$ 9,605,025 |
| Miscellaneous | 17,453 | 6,175 | 1,963 | | 25,591 |
| Total operating revenues | <u>7,109,581</u> | <u>1,448,969</u> | <u>873,130</u> | <u>198,936</u> | <u>9,630,616</u> |
| Operating expenses: | | | | | |
| Cost of operations | 1,872,746 | 673,103 | 1,268,685 | 150,212 | 3,964,746 |
| Cost of power | 4,343,253 | | | | 4,343,253 |
| Depreciation | 283,142 | 335,927 | 150,838 | 38,793 | 808,700 |
| Total operating expenses | <u>6,499,141</u> | <u>1,009,030</u> | <u>1,419,523</u> | <u>189,005</u> | <u>9,116,699</u> |
| Operating income (loss) | <u>610,440</u> | <u>439,939</u> | <u>(546,393)</u> | <u>9,931</u> | <u>513,917</u> |
| Non-operating revenues (expenses): | | | | | |
| Interest revenue | 30,610 | 34,613 | 2,187 | 6,578 | 73,988 |
| Interest expense | (149,771) | (279,902) | (44,676) | (11,406) | (485,755) |
| Net non-operating revenues (expenses) | <u>(119,161)</u> | <u>(245,289)</u> | <u>(42,489)</u> | <u>(4,828)</u> | <u>(411,767)</u> |
| Income (loss) before capital contributions and transfers | 491,279 | 194,650 | (588,882) | 5,103 | 102,150 |
| Capital contributions | 7,979 | | 1,266,341 | | 1,274,320 |
| Operating transfers in | | 50,000 | 333,326 | | 383,326 |
| Change in net assets | 499,258 | 244,650 | 1,010,785 | 5,103 | 1,759,796 |
| Total net assets at beginning of year | <u>4,091,785</u> | <u>7,069,160</u> | <u>2,776,042</u> | <u>837,166</u> | <u>14,774,153</u> |
| Total net assets at end of year | <u>\$ 4,591,043</u> | <u>\$ 7,313,810</u> | <u>\$ 3,786,827</u> | <u>\$ 842,269</u> | <u>\$ 16,533,949</u> |

See accompanying notes to the basic financial statements

EXHIBIT G
TOWN OF WOLFEBORO, NEW HAMPSHIRE
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2007

| | Business-type Activities | | | | Totals |
|--|--------------------------|---------------------|----------------------|---------------------------------|---------------------|
| | Electric Department | Water Department | Sewer Department | Pop Whalen Ice Arena Fund | |
| Cash flows from operating activities: | | | | | |
| Cash received from customers | \$ 6,861,126 | \$ 1,455,378 | \$ 844,933 | \$ 186,189 | \$ 9,347,626 |
| Cash paid to suppliers | (6,007,241) | (404,787) | (2,164,282) | (91,025) | (8,667,335) |
| Cash paid to employees | (310,729) | (310,729) | (111,770) | (31,247) | (764,475) |
| Net cash provided (used) by operating activities | <u>543,156</u> | <u>739,862</u> | <u>(1,431,119)</u> | <u>63,917</u> | <u>(84,184)</u> |
| Cash flows from noncapital financing activities: | | | | | |
| Transfer from other funds | | 50,000 | 333,326 | | 383,326 |
| Net cash provided by noncapital financing activities | <u>-</u> | <u>50,000</u> | <u>333,326</u> | <u>-</u> | <u>383,326</u> |
| Cash flows from capital financing activities: | | | | | |
| Purchases of capital assets | (1,124,541) | (1,178,934) | (1,480,997) | (481,056) | (4,265,528) |
| Proceeds from bond anticipation notes | | | 1,754,000 | 480,900 | 2,234,900 |
| Proceeds from bonds issued | | 2,850,000 | 600,000 | | 3,450,000 |
| Capital contributions | 7,979 | | 1,266,341 | | 1,274,320 |
| Principal paid on long-term debt | (265,000) | (273,840) | (26,427) | (25,000) | (590,267) |
| Interest paid on long-term debt | (151,086) | (230,996) | (19,553) | (1,593) | (403,228) |
| Net cash provided (used) by capital financing activities | <u>(1,532,648)</u> | <u>1,166,230</u> | <u>2,093,364</u> | <u>(26,749)</u> | <u>1,700,197</u> |
| Cash flows from investing activities: | | | | | |
| Interest on investments | 30,610 | 34,613 | 2,187 | 6,578 | 73,988 |
| Net cash provided by investing activities | <u>30,610</u> | <u>34,613</u> | <u>2,187</u> | <u>6,578</u> | <u>73,988</u> |
| Net increase (decrease) in cash and cash equivalents | (958,882) | 1,990,705 | 997,758 | 43,746 | 2,073,327 |
| Cash and cash equivalents at beginning of year | 2,606,997 | - | - | 172,943 | 2,779,940 |
| Cash and cash equivalents at end of year | <u>\$ 1,648,115</u> | <u>\$ 1,990,705</u> | <u>\$ 997,758</u> | <u>\$ 216,689</u> | <u>\$ 4,853,267</u> |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: | | | | | |
| Operating income (loss) | \$ 610,440 | \$ 439,939 | \$ (546,393) | \$ 9,931 | \$ 513,917 |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | | | |
| Depreciation expense | 283,142 | 335,927 | 150,838 | 38,793 | 808,700 |
| Changes in assets and liabilities: | | | | | |
| Accounts receivable | (243,070) | (52,479) | (24,987) | (12,747) | (333,283) |
| Special assessments | | | 200 | | 200 |
| Due from other governments | | 57,569 | | | 57,569 |
| Inventory | (28,555) | | | | (28,555) |
| Accounts payable | (75,900) | (73,815) | (1,012,945) | 27,774 | (1,134,886) |
| Accrued expenses | 426 | (515) | (947) | 166 | (870) |
| Retainage payable | | 29,678 | 7,131 | | 36,809 |
| Deferred revenue | (8,511) | 1,319 | (3,410) | | (10,602) |
| Deposits payable | 3,126 | | | | 3,126 |
| Due to other governments | 112 | | | | 112 |
| Compensated absences payable | 1,946 | 2,239 | (606) | | 3,579 |
| Net cash provided (used) by operating activities | <u>\$ 543,156</u> | <u>\$ 739,862</u> | <u>\$(1,431,119)</u> | <u>\$ 63,917</u> | <u>\$ (84,184)</u> |
| Noncash Transactions Affecting Financial Position: | | | | | |
| Cost basis of disposed capital assets | <u>\$ 35,662</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 35,662</u> |

See accompanying notes to the basic financial statements

EXHIBIT H
TOWN OF WOLFEBORO, NEW HAMPSHIRE
Statement of Fiduciary Net Assets
Fiduciary Funds
December 31, 2007

| | <u>Private- Purpose Trust Funds</u> | <u>Agency Funds</u> |
|---------------------------|---|-------------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 24,020 | \$ 120,116 |
| Investments | 311,523 | 910,098 |
| Total Assets | <u>\$ 335,543</u> | <u>\$ 1,030,214</u> |
| LIABILITIES | | |
| Performance deposits | | \$ 120,116 |
| Due to other governments | | 910,098 |
| Total Liabilities | <u>\$ -</u> | <u>\$ 1,030,214</u> |
| NET ASSETS | | |
| Held in trust | <u>335,543</u> | |
| Total Net Assets | <u>\$ 335,543</u> | |

See accompanying notes to the basic financial statements

EXHIBIT I
TOWN OF WOLFEBORO, NEW HAMPSHIRE
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended December 31, 2007

| | <u>Private- Purpose Trust Fund</u> |
|--------------------------------|--|
| ADDITIONS: | |
| Investment earnings: | |
| Investment income | \$ 29,983 |
| Total Additions | <u>29,983</u> |
| DEDUCTIONS: | |
| Benefits | <u>4,702</u> |
| Total Deductions | <u>4,702</u> |
| Change in Net Assets | 25,281 |
| Net assets - beginning of year | <u>310,262</u> |
| Net assets - end of year | <u>\$ 335,543</u> |

See accompanying notes to the basic financial statements

TOWN OF WOLFEBORO, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2007

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Wolfeboro, New Hampshire conform to accounting policies generally accepted in the United States of America for local governmental units, except as indicated hereinafter. The following is a summary of significant accounting policies.

Financial Reporting Entity

The Town of Wolfeboro, New Hampshire (the "Town") was incorporated in 1770. The Town operates under the Town Meeting/Board of Selectmen/Town Manager form of government and performs local governmental functions as authorized by State law.

The financial statements include those of the various departments governed by the Board of Selectmen and other officials with financial responsibilities. The Town has no other separate organizational units, which meet criteria for inclusion in the financial statements as defined by the Governmental Accounting Standards Board (GASB).

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.

1. Government-Wide Financial Statements:

The statement of net assets and the statement of activities display information about the Town as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net assets presents the financial condition of the governmental activities of the Town at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Town's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Town. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Town.

2. Fund Financial Statements:

During the year, the Town segregates transactions related to certain Town functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Town at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The fiduciary funds are reported by type.

TOWN OF WOLFEBORO, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2007

Fund Accounting

The Town uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

1. 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. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following is the Town's major governmental fund:

The General Fund is the main operating fund of the Town and is used to account for all financial resources except those required to be accounted for in another fund.

2. Proprietary Funds:

Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. Proprietary funds are classified as enterprise or internal service. The Town has no internal service funds. The following are the Town's major proprietary funds:

The Electric Department accounts for all revenues and expenses pertaining to the Town's electric operations.

The Water Department accounts for all revenues and expenses pertaining to the Town's water operations.

The Sewer Department accounts for all revenues and expenses pertaining to the Town's sanitation operations.

The Pop Whalen Ice Arena Fund accounts for all revenues and expenses pertaining to the Town's ice arena.

The above Proprietary Funds are utilized to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that the cost (i.e. expenses including depreciation) of providing goods or services to the residents on a continuing basis are financed or recovered primarily through user charges.

3. Fiduciary Funds:

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into two classifications: private purpose trust funds and agency funds. Trust funds are used to account for assets held by the Town under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Town's own programs. The Town maintains eighteen private purpose trust funds, which account for monies designated to benefit individuals within the Town. The Town's agency funds are custodial in nature (assets equal liabilities)

TOWN OF WOLFEBORO, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2007

and do not involve the measurement of results of operations. The Town's agency funds account for the capital reserve funds of the Governor Wentworth Regional School District, which are held by the Town as required by State law. Other agency funds consist of developer's performance bonds and engineering escrow funds.

Measurement Focus

1. Government-Wide Financial Statements:

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the Town are included on the Statement of Net Assets.

2. 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 on 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 statements for governmental funds.

Like the government-wide statements, the proprietary fund type is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of revenues, expenses and changes in net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the Town finances and meets the cash flow needs of its proprietary activities.

The private purpose trust funds are reported using the economic resources measurement focus.

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. Proprietary and fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

In the government-wide financial statements and proprietary fund statements, private-sector standards of accounting and financial reporting issued prior to December 1, 1989, are followed to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The Town has elected not to follow the FASB pronouncements issued subsequent to November 30, 1989.

TOWN OF WOLFEBORO, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2007

1. Revenues – Exchange and Non-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 a modified accrual basis, revenue is recorded 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. For the Town, available means expected to be received within sixty days of fiscal year end.

Non-exchange transactions, in which the Town receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 2). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal 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 non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes and interest on investments.

Licenses and permits, charges for services, and miscellaneous revenues (except interest on investments) are recorded as revenues when received in cash because they are generally not measurable until actually received.

2. Deferred Revenue:

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue. On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

3. Expenses/Expenditures:

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization are not recognized in governmental funds.

Budgetary Data

The Town's budget represents functional appropriations as authorized by annual or special Town meetings. The Selectmen may transfer funds between operating categories as they deem necessary. The Town adopts its budget under State regulations, which differ somewhat from accounting principles

TOWN OF WOLFEBORO, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2007

generally accepted in the United States of America in that the focus is on the entire governmental unit rather than on the basis of fund types.

State law requires balanced budgets but permits the use of beginning fund balance to reduce the property tax rate. For the year ended December 31, 2007, the Town applied \$528,972 of its unappropriated fund balance to reduce taxes.

Encumbrance Accounting

Encumbrance accounting, under which purchase orders and other commitments for expenditure of monies are recorded in order to reserve a portion of the applicable appropriation, is employed as an extension of formal budgetary integration in Governmental Funds. Encumbrances outstanding at year end are reported as a component of fund balance since they do not constitute expenditures or liabilities, but rather commitments related to unperformed contracts for goods and services.

Cash and Cash Equivalents

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of the following:

| | <u>Electric</u> <u>Department</u> | <u>Water</u> <u>Department</u> | <u>Sewer</u> <u>Department</u> | <u>Pop Whalen</u> <u>Ice Arena</u> <u>Fund</u> | <u>Totals</u> |
|---------------------------|--------------------------------------|-----------------------------------|-----------------------------------|--|---------------------|
| Cash and cash equivalents | \$ 542,124 | | | | \$ 542,124 |
| Due from other funds | <u>1,105,991</u> | <u>\$ 1,990,705</u> | <u>\$ 997,758</u> | <u>\$ 216,689</u> | <u>4,311,143</u> |
| Totals | <u>\$ 1,648,115</u> | <u>\$ 1,990,705</u> | <u>\$ 997,758</u> | <u>\$ 216,689</u> | <u>\$ 4,853,267</u> |

Investments

Investments are stated at their fair value in all funds. Certificates of deposit and repurchase agreements with a maturity of greater than ninety days from the date of issuance are included in investments.

Taxes Receivable

Taxes levied during the current fiscal year and prior and uncollected at December 31, 2007 are recorded as receivables net of reserves for estimated uncollectibles of \$133,678.

Capital Assets

General capital assets result from expenditures in the governmental funds. These assets are reported in the government-wide statement of net assets, but are not reported in the fund financial statements.

All capital assets including infrastructure are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair 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. The Town's infrastructure consists of roads, bridges, sidewalks, water purification and distribution systems, sewer collection and treatment systems, and similar items. Improvements are capitalized; the costs of normal maintenance and repairs that do not

TOWN OF WOLFEBORO, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2007

add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of proprietary capital assets is also capitalized.

All reported capital assets except for land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the Town's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

| <u>Description</u> | <u>Years</u> |
|-------------------------------------|--------------|
| Infrastructure | 5-75 |
| Buildings and building improvements | 10-50 |
| Machinery, equipment and vehicles | 5-10 |
| Improvements other than buildings | 3-20 |

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. For governmental fund financial statements, compensated absences are reported as liabilities and expenditures as payments come due each period upon the occurrence of employee death or retirement. The entire compensated absence liability is reported on the government-wide financial statements.

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 resources, are reported as obligations of the funds. However, compensated absences that will be paid from governmental funds are reported as liabilities in the fund financial statements only to the extent that they are due for payment during the current fiscal year. General obligation bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances on any borrowings 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.

The Town's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Balance Reserves

The Town reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation

TOWN OF WOLFEBORO, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2007

or expenditure. Unreserved fund balance indicates that portion which is available for appropriation in future periods.

Interfund Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

Interfund purchases and sales 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 for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in the proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the water fund and sewer fund, these revenues are charges to customers for sales and services. Operating expenses, which include depreciation on capital assets, are necessary costs incurred to provide the service that is the primary activity of the proprietary fund. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates. Significant estimates include depreciation expense and the allowance for uncollectible taxes.

NOTE 2—PROPERTY TAXES

Taxes are levied on the assessed valuation of all taxable real property as of the prior April 1 (\$2,048,628,792 as of April 1, 2007) and are due in two installments on July 6, 2007 and December 27, 2007. Taxes paid after the due dates accrue interest at 12% per annum. Property taxes are recognized as revenue when received in cash or if available to finance current period operations (within sixty days of year end).

Under State law, the Tax Collector obtains tax liens on properties which have unpaid taxes in the following calendar year after taxes were due for the amount of unpaid taxes, interest and costs. These priority tax liens accrue interest at 18% per annum. If the property is not redeemed within a two year redemption period, the property is tax deeded to the Town.

In accordance with State law, the Town collects taxes for the Governor Wentworth Regional School District and Carroll County, both independent governmental units, which are remitted to them as required by law. The Town also collects State of New Hampshire Education taxes which are remitted directly to the school district. Total taxes appropriated during the year were \$11,778,507 and \$1,783,057 for the Governor Wentworth Regional School District and Carroll County, respectively. These taxes are not

TOWN OF WOLFEBORO, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2007

recognized as revenues in these financial statements. The Town bears responsibility for uncollected taxes.

NOTE 3—RISK MANAGEMENT

The Town is exposed to various risks of losses related to torts; theft of; damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended December 31, 2007, the Town was a member of the Local Government Center (LGC) and the New Hampshire Public Risk Management Exchange (PRIMEX). The Town currently reports all of its risk management activities in its General Fund. These Trusts are classified as "Risk Pools" in accordance with accounting principles generally accepted in the United States of America.

The Trust agreements permit the Trusts to make additional assessments to members should there be a deficiency in Trust assets to meet its liabilities. Accounting principles generally accepted in the United States of America require members of pools with a sharing of risk to determine whether or not such assessment is probable and, if so, a reasonable estimate of such assessment. At this time, the Trusts foresee no likelihood of an additional assessment for any of the past years. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. Based on the best available information there is no liability at December 31, 2007.

Property and Liability Insurance

The LGC provides certain property and liability insurance coverage to member towns, cities, and other qualified political subdivisions of New Hampshire. As a member of the LGC, the Town shares in contributing to the cost of and receiving benefit from a self-insured pooled risk management program. The program includes a Self Insured Retention Fund from which is paid up to \$500,000 for each and every covered property, crime and/or liability loss that exceeds \$1,000.

Worker's Compensation

PRIMEX provides statutory worker's compensation coverage to member towns, cities, and other qualified political subdivisions of New Hampshire. The Trust is self-sustaining through annual member premiums and provides coverage for the statutorily required workers' compensation benefits and employer's liability coverage up to \$2,000,000. The program includes a Loss Fund from which is paid up to \$500,000 for each and every covered claim.

NOTE 4—DEPOSITS AND INVESTMENTS

Deposits and investments as of December 31, 2007 are classified in the accompanying financial statements as follows:

TOWN OF WOLFEBORO, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2007

| | |
|------------------------------------|----------------------|
| Statement of Net Assets: | |
| Cash and cash equivalents | \$ 13,656,010 |
| Investments | 2,506,467 |
| Statement of Fiduciary Net Assets: | |
| Cash and cash equivalents | 144,136 |
| Investments | <u>1,221,621</u> |
| Total deposits and investments | <u>\$ 17,528,234</u> |

Deposits and investments as of December 31, 2007 consist of the following:

| | |
|--------------------------------------|----------------------|
| Cash on hand | \$ 633 |
| Deposits with financial institutions | 15,966,888 |
| Investments | <u>1,560,713</u> |
| Total deposits and investments | <u>\$ 17,528,234</u> |

The Town's investment policy for governmental and proprietary fund types requires that deposits be made in New Hampshire based financial institutions that are participants in one of the federal depository insurance programs. The Town limits its investments to demand deposits, money market accounts, certificates of deposit, and overnight repurchase agreements in accordance with New Hampshire State law (RSA 41:29) or the New Hampshire Public Deposit Investment Pool (NHPDIP), an external investment pool. Responsibility for the investments of the expendable trust funds, permanent funds, private purpose trust funds, and school district agency funds is with the Board of Trustees. Investments of the library funds are at the discretion of the Library Trustees. The Trustees of Trust Funds have employed professional banking assistance in accordance with New Hampshire state law (RSA 31:38a).

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

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The following is the actual rating at year end for each investment type.

| <u>Investment Type</u> | <u>Not Rated</u> |
|------------------------|---------------------|
| Mutual funds | \$ 774,842 |
| State investment pool | <u>436,654</u> |
| | <u>\$ 1,211,496</u> |

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty 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.

TOWN OF WOLFEBORO, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2007

Of the Town's deposits with financial institutions at year end, \$14,742,931 was collateralized by securities held by the bank in the bank's name and \$64,468 was uninsured and uncollateralized. As of December 31, 2007, Town investments in the following investment types were held by the same counterparty that was used to buy the securities.

| | <u>Investment Type</u> | <u>Reported Amount</u> |
|--------------|------------------------|----------------------------|
| Mutual funds | | <u>\$ 1,538,583</u> |

Investment in NHPDIP

The Town is a voluntary participant in the New Hampshire Public Deposit Investment Pool (NHPDIP). The NHPDIP is not registered with the United States Securities and Exchange Commission as an investment company. The NHPDIP was created by state law and is administered by a public body of state, local and banking officials.

Investments in the NHPDIP are not investment securities and, as such, are not categorized by risk. The Town's exposure to derivatives is indirect through its participation in the NHPDIP. The Town's proportional share of these derivatives is not available. The fair value of the position in the investment pool is equal to the value of the pool shares.

NOTE 5—DUE FROM OTHER GOVERNMENTS

Receivables from other governments at December 31, 2007 consists of various state and federal funding and reimbursements. All receivables are considered collectible in full. A summary of the principal items of intergovernmental receivables is as follows:

| | | |
|---|----|----------------|
| Governmental activities: | | |
| State of New Hampshire - TRAC project | \$ | 70,955 |
| State of New Hampshire - Fire grant | | 14,250 |
| Due from WEDCO | | 24,621 |
| Business-type activities: | | |
| State of New Hampshire - Filtration grant | | <u>797,425</u> |
| | \$ | <u>907,251</u> |

NOTE 6—CAPITAL ASSETS

The following is a summary of changes in capital assets in the governmental funds:

| | <u>Balance 1/1/07</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance 12/31/07</u> |
|--|---------------------------|------------------|-------------------|-----------------------------|
| Governmental activities: | | | | |
| Capital assets not depreciated: | | | | |
| Land | \$ 5,839,095 | \$ 26,819 | | \$ 5,865,914 |
| Construction in progress | <u>89,410</u> | <u>99,478</u> | \$ (4,854) | <u>184,034</u> |
| Total capital assets not being depreciated | <u>5,928,505</u> | <u>126,297</u> | <u>(4,854)</u> | <u>6,049,948</u> |

TOWN OF WOLFEBORO, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2007

Other capital assets:

| | | | | |
|---|----------------------|-------------------|-------------------|----------------------|
| Infrastructure | 16,056,537 | 870,283 | | 16,926,820 |
| Buildings and building improvements | 1,398,881 | 34,830 | | 1,433,711 |
| Machinery, equipment and vehicles | 4,175,054 | 197,169 | (57,200) | 4,315,023 |
| Improvements other than buildings | 1,007,161 | 92,336 | | 1,099,497 |
| Total other capital assets at historical cost | <u>22,637,633</u> | <u>1,194,618</u> | <u>(57,200)</u> | <u>23,775,051</u> |
| Less accumulated depreciation for: | | | | |
| Infrastructure | (4,818,794) | (241,571) | | (5,060,365) |
| Buildings and building improvements | (680,166) | (32,857) | | (713,023) |
| Machinery, equipment and vehicles | (2,581,357) | (348,239) | 57,200 | (2,872,396) |
| Improvements other than buildings | (791,796) | (38,006) | | (829,802) |
| Total accumulated depreciation | <u>(8,872,113)</u> | <u>(660,673)</u> | <u>57,200</u> | <u>(9,475,586)</u> |
| Total other capital assets, net | <u>13,765,520</u> | <u>533,945</u> | <u>-</u> | <u>14,299,465</u> |
| Total capital assets, net | <u>\$ 19,694,025</u> | <u>\$ 660,242</u> | <u>\$ (4,854)</u> | <u>\$ 20,349,413</u> |

Depreciation expense was charged to governmental functions as follows:

| | |
|------------------------|-------------------|
| General government | \$ 9,087 |
| Public safety | 149,024 |
| Highways and streets | 412,145 |
| Sanitation | 48,786 |
| Culture and recreation | 41,631 |
| | <u>\$ 660,673</u> |

The following is a summary of changes in capital assets in the proprietary funds:

| | Balance 1/1/07 | Additions | Reductions | Balance 12/31/07 |
|---|----------------------|---------------------|----------------------|----------------------|
| Business-type activities: | | | | |
| Capital assets not depreciated: | | | | |
| Land | \$ 65,005 | \$ 50,000 | | \$ 115,005 |
| Construction in progress | <u>4,088,994</u> | <u>1,165,732</u> | <u>\$(3,026,233)</u> | <u>2,228,493</u> |
| Total capital assets not being depreciated | <u>4,153,999</u> | <u>1,215,732</u> | <u>(3,026,233)</u> | <u>2,343,498</u> |
| Other capital assets: | | | | |
| Buildings and systems | 15,517,476 | 1,274,233 | | 16,791,709 |
| Machinery, equipment and vehicles | <u>10,778,740</u> | <u>4,801,796</u> | <u>(35,662)</u> | <u>15,544,874</u> |
| Total other capital assets at historical cost | <u>26,296,216</u> | <u>6,076,029</u> | <u>(35,662)</u> | <u>32,336,583</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and systems | (3,143,574) | (324,418) | | (3,467,992) |
| Machinery, equipment and vehicles | <u>(5,518,752)</u> | <u>(484,282)</u> | <u>35,662</u> | <u>(5,967,372)</u> |
| Total accumulated depreciation | <u>(8,662,326)</u> | <u>(808,700)</u> | <u>35,662</u> | <u>(9,435,364)</u> |
| Total other capital assets, net | <u>17,633,890</u> | <u>5,267,329</u> | <u>-</u> | <u>22,901,219</u> |
| Total capital assets, net | <u>\$ 21,787,889</u> | <u>\$ 6,483,061</u> | <u>\$(3,026,233)</u> | <u>\$ 25,244,717</u> |

TOWN OF WOLFEBORO, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2007

Depreciation expense was charged to proprietary funds as follows:

| | |
|---|-------------------|
| Electric Department | \$ 283,142 |
| Water Department | 335,927 |
| Sewer Department | 150,838 |
| Pop Whalen Ice Arena Fund | <u>38,793</u> |
| Total business-type activities depreciation expense | <u>\$ 808,700</u> |

NOTE 7—DUE TO OTHER GOVERNMENTS

In accordance with State law, the Town collects taxes for the Governor Wentworth Regional School District and Carroll County, both independent governmental units, which are remitted to them as required by law. At December 31, 2007, the balance of the property tax appropriation due to the Governor Wentworth Regional School District is \$5,889,252. Other governmental payables consist of monies due to the State of New Hampshire for town clerk fees in the amount of \$2,561 and electric consumption taxes in the amount of \$112.

NOTE 8—DEFINED BENEFIT PLAN

Plan Description

The Town contributes to the New Hampshire Retirement System (NHRS), a cost-sharing multiple-employer defined benefit pension plan administered by the NHRS Board of Trustees. The plan provides service, disability, death and vested retirement allowances to plan members and beneficiaries. Benefit provisions are established and may be amended by the New Hampshire State legislature. The NHRS issues a publicly available financial report that includes financial statements and required supplementary information for NHRS. That report may be obtained by writing to New Hampshire Retirement System, 54 Regional Drive, Concord, New Hampshire 03301.

Funding Policy

Covered public safety employees are required to contribute 9.3% of their covered salary, whereas general employees are required to contribute 5.0% of their covered salary. The Town is required to contribute at an actuarially determined rate. The Town's contribution rates for the covered payroll of police officers, fire employees, and general employees were 9.68%, 14.36%, and 6.81%, respectively, through June 30, 2007 and 11.84%, 15.92% and 8.74%, respectively, thereafter. The Town contributes 65% of the employer cost for police officers and fire employees, and the State contributes the remaining 35% of the employer cost. The Town contributes 100% of the employer cost for general employees of the Town. In accordance with accounting principles generally accepted in the United States of America (GASB Statement #24), on-behalf fringe benefits contributed by the State of New Hampshire of \$81,546 have been reported as a revenue and expenditure in the General Fund in these financial statements.

Per RSA-100:16, plan member contribution rates are established and may be amended by the New Hampshire State legislature and employer contribution rates are determined by the NHRS Board of Trustees based on an actuarial valuation. The Town's contributions to the NHRS for the years ending December 31, 2007, 2006, and 2005 were \$325,764, \$283,183, and \$260,654, respectively, equal to the required contributions for each year.

TOWN OF WOLFEBORO, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2007

NOTE 9—SHORT-TERM OBLIGATIONS

During the year the Town issued bond anticipation notes in conjunction with debt authorized at the 2007 Annual Town Meeting. These borrowings are to assist in financing certain preliminary expenses involved with the restoration/renovation of the Town Hall, repairs to the Pop Whalen Ice Rink, and Sewer study and inflow/infiltration project.

The changes in short-term debt obligations for the year ended December 31, 2007 are as follows:

| | |
|-----------------------------|---------------------|
| Governmental activities: | |
| Balance - January 1, 2007 | \$ - |
| Additions | 500,000 |
| Reductions | - |
| Balance - December 31, 2007 | <u>\$ 500,000</u> |
| Business-type activities: | |
| Balance - January 1, 2007 | \$ - |
| Additions | 2,234,900 |
| Reductions | - |
| Balance - December 31, 2007 | <u>\$ 2,234,900</u> |

NOTE 10—LONG-TERM OBLIGATIONS

Changes in Long-Term Obligations

The changes in the Town's long-term obligations for the year ended December 31, 2007 are as follows:

| | Balance <u>1/1/07</u> | <u>Additions</u> | <u>Reductions</u> | Balance <u>12/31/07</u> | Due Within <u>One Year</u> |
|--|--------------------------|---------------------|---------------------|----------------------------|-------------------------------|
| Governmental activities: | | | | | |
| Bonds payable | \$ 1,126,527 | \$ 1,292,315 | \$ (81,150) | \$ 2,337,692 | \$ 144,137 |
| Compensated absences | 299,858 | 44,933 | (14,036) | 330,755 | - |
| Estimated liability for landfill postclosure care costs | 213,528 | 254,549 | (8,077) | 460,000 | 23,000 |
| Total governmental activities | <u>\$ 1,639,913</u> | <u>\$ 1,591,797</u> | <u>\$ (103,263)</u> | <u>\$ 3,128,447</u> | <u>\$ 167,137</u> |
| | | | | | |
| | Balance <u>1/1/07</u> | <u>Additions</u> | <u>Reductions</u> | Balance <u>12/31/07</u> | Due Within <u>One Year</u> |
| Business-type activities: | | | | | |
| Bonds payable | \$ 10,314,093 | \$ 3,409,285 | \$ (590,267) | \$ 13,133,111 | \$ 768,083 |
| Compensated absences | 42,861 | 4,185 | (606) | 46,440 | - |
| Total business-type activities | <u>\$ 10,356,954</u> | <u>\$ 3,413,470</u> | <u>\$ (590,873)</u> | <u>\$ 13,179,551</u> | <u>\$ 768,083</u> |

Payments on the general obligation bonds and estimated liability for landfill postclosure care costs of the governmental activities are paid out of the General Fund. Compensated absences will be paid from the fund where the employee's salary is paid.

TOWN OF WOLFEBORO, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2007

Payments on the general obligation bonds of the business-type activities are funded through user fees and reduced by reimbursements received from the State of New Hampshire.

General Obligation Bonds

Governmental Activities:

Bonds payable at December 31, 2007 are comprised of the following individual issues:

| | Original Issue <u>Amount</u> | Interest <u>Rate</u> | Final Maturity <u>Date</u> | Balance at <u>12/31/07</u> |
|----------------------------|------------------------------------|-------------------------|----------------------------------|-------------------------------|
| Landfill closure bond | \$ 600,000 | 5.80 % | July 2017 | \$ 300,000 |
| Public improvements bond | 578,500 | 5.125 - 5.50% | August 2020 | 371,440 |
| Friend Street water system | 396,514 | 4.0 - 4.30% | January 2026 | 373,937 |
| General projects bond | <u>1,306,330</u> | 4.0 - 5.0% | August 2027 | <u>1,292,315</u> |
| Totals | <u>\$ 2,881,344</u> | | | <u>\$ 2,337,692</u> |

Debt service requirements to retire general obligation bonds for governmental activities at December 31, 2007 are as follows:

| Year Ending <u>December 31,</u> | <u>Principal</u> | <u>Interest</u> | <u>Totals</u> |
|------------------------------------|---------------------|---------------------|---------------------|
| 2008 | \$ 144,137 | \$ 115,431 | \$ 259,568 |
| 2009 | 151,822 | 104,521 | 256,343 |
| 2010 | 146,822 | 97,586 | 244,408 |
| 2011 | 141,822 | 90,831 | 232,653 |
| 2012 | 141,822 | 84,275 | 226,097 |
| 2013-2017 | 702,329 | 319,418 | 1,021,747 |
| 2018-2022 | 493,061 | 163,375 | 656,436 |
| 2023-2027 | <u>415,877</u> | <u>55,532</u> | <u>471,409</u> |
| | <u>\$ 2,337,692</u> | <u>\$ 1,030,969</u> | <u>\$ 3,368,661</u> |

As included on the Statement of Activities (Exhibit B), interest expense for the year ended December 31, 2007 was \$79,662 on general obligation debt for governmental activities.

The State of New Hampshire annually reimburses the Town for its share of landfill closure related debt service payments. For the year ended December 31, 2007, the reimbursement was \$9,654.

Business-type Activities:

Bonds payable at December 31, 2007 are comprised of the following individual issues:

TOWN OF WOLFEBORO, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2007

| | <u>Issue Amount</u> | <u>Interest Rate</u> | <u>Maturity Date</u> | <u>Balance at 12/31/07</u> |
|---------------------------|-------------------------|--------------------------|--------------------------|--------------------------------|
| Water bond | \$ 3,000,000 | 4.50% | June 2025 | \$ 1,862,221 |
| Water system improvements | 450,000 | 4.50% | March 2021 | 302,721 |
| Water system improvements | 550,000 | 4.50% | May 2025 | 353,570 |
| Water system improvements | 1,183,080 | 4.25% | November 2033 | 1,060,692 |
| Water system improvements | 1,650,011 | 4.0 - 4.30% | January 2026 | 1,556,063 |
| Water projects bond | 2,850,000 | 4.0 - 5.0% | August 2027 | 2,816,295 |
| Sewer improvements bond | 535,000 | 5.125 - 5.50% | August 2020 | 343,559 |
| Sewer projects bond | 600,000 | 4.0 - 5.0% | August 2027 | 592,990 |
| Electric bonds | 5,281,000 | 2.25 - 4.25% | June 2023 | 4,220,000 |
| Ice arena bonds | 138,865 | 4.25% | January 2008 | 25,000 |
| Totals | <u>\$ 16,237,956</u> | | | <u>\$ 13,133,111</u> |

Debt service requirements to retire general obligation bonds for business-type activities at December 31, 2007 are as follows:

| <u>Year Ending December 31,</u> | <u>Principal</u> | <u>Interest</u> | <u>Totals</u> |
|-------------------------------------|----------------------|---------------------|----------------------|
| 2008 | \$ 768,083 | \$ 549,511 | \$ 1,317,594 |
| 2009 | 734,559 | 510,832 | 1,245,391 |
| 2010 | 740,355 | 483,982 | 1,224,337 |
| 2011 | 746,187 | 456,213 | 1,202,400 |
| 2012 | 747,058 | 427,543 | 1,174,601 |
| 2013-2017 | 3,721,571 | 1,682,788 | 5,404,359 |
| 2018-2022 | 3,498,013 | 898,044 | 4,396,057 |
| 2023-2027 | 1,932,515 | 252,237 | 2,184,752 |
| 2028-2032 | 203,980 | 30,341 | 234,321 |
| 2033 | 40,790 | 1,749 | 42,539 |
| | <u>\$ 13,133,111</u> | <u>\$ 5,293,240</u> | <u>\$ 18,426,351</u> |

As included on the Statement of Revenues, Expenses and Changes in Net Assets – Proprietary Funds (Exhibit F), interest expense for the year ended December 31, 2007 was \$485,755 on general obligation debt for business-type activities.

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, to offset debt payments in the Water Department Fund. For the year ended December 31, 2007, the annual reimbursement was \$57,569.

Authorized and Unissued Debt

The following debt was authorized and unissued as of December 31, 2007:

| | |
|-------------------------------|---------------------|
| 2007 Effluent Disposal System | <u>\$ 6,368,000</u> |
|-------------------------------|---------------------|

TOWN OF WOLFEBORO, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2007

NOTE 11—LANDFILL POSTCLOSURE CARE COSTS

State and federal laws and regulations require that the Town place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. An estimated liability has been recorded based on the future post-closure care costs that will be incurred. The estimated liability for landfill post-closure care costs has a balance of \$460,000 as of December 31, 2007. The Town's landfill was closed during fiscal year 1997. The estimated total current cost of the landfill post-closure care 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, 2007. However, the actual cost of post-closure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

The closure costs were financed through the issuance of debt under the State of New Hampshire, State Water Pollution Control Revolving Fund Program. The remaining post-closure care costs are expected to be financed through annual appropriations.

The following is a summary of changes in the estimated liability for post-closure care costs for the year ended December 31, 2007:

| | |
|---|-------------------|
| Balance January 1, 2007 | \$ 213,528 |
| Expenditures recognized in the General Fund | (8,077) |
| Net change in estimated liability for post-closure care costs | <u>254,549</u> |
| Balance December 31, 2007 | <u>\$ 460,000</u> |

NOTE 12—INTERFUND BALANCES AND TRANSFERS

The Town has combined the cash resources of its governmental and proprietary fund types. For accounting and reporting purposes, that portion of the pooled cash balance is reported in the specific fund as an interfund balance. Interfund balances at December 31, 2007 are as follows:

| | Due from | | Totals |
|-----------------------------|---------------------|-----------------------------------|---------------------|
| | General Fund | Nonmajor Governmental Funds | |
| General Fund | | \$ 40,515 | \$ 40,515 |
| Nonmajor Governmental Funds | \$ 858,616 | | 858,616 |
| Electric Department | 1,105,991 | | 1,105,991 |
| Water Department | 1,990,705 | | 1,990,705 |
| Sewer Department | 997,758 | | 997,758 |
| Pop Whalen Ice Arena Fund | 216,689 | | 216,689 |
| | <u>\$ 5,169,759</u> | <u>\$ 40,515</u> | <u>\$ 5,210,274</u> |

During the year, interfund transactions occurred between funds. The operating transfers were made in accordance with budgetary authorization. Interfund transfers for the year ended December 31, 2007 are as follows:

TOWN OF WOLFEBORO, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2007

| | Transfer from | | Totals |
|-----------------------------|-------------------|-----------------------------|---------------------|
| | General Fund | Nonmajor Governmental Funds | |
| Transfer to General Fund | | \$ 101,747 | \$ 101,747 |
| Nonmajor Governmental Funds | \$ 542,139 | 520 | 542,659 |
| Water Department | 50,000 | | 50,000 |
| Sewer Department | 333,326 | | 333,326 |
| | <u>\$ 925,465</u> | <u>\$ 102,267</u> | <u>\$ 1,027,732</u> |

NOTE 13—RESTRICTED NET ASSETS

Net assets are restricted for specific purposes as follows:

| | Governmental Activities |
|-------------------|-------------------------|
| Endowments | \$ 604,829 |
| Expendable trusts | 1,236,417 |
| Capital projects | 191,894 |
| | <u>\$ 2,033,140</u> |

NOTE 14—PERMANENT FUNDS

Permanent funds account for resources that are legally restricted to the extent that only earnings and not principal may be used for purposes that support the Town's programs. Principal and income balances at December 31, 2007 are as follows:

| | Principal | Income | Total |
|-----------------|-------------------|-------------------|-------------------|
| Cemetery Funds | \$ 181,281 | \$ 7,847 | \$ 189,128 |
| Library Funds | 17,382 | 1,251 | 18,633 |
| Aide to Elderly | 113,564 | 47,737 | 161,301 |
| Town Roads | 119,937 | 91,086 | 211,023 |
| Town Concerts | 12,168 | 1,061 | 13,229 |
| Town Park | 43,456 | 18,769 | 62,225 |
| Other Various | 117,041 | 81,375 | 198,416 |
| | <u>\$ 604,829</u> | <u>\$ 249,126</u> | <u>\$ 853,955</u> |

NOTE 15—COMMITMENTS AND CONTINGENCIES

Litigation

The Town's general counsel estimates that any potential claims against the Town, which are not covered by insurance, are immaterial and would not affect the financial position of the Town.

TOWN OF WOLFEBORO, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2007

Federal Grants

The Town participates in a number of federally assisted grant programs. These programs are subject to financial and compliance audits by the grantors or their representatives. The amounts, if any, of expenditures which may be disallowed by the granting agency cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

NOTE 16—SUBSEQUENT EVENT

During January 2008, the Town purchased approximately 35 acres of Town land in conjunction with its new effluent disposal system for \$1,050,000.

In July 2008, the Town issued general obligation bonds to refund "Bond Anticipation Notes" issued to finance certain preliminary expenses involved with the restoration/renovation of the Town Hall, repairs to the Pop Whalen Ice Rink, and Sewer study and inflow/infiltration project in the amount of \$2,776,845 with interest at 4.00% – 5.25% maturing August 15, 2028.

SCHEDULE 1
TOWN OF WOLFEBORO, NEW HAMPSHIRE
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Budgetary Basis) - General Fund
For the Year Ended December 31, 2007

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget - Favorable (Unfavorable)</u> |
|--|-------------------------|---------------------|---------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| Taxes | \$ 6,553,766 | \$ 6,553,766 | \$ 6,469,014 | \$ (84,752) |
| Licenses and permits | 1,392,692 | 1,392,692 | 1,455,112 | 62,420 |
| Intergovernmental revenues | 466,978 | 466,978 | 539,357 | 72,379 |
| Charges for services | 993,005 | 993,005 | 1,079,666 | 86,661 |
| Interest and investment income | 130,000 | 130,000 | 111,204 | (18,796) |
| Miscellaneous | 107,926 | 107,926 | 163,967 | 56,041 |
| Total Revenues | 9,644,367 | 9,644,367 | 9,818,320 | 173,953 |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 1,705,194 | 1,705,194 | 1,769,028 | (63,834) |
| Public safety | 3,147,206 | 3,147,206 | 3,033,949 | 113,257 |
| Highways and streets | 1,713,526 | 1,713,526 | 1,733,379 | (19,853) |
| Health and welfare | 177,907 | 177,907 | 174,981 | 2,926 |
| Sanitation | 850,418 | 850,418 | 760,902 | 89,516 |
| Culture and recreation | 660,671 | 660,671 | 639,376 | 21,295 |
| Economic development | 6,852 | 6,852 | 6,430 | 422 |
| Capital outlay | 904,953 | 832,149 | 869,496 | (37,347) |
| Debt service: | | | | |
| Principal retirement | 98,573 | 98,573 | 81,150 | 17,423 |
| Interest and fiscal charges | 123,415 | 123,415 | 45,388 | 78,027 |
| Total Expenditures | 9,388,715 | 9,315,911 | 9,114,079 | 201,832 |
| Excess revenues over expenditures | 255,652 | 328,456 | 704,241 | 375,785 |
| Other Financing Sources (Uses): | | | | |
| Operating transfers in | 147,114 | 147,114 | 101,747 | (45,367) |
| Operating transfers out | (1,070,041) | (1,070,041) | (925,465) | 144,576 |
| Total Other Financing Sources (Uses) | (922,927) | (922,927) | (823,718) | 99,209 |
| Excess of revenues and other sources over (under) expenditures and other uses | (667,275) | (594,471) | (119,477) | 474,994 |
| Fund balance at beginning of year | | | | |
| - Budgetary Basis | 3,358,342 | 3,358,342 | 3,358,342 | - |
| Fund balance at end of year | | | | |
| - Budgetary Basis | \$ 2,691,067 | \$ 2,763,871 | \$ 3,238,865 | \$ 474,994 |

See accompanying notes to the required supplementary information

TOWN OF WOLFEBORO, NEW HAMPSHIRE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2007

NOTE 1—BUDGET TO ACTUAL RECONCILIATION

Amounts recorded as budgetary amounts in the Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budgetary Basis) – General Fund (Schedule 1) are reported on the basis budgeted by the Town. Those amounts differ from those reported in conformity with accounting principles generally accepted in the United States of America in the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds (Exhibit D). Property tax budgetary revenues are recognized when levied rather than when susceptible to accrual. Budgetary expenditures were adjusted for encumbrances and on-behalf payments for fringe benefits.

| | Revenues and Other Financing <u>Sources</u> | Expenditures and Other Financing <u>Uses</u> |
|---|--|---|
| Exhibit D | \$ 9,498,969 | \$ 10,095,358 |
| Difference in property taxes meeting susceptible to accrual criteria | 502,644 | |
| Bond premium | | (14,015) |
| Encumbrances, December 31, 2007 | | 271,825 |
| Encumbrances, December 31, 2006 | | (232,078) |
| On-behalf fringe benefits | <u>(81,546)</u> | <u>(81,546)</u> |
| Schedule 1 | <u>\$ 9,920,067</u> | <u>\$ 10,039,544</u> |

NOTE 2—BUDGETARY FUND BALANCES

The components of the budgetary fund balance for the General Fund are as follows:

| | |
|---|---------------------|
| Unreserved: | |
| Designated for contingency | \$ 133,000 |
| Designated for subsequent years' expenditures | 72,804 |
| Undesignated | <u>3,033,061</u> |
| | <u>\$ 3,238,865</u> |

NOTE 3—UNRESERVED DESIGNATED FUND BALANCES

Appropriations for certain projects and specific items not fully expended at year end are carried forward as continuing appropriations to the next year in which they supplement the appropriations of that year. At year end, continuing appropriations are reported as a component of unreserved fund balance and are detailed as follows:

| | |
|-------------------------|------------------|
| Town road reclamation | \$ 32,111 |
| Stump dump landfill | 36,766 |
| Russell C. Chase Bridge | <u>3,927</u> |
| | <u>\$ 72,804</u> |

SCHEDULE A
TOWN OF WOLFEBORO, NEW HAMPSHIRE
Combining Balance Sheet
Governmental Funds - All Nonmajor Funds
December 31, 2007

| | Special Revenue <u>Funds</u> | Permanent <u>Funds</u> | Capital Project <u>Funds</u> | Total Other Governmental <u>Funds</u> |
|--|------------------------------------|---------------------------|------------------------------------|---|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 87,130 | \$ 53,822 | | \$ 140,952 |
| Investments | 1,702,251 | 804,216 | | 2,506,467 |
| Accounts receivable | 8,714 | | | 8,714 |
| Due from other funds | 8,182 | | \$ 850,434 | 858,616 |
| Total Assets | <u>\$ 1,806,277</u> | <u>\$ 858,038</u> | <u>\$ 850,434</u> | <u>\$ 3,514,749</u> |
| LIABILITIES | | | | |
| Bond anticipation notes payable | | | \$ 500,000 | \$ 500,000 |
| Due to other funds | \$ 35,375 | \$ 4,083 | 1,057 | 40,515 |
| Total Liabilities | <u>35,375</u> | <u>4,083</u> | <u>501,057</u> | <u>540,515</u> |
| FUND BALANCES | | | | |
| Reserved for encumbrances | | | 157,483 | 157,483 |
| Reserved for endowments | | 604,829 | | 604,829 |
| Unreserved, reported in: | | | | |
| Special revenue funds | 1,770,902 | | | 1,770,902 |
| Permanent funds | | 249,126 | | 249,126 |
| Capital project funds | | | 191,894 | 191,894 |
| Total Fund Balances | <u>1,770,902</u> | <u>853,955</u> | <u>349,377</u> | <u>2,974,234</u> |
| Total Liabilities and Fund Balances | <u>\$ 1,806,277</u> | <u>\$ 858,038</u> | <u>\$ 850,434</u> | <u>\$ 3,514,749</u> |

SCHEDULE A-1
TOWN OF WOLFEBORO, NEW HAMPSHIRE
Combining Balance Sheet
Governmental Funds - All Nonmajor Special Revenue Funds
 December 31, 2007

| | Library Fund | Conservation Commission | Josiah Brown Fund | Police Details Fund | Expendable Trust Funds | Total Nonmajor Special Revenue Funds |
|-------------------------------------|-------------------|----------------------------|-------------------------|---------------------------|------------------------------|--|
| ASSETS | | | | | | |
| Cash and cash equivalents | \$ 76,712 | \$ 10,125 | \$ 293 | | \$ 1,257,277 | \$ 87,130 |
| Investments | 422,844 | 22,130 | | \$ 8,714 | | 1,702,251 |
| Accounts receivable | | | | 8,182 | | 8,714 |
| Due from other funds | | | | | | 8,182 |
| Total Assets | <u>\$ 499,556</u> | <u>\$ 32,255</u> | <u>\$ 293</u> | <u>\$ 16,896</u> | <u>\$ 1,257,277</u> | <u>\$ 1,806,277</u> |
| | | | | | | |
| LIABILITIES | | | | | | |
| Due to other funds | \$ 13,687 | \$ 828 | | | \$ 20,860 | \$ 35,375 |
| Total Liabilities | <u>13,687</u> | <u>828</u> | <u>\$ -</u> | <u>\$ -</u> | <u>20,860</u> | <u>35,375</u> |
| | | | | | | |
| FUND BALANCES | | | | | | |
| Unreserved, reported in: | | | | | | |
| Special revenue funds | 485,869 | 31,427 | 293 | 16,896 | 1,236,417 | 1,770,902 |
| Total Fund Balances | <u>485,869</u> | <u>31,427</u> | <u>293</u> | <u>16,896</u> | <u>1,236,417</u> | <u>1,770,902</u> |
| Total Liabilities and Fund Balances | <u>\$ 499,556</u> | <u>\$ 32,255</u> | <u>\$ 293</u> | <u>\$ 16,896</u> | <u>\$ 1,257,277</u> | <u>\$ 1,806,277</u> |

SCHEDULE B
TOWN OF WOLFEBORO, NEW HAMPSHIRE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds - All Nonmajor Funds
For the Year Ended December 31, 2007

| | Special Revenue Funds | Permanent Funds | Capital Project Funds | Total Other Governmental Funds |
|--|-----------------------------|--------------------|-----------------------------|--------------------------------------|
| Revenues: | | | | |
| Taxes | \$ 11,446 | | | \$ 11,446 |
| Charges for services | 24,332 | | | 24,332 |
| Interest and investment income | 82,849 | \$ 47,535 | \$ 1,771 | 132,155 |
| Miscellaneous | 34,077 | | | 34,077 |
| Total Revenues | <u>152,704</u> | <u>47,535</u> | <u>1,771</u> | <u>202,010</u> |
| Expenditures: | | | | |
| Current operations: | | | | |
| General government | 30 | 1,836 | | 1,866 |
| Public safety | 17,226 | | | 17,226 |
| Highways and streets | | 1,066 | | 1,066 |
| Culture and recreation | 387,941 | 9,036 | | 396,977 |
| Capital outlay | 47,679 | | 1,045,389 | 1,093,068 |
| Total Expenditures | <u>452,876</u> | <u>11,938</u> | <u>1,045,389</u> | <u>1,510,203</u> |
| Excess revenues over (under) expenditures | <u>(300,172)</u> | <u>35,597</u> | <u>(1,043,618)</u> | <u>(1,308,193)</u> |
| Other Financing Sources (Uses): | | | | |
| Proceeds from bond issuances | | | 1,306,330 | 1,306,330 |
| Operating transfers in | 542,659 | | | 542,659 |
| Operating transfers out | (98,184) | (4,083) | | (102,267) |
| Total Other Financing Sources (Uses) | <u>444,475</u> | <u>(4,083)</u> | <u>1,306,330</u> | <u>1,746,722</u> |
| Excess of revenues and other sources over (under) expenditures and other uses | 144,303 | 31,514 | 262,712 | 438,529 |
| Fund balances at beginning of year | <u>1,626,599</u> | <u>822,441</u> | <u>86,665</u> | <u>2,535,705</u> |
| Fund balances at end of year | <u>\$ 1,770,902</u> | <u>\$ 853,955</u> | <u>\$ 349,377</u> | <u>\$ 2,974,234</u> |

SCHEDULE B-1
TOWN OF WOLFEBORO, NEW HAMPSHIRE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds - All Nonmajor Special Revenue Funds
 December 31, 2007

| | Library Fund | Conservation Commission | Land Use Fund | Josiah Brown Fund | Police Details Fund | Expendable Trust Funds | Total Nonmajor Special Revenue Funds |
|---|-----------------|----------------------------|------------------|-------------------------|---------------------------|------------------------------|--|
| Revenues: | | | | | | | |
| Taxes | | \$ 11,446 | | | \$ 24,332 | | \$ 11,446 |
| Charges for services | \$ 21,983 | 692 | | 4 | \$ 60,170 | | 24,332 |
| Interest and investment income | 28,808 | 269 | | | 5,000 | | 82,849 |
| Miscellaneous | 50,791 | 12,407 | | 4 | 65,170 | | 34,077 |
| Total Revenues | | | | | | | 152,704 |
| Expenditures: | | | | | | | |
| Current operations: | | | | | | | |
| General government | | | | 30 | 17,226 | | 30 |
| Public safety | | | | | | | 17,226 |
| Culture and recreation | 387,916 | 25 | | | | | 387,941 |
| Capital outlay | | 26,819 | | | | 20,860 | 47,679 |
| Total Expenditures | 387,916 | 26,844 | | 30 | 17,226 | 20,860 | 452,876 |
| Excess revenues over (under) expenditures | (337,125) | (14,437) | | (26) | 7,106 | 44,310 | (300,172) |
| Other Financing Sources (Uses): | | | | | | | |
| Operating transfers in | 371,521 | 6,138 | | | | 165,000 | 542,659 |
| Operating transfers out | | | \$ (520) | | | (97,664) | (98,184) |
| Total Other Financing Sources (Uses) | 371,521 | 6,138 | (520) | | | 67,336 | 444,475 |
| Excess of revenues and other sources over (under) expenditures and other uses | 34,396 | (8,299) | (520) | (26) | 7,106 | 111,646 | 144,303 |
| Fund balances at beginning of year | 451,473 | 39,726 | 520 | 319 | 9,790 | 1,124,771 | 1,626,599 |
| Fund balances at end of year | \$ 485,869 | \$ 31,427 | \$ - | \$ 293 | \$ 16,896 | \$ 1,236,417 | \$ 1,770,902 |

SCHEDULE C
TOWN OF WOLFEBORO, NEW HAMPSHIRE
Combining Statement of Fiduciary Net Assets
Fiduciary Funds - All Agency Funds
December 31, 2007

| | School Agency <u>Funds</u> | Performance Bond/Escrow <u>Funds</u> | Total Agency <u>Funds</u> |
|---------------------------|----------------------------------|--|---------------------------------|
| ASSETS | | | |
| Cash and cash equivalents | | \$ 120,116 | \$ 120,116 |
| Investments | \$ 910,098 | | 910,098 |
| Total Assets | <u>\$ 910,098</u> | <u>\$ 120,116</u> | <u>\$ 1,030,214</u> |
| LIABILITIES | | | |
| Performance deposits | | \$ 120,116 | \$ 120,116 |
| Due to other governments | \$ 910,098 | | 910,098 |
| Total Liabilities | <u>\$ 910,098</u> | <u>\$ 120,116</u> | <u>\$ 1,030,214</u> |