

TOWN OF WOLFEBORO, NEW HAMPSHIRE

Financial Statements

December 31, 2010

and

Independent Auditor's Report

**Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards***

TOWN OF WOLFEBORO, NEW HAMPSHIRE
FINANCIAL STATEMENTS
December 31, 2010

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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, 2010, 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 and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. 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, 2010, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 17, 2011, on our consideration of the Town of Wolfeboro, New Hampshire's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis, budgetary comparison information and the schedule of funding progress for other post-employment benefits on pages i-ix and 31-34, 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.

Wachon Cluckey & Company PC

August 17, 2011

TOWN OF WOLFEBORO, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ending December 31, 2010

Presented herewith please find the Management Discussion & Analysis Report for the Town of Wolfeboro for the year ended December 31, 2010. The responsibility for accuracy of the data, the completeness and fairness of this documentation (including all disclosures) rests with management. To the best of our knowledge and belief, the data contained herein is accurate in all material aspects. This report and its content have been designed to fairly present the Town's financial position, including the results of operations of all the funds of the Town. All the disclosures necessary to enable and to assist the reader in acquiring an accurate understanding of the Town's financial activities have been included.

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

Overview of the Financial Statements

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

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

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

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

Government-Wide Financial Statements

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

The statement of net 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, 2010

The government-wide financial statements have separate columns for the following two types of activities:

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

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

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain 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, which is the Town's only major governmental fund. All other non-major governmental funds are aggregated and presented as other governmental funds.

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

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

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

TOWN OF WOLFEBORO, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ending December 31, 2010

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 fund which includes a reconciliation between the reported activity of the revenues, expenditures and 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. A schedule of funding progress for other post-employment benefits is also presented in this section.

Other Supplementary Information

Other supplementary information includes the combining non-major and fiduciary fund financial statements.

Government-Wide Financial Analysis

Governmental Activities

Net assets of the Town of Wolfeboro governmental activities as of December 31, 2010 and 2009 are as follows:

| | <u>2010</u> | <u>2009</u> |
|---|----------------------|----------------------|
| Current and other assets: | | |
| Capital assets, net | \$ 23,439,063 | \$ 23,002,130 |
| Other assets | <u>13,237,511</u> | <u>12,542,593</u> |
| Total assets | <u>\$ 36,676,574</u> | <u>\$ 35,544,723</u> |
| | | |
| Long-term liabilities | \$ 5,174,495 | \$ 4,394,528 |
| Other liabilities | <u>6,736,661</u> | <u>6,872,942</u> |
| Total liabilities | <u>\$ 11,911,156</u> | <u>\$ 11,267,470</u> |
| | | |
| Net assets: | | |
| Invested in capital assets, net of related debt | \$ 19,559,039 | \$ 19,797,805 |
| Restricted | 2,464,409 | 1,580,744 |
| Unrestricted | <u>2,741,970</u> | <u>2,898,704</u> |
| Total net assets | <u>\$ 24,765,418</u> | <u>\$ 24,277,253</u> |

The Town's net assets totaled \$24,765,418 at the end of fiscal year 2010, an increase of \$488,165 when compared to the end of the previous fiscal year. This increase includes a decrease in the Town's

TOWN OF WOLFEBORO, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ending December 31, 2010

investment in capital assets, net of related debt of (\$238,766) which was offset by increases in Restricted Net Assets of \$883,665 and decreases in Unrestricted Net Assets of (\$156,734).

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 years ended December 31, 2010 and 2009 are as follows:

| | <u>2010</u> | <u>2009</u> |
|--------------------------------------|----------------------|----------------------|
| Program revenues: | | |
| Charges for services | \$ 581,773 | \$ 569,562 |
| Operating grants and contributions | 291,409 | 265,495 |
| Capital grants and contributions | <u>9,036</u> | <u>208,450</u> |
| Total program revenues | <u>882,218</u> | <u>1,043,507</u> |
| General revenues: | | |
| Property and other taxes | 8,294,410 | 6,683,953 |
| Licenses and permits | 1,214,948 | 1,324,274 |
| Intergovernmental revenue | 282,744 | 283,783 |
| Interest and investment earnings | 132,940 | 233,887 |
| Miscellaneous | 228,031 | 202,258 |
| Transfers | <u>(183,963)</u> | <u>(99,609)</u> |
| Total general revenues and transfers | <u>9,969,110</u> | <u>8,628,639</u> |
| Total revenues | <u>10,851,328</u> | <u>9,672,146</u> |
| Program expenses: | | |
| General government | 1,491,759 | 1,422,235 |
| Public safety | 3,645,387 | 3,487,516 |
| Highways and streets | 2,522,535 | 2,277,454 |
| Health and welfare | 302,306 | 255,501 |
| Sanitation | 875,563 | 848,017 |
| Culture and recreation | 1,339,920 | 1,163,989 |
| Economic development | 14,770 | 7,321 |
| Interest and fiscal charges | <u>170,923</u> | <u>134,101</u> |
| Total expenses | <u>10,363,163</u> | <u>9,596,134</u> |
| Change in net assets | 488,165 | 76,012 |
| Net assets - beginning of year | <u>24,277,253</u> | <u>24,201,241</u> |
| Net assets - ending of year | <u>\$ 24,765,418</u> | <u>\$ 24,277,253</u> |

TOWN OF WOLFEBORO, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ending December 31, 2010

As shown in the above statement, governmental activities of the Town experienced a net increase in financial position of \$488,165 on the full accrual basis of accounting.

During the year ended December 31, 2010, program revenues covered only 9% of program expenses, while the remaining 91% was funded by general revenues (e.g. taxes, grants and contributions).

The Town's governmental activities expenses covered a range of services. The largest expenses were for general government (14%), public safety (35%), culture and recreation (13%), and highways and streets (24%) which accounted for 86% of total expenses.

Business-type Activities

Net assets of the business type activities as of December 31, 2010 and 2009 are as follows:

| | <u>2010</u> | <u>2009</u> |
|---|----------------------|----------------------|
| Current and other assets: | | |
| Capital assets, net | \$ 32,558,740 | \$ 32,024,438 |
| Other assets | <u>3,852,076</u> | <u>4,321,873</u> |
| Total assets | <u>\$ 36,410,816</u> | <u>\$ 36,346,311</u> |
| Long-term liabilities | \$ 21,014,663 | \$ 20,833,084 |
| Other liabilities | <u>937,996</u> | <u>775,801</u> |
| Total liabilities | <u>\$ 21,952,659</u> | <u>\$ 21,608,885</u> |
| Net assets: | | |
| Invested in capital assets, net of related debt | \$ 12,288,680 | \$ 11,272,282 |
| Unrestricted | <u>2,169,477</u> | <u>3,465,144</u> |
| Total net assets | <u>\$ 14,458,157</u> | <u>\$ 14,737,426</u> |

The Town's business-type activities net assets totaled \$14,458,157 at the end of fiscal year 2010, a decrease of (\$279,269) when compared to the end of the previous fiscal year. This decrease includes an increase in the Town's investment in capital assets, net of related debt of \$1,016,398 which was more than offset by decreases in Unrestricted Net Assets of (\$1,295,667).

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.

Changes in net assets for the business-type activities for the years ended December 31, 2010 and 2009 are as follows:

TOWN OF WOLFEBORO, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ending December 31, 2010

| | <u>2010</u> | <u>2009</u> |
|--------------------------------------|----------------------|----------------------|
| Program revenues: | | |
| Charges for services | \$ 13,628,464 | \$ 12,839,392 |
| Operating grants and contributions | - | - |
| Capital grants and contributions | <u>47,581</u> | <u>9,226</u> |
| Total program revenues | <u>13,676,045</u> | <u>12,848,618</u> |
| General revenues: | | |
| Interest and investment earnings | 4,008 | 8,035 |
| Miscellaneous | 18,507 | 59,667 |
| Transfers | <u>183,963</u> | <u>99,609</u> |
| Total general revenues and transfers | <u>206,478</u> | <u>167,311</u> |
| Total revenues | <u>13,882,523</u> | <u>13,015,929</u> |
| Program expenses: | | |
| Electric | 10,584,040 | 10,616,377 |
| Water | 1,504,945 | 1,440,698 |
| Sewer | 1,816,092 | 1,370,396 |
| Pop Whalen | <u>256,715</u> | <u>271,989</u> |
| Total program expenses | <u>14,161,792</u> | <u>13,699,460</u> |
| Change in net assets | (279,269) | (683,531) |
| Net assets - beginning of year | <u>14,737,426</u> | <u>15,420,957</u> |
| Net assets - ending of year | <u>\$ 14,458,157</u> | <u>\$ 14,737,426</u> |

The primary funding source for business-type activities is charges for services, which comprises 98% of all funding sources. Program revenues provided funding for only 97% of total program expenses, which contributed to the overall decrease in net assets of (\$279,269). There was however, a moderate increase in transfers from other funds of \$84,354. Transfers from the General Fund to offset debt service in the Sewer Enterprise Fund are budgeted based upon the prior year's debt service and capital expenditures which leads to noticeable variances in net assets from year to year. Keeping in mind the large Rapid Infiltration Project currently ongoing at the Wastewater Treatment Plant, coupled with the State of NH's current failure to provide offset funding as originally anticipated, future variances in Sewer Fund net assets may be significant.

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.

TOWN OF WOLFEBORO, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ending December 31, 2010

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 near-term 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.

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 fund balance of \$2,410,207, while total fund equity was \$2,624,316. The total fund equity includes a reserve for encumbrances of \$175,756 as well as a reserve for prepaid expenses of \$38,353. The General Fund total fund balance increased \$452,124 from December 31, 2009.

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. In 2010 \$1,145,647 was used to offset the tax rate.

Other Governmental Funds

The total fund balance in Other Governmental Funds is \$3,079,636 at year end, an increase of \$913,810 from the previous year. The various governmental funds within this category are: Special Revenue Funds, Permanent Funds and Capital Projects Funds. The Special Revenue Funds consist of the following funds: Library Fund \$303,574; Conservation Commission \$92,381; Josiah Brown Fund \$293; Police Detail Fund \$21,787; Miscellaneous Grant Funds \$0; and Expendable Trust Funds \$1,060,082. The Capital Projects Funds have a fund balance of \$802,606 and the Permanent Funds totals \$798,913, of which, \$509,340 is reserved for endowments and the remaining balance is unreserved. Also included in the Capital Projects Fund Balance is a Reserve for Encumbrances of \$74,207.

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 decreased a total of (\$279,269) from December 31, 2009 to \$14,458,157. The Income (Loss) before capital contributions and transfers was as follows: Electric Department \$200,076; Water Department \$159,144; Sewer Department (\$840,600) and Pop Whalen Ice Arena (\$29,433). A rate study performed by the engineering firm of Wright Pierce in 2007 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. Effective January 1, 2010, both the base charges for 5,000 gallons per quarter as well as the rate per 1,000 gallons over that base per quarter on both water and sewer were increased.

TOWN OF WOLFEBORO, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ending December 31, 2010

Rates for the use of the Pop Whalen ice skating rink were increased to meet anticipated operating expense and debt service requirements. Rates for the Municipal Electric Department were not increased in 2010.

General Fund Budgetary Highlights

Actual revenues for the year exceeded those anticipated by \$497,283. Revenues exceeded estimations in almost all categories as follows: Taxes \$270,637; Licenses and permits \$54,364; Intergovernmental revenues \$4,962; Charges for services \$139,878 and Miscellaneous income \$31,220. Investment income failed to meet expectations by (\$3,778).

Expenditures for the year remained within appropriated amounts overall. The Town under-expended its total expenditure budget by \$338,124 which resulted in excess anticipated revenues over anticipated expenditures of \$835,407.

Capital Assets and Long-Term Obligations

Capital Assets

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

The Town's investment in capital assets net of accumulated depreciation for its governmental activities and business-type activities as of December 31, 2010 amounts to \$23,439,063 and \$32,558,740, respectively. This investment in capital assets includes land, infrastructure, buildings and improvements, vehicles and equipment, and other capital improvements. See Note 6 in the Notes to the Basic Financial Statements for a summary of all capital assets activity.

Long-Term Obligations

At December 31, 2009, the Town of Wolfeboro had total outstanding bonded debt of \$3,396,203 and \$20,166,924 in the governmental activities and business-type activities, respectively. Principal payments during the year reduced outstanding general obligation debt of the Town by \$1,385,754 and new general obligation bonds issued totaled \$1,408,000, resulting in a combined total outstanding balance at year-end of \$23,585,373.

Compensated absences payable combined for both governmental and business-type activities at year-end totaled \$475,377. The Town's estimated liability for landfill post closure costs as required by the State of NH Department of Environmental Services reported in the governmental activities totaled \$391,000. Other long-term obligations at year end in the business-type activities of \$1,118,782 consist of funds drawn on the State Revolving Loan Program for improvements to the Wastewater Treatment Facility.

See Note 10 in the Notes to the Basic Financial Statements for a summary of all outstanding long-term obligations activity.

TOWN OF WOLFEBORO, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ending December 31, 2010

Economic Conditions

Assessed real estate value decreased from \$2,051,930,195, to \$2,048,930,072 or (\$3,000,123) as a result of the Town's ongoing revaluation of property by the Assessing Department.

The overall tax rate remained relatively low at \$ 11.04 compared with the 2009 rate of \$10.61 per thousand. Totals for uncollected taxes at year end remained low.

The operating budget for calendar year 2010 was \$24,773,435. 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, 2010. The average unemployment rate for the year was 5.2 % for the Wolfeboro NH LMA; lower than the national average of 9.6%. The yearly Northeast Consumer Price Index totaled 2.0%.

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, 2010

| | Governmental Activities | Business-type Activities | Total |
|---|----------------------------|-----------------------------|----------------------|
| ASSETS | | | |
| Current Assets: | | | |
| Cash and cash equivalents | \$ 10,244,661 | \$ 86 | \$ 10,244,747 |
| Investments | 2,117,050 | | 2,117,050 |
| Taxes receivable, net | 1,468,360 | | 1,468,360 |
| Accounts receivable, net | 20,807 | 2,115,944 | 2,136,751 |
| Special assessments | | 3,799 | 3,799 |
| Due from other governments | 117,340 | 112,421 | 229,761 |
| Internal balances | (769,060) | 769,060 | - |
| Prepaid expenses | 38,353 | 12,978 | 51,331 |
| Inventory | | 256,674 | 256,674 |
| Total Current Assets | <u>13,237,511</u> | <u>3,270,962</u> | <u>16,508,473</u> |
| Noncurrent Assets: | | | |
| Due from other governments | | 581,114 | 581,114 |
| Capital assets: | | | |
| Non-depreciable capital assets | 6,864,544 | 1,164,657 | 8,029,201 |
| Depreciable capital assets, net | 16,574,519 | 31,394,083 | 47,968,602 |
| Total Noncurrent Assets | <u>23,439,063</u> | <u>33,139,854</u> | <u>56,578,917</u> |
| Total Assets | <u>\$ 36,676,574</u> | <u>\$ 36,410,816</u> | <u>\$ 73,087,390</u> |
| LIABILITIES | | | |
| Current Liabilities: | | | |
| Accounts payable | \$ 416,646 | \$ 469,409 | \$ 886,055 |
| Accrued expenses | 67,743 | 7,937 | 75,680 |
| Accrued interest payable | 75,831 | 344,843 | 420,674 |
| Retainage payable | 27,861 | 37,262 | 65,123 |
| Deferred revenue | 209,990 | 40,601 | 250,591 |
| Deposits payable | 6,400 | 37,944 | 44,344 |
| Due to other governments | 5,932,190 | | 5,932,190 |
| Current portion of deferred bond premiums | 13,718 | 21,673 | 35,391 |
| Current portion of bonds payable | 310,872 | 1,294,156 | 1,605,028 |
| Current portion of capital leases payable | 26,393 | | 26,393 |
| Current portion of estimated liability for landfill postclosure care costs | 23,000 | | 23,000 |
| Total Current Liabilities | <u>7,110,644</u> | <u>2,253,825</u> | <u>9,364,469</u> |
| Noncurrent Liabilities: | | | |
| Deferred bond premiums | 74,101 | 125,110 | 199,211 |
| Bonds payable | 3,636,909 | 18,343,436 | 21,980,345 |
| Capital leases payable | 28,031 | | 28,031 |
| Other long-term obligations | | 1,118,782 | 1,118,782 |
| Compensated absences payable | 404,549 | 70,828 | 475,377 |
| Other post-employment benefits payable | 288,922 | 40,678 | 329,600 |
| Estimated liability for landfill postclosure care costs | 368,000 | | 368,000 |
| Total Noncurrent Liabilities | <u>4,800,512</u> | <u>19,698,834</u> | <u>24,499,346</u> |
| Total Liabilities | <u>11,911,156</u> | <u>21,952,659</u> | <u>33,863,815</u> |
| NET ASSETS | | | |
| Invested in capital assets, net of related debt | 19,559,039 | 12,288,680 | 31,847,719 |
| Restricted | 2,464,409 | | 2,464,409 |
| Unrestricted | 2,741,970 | 2,169,477 | 4,911,447 |
| Total Net Assets | <u>24,765,418</u> | <u>14,458,157</u> | <u>39,223,575</u> |
| Total Liabilities and Net Assets | <u>\$ 36,676,574</u> | <u>\$ 36,410,816</u> | <u>\$ 73,087,390</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, 2010

| 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 | \$ 1,491,759 | | \$ 23,689 | | \$ (1,468,070) | | \$ (1,468,070) |
| Public safety | 3,645,387 | \$ 87,805 | 94,529 | | (3,463,053) | | (3,463,053) |
| Highways and streets | 2,522,535 | 180,460 | 164,581 | | (2,177,494) | | (2,177,494) |
| Health and welfare | 302,306 | | | | (302,306) | | (302,306) |
| Sanitation | 875,563 | 212,421 | | | (663,142) | | (663,142) |
| Culture and recreation | 1,339,920 | 101,087 | | | (1,238,833) | | (1,238,833) |
| Economic development | 14,770 | | | | (14,770) | | (14,770) |
| Interest and fiscal charges | 170,923 | | 8,610 | \$ 9,036 | (153,277) | | (153,277) |
| Total governmental activities | <u>10,363,163</u> | <u>581,773</u> | <u>291,409</u> | <u>9,036</u> | <u>(9,480,945)</u> | <u>\$ -</u> | <u>(9,480,945)</u> |
| Business-type activities: | | | | | | | |
| Electric | 10,584,040 | 10,772,909 | | 47,581 | | 236,450 | 236,450 |
| Water | 1,504,945 | 1,660,297 | | | | 155,352 | 155,352 |
| Sewer | 1,816,092 | 975,482 | | | | (840,610) | (840,610) |
| Pop Whalen Ice Arena | 256,715 | 219,776 | | | | (36,939) | (36,939) |
| Total business-type activities | <u>14,161,792</u> | <u>13,628,464</u> | <u>-</u> | <u>47,581</u> | <u>-</u> | <u>(485,747)</u> | <u>(485,747)</u> |
| Total primary government | <u>\$ 24,524,955</u> | <u>\$ 14,210,237</u> | <u>\$ 291,409</u> | <u>\$ 56,617</u> | <u>(9,480,945)</u> | <u>(485,747)</u> | <u>(9,966,692)</u> |
| General revenues: | | | | | | | |
| Property and other taxes | | | | | 8,294,410 | | 8,294,410 |
| Licenses and permits | | | | | 1,214,948 | | 1,214,948 |
| Grants and contributions: | | | | | | | |
| Rooms and meals tax distribution | | | | | 282,663 | | 282,663 |
| State and federal forest land reimbursement | | | | | 81 | | 81 |
| Interest and investment earnings | | | | | 132,940 | 4,008 | 136,948 |
| Miscellaneous | | | | | 228,031 | 18,507 | 246,538 |
| Transfers | | | | | (183,963) | 183,963 | - |
| Total general revenues and transfers | | | | | <u>9,969,110</u> | <u>206,478</u> | <u>10,175,588</u> |
| Change in net assets | | | | | 488,165 | (279,269) | 208,896 |
| Net assets - beginning | | | | | 24,277,253 | 14,737,426 | 39,014,679 |
| Net assets - ending | | | | | <u>\$ 24,765,418</u> | <u>\$ 14,458,157</u> | <u>\$ 39,223,575</u> |

See accompanying notes to the basic financial statements

EXHIBIT C
TOWN OF WOLFEBORO, NEW HAMPSHIRE
Balance Sheet
Governmental Funds
December 31, 2010

| | General Fund | Other Governmental Funds | Total Governmental Funds |
|-------------------------------------|----------------------|--------------------------------|--------------------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 9,989,785 | \$ 254,876 | \$ 10,244,661 |
| Investments | | 2,117,050 | 2,117,050 |
| Taxes receivable, net | 1,468,360 | | 1,468,360 |
| Accounts receivable | 16,713 | 4,094 | 20,807 |
| Due from other governments | | 117,340 | 117,340 |
| Due from other funds | 1,262,956 | 776,875 | 2,039,831 |
| Prepaid expenses | 38,353 | | 38,353 |
| Total Assets | <u>\$ 12,776,167</u> | <u>\$ 3,270,235</u> | <u>\$ 16,046,402</u> |
| LIABILITIES | | | |
| Accounts payable | \$ 386,953 | \$ 29,693 | \$ 416,646 |
| Accrued expenses | 67,743 | | 67,743 |
| Retainage payable | 27,861 | | 27,861 |
| Deferred revenue | 1,039,440 | 43,279 | 1,082,719 |
| Deposits payable | 6,400 | | 6,400 |
| Due to other governments | 5,932,190 | | 5,932,190 |
| Due to other funds | 2,691,264 | 117,627 | 2,808,891 |
| Total Liabilities | <u>10,151,851</u> | <u>190,599</u> | <u>10,342,450</u> |
| FUND BALANCES | | | |
| Reserved for encumbrances | 175,756 | 74,207 | 249,963 |
| Reserved for prepaid expenses | 38,353 | | 38,353 |
| Reserved for endowments | | 509,340 | 509,340 |
| Unreserved, reported in: | | | |
| General fund | 2,410,207 | | 2,410,207 |
| Special revenue funds | | 1,478,117 | 1,478,117 |
| Permanent funds | | 289,573 | 289,573 |
| Capital project funds | | 728,399 | 728,399 |
| Total Fund Balances | <u>2,624,316</u> | <u>3,079,636</u> | <u>5,703,952</u> |
| Total Liabilities and Fund Balances | <u>\$ 12,776,167</u> | <u>\$ 3,270,235</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 23,439,063

Property taxes are recognized on an accrual basis in the statement of net assets, not the modified accrual basis 872,729

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 (3,947,781)
Capital leases payable (54,424)
Deferred bond premiums (87,819)
Accrued interest on long-term obligations (75,831)
Compensated absences payable (404,549)
Other post-employment benefits payable (288,922)
Estimated liability for landfill postclosure care costs (391,000)

Net assets of governmental activities \$ 24,765,418

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, 2010

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, 2010

| | General Fund | Other Governmental Funds | Total Governmental Funds | |
|--|---------------------|--------------------------------|--------------------------------|--|
| Revenues: | | | | |
| Taxes | \$ 8,773,263 | \$ 36,178 | \$ 8,809,441 | |
| Licenses and permits | 1,214,948 | | 1,214,948 | |
| Intergovernmental revenues | 549,426 | 33,763 | 583,189 | |
| Charges for services | 548,002 | 28,403 | 576,405 | |
| Interest and investment income | 10,252 | 122,688 | 132,940 | |
| Miscellaneous | 154,646 | 75,753 | 230,399 | |
| Total Revenues | <u>11,250,537</u> | <u>296,785</u> | <u>11,547,322</u> | |
| Expenditures: | | | | |
| Current operations: | | | | |
| General government | 1,432,149 | 12,448 | 1,444,597 | |
| Public safety | 3,375,248 | 26,562 | 3,401,810 | |
| Highways and streets | 1,819,932 | 9,275 | 1,829,207 | |
| Health and welfare | 302,192 | | 302,192 | |
| Sanitation | 786,248 | | 786,248 | |
| Culture and recreation | 765,318 | 489,341 | 1,254,659 | |
| Economic development | 14,770 | | 14,770 | |
| Capital outlay | 1,352,557 | 105,865 | 1,458,422 | |
| Debt service: | | | | |
| Principal retirement | 235,672 | | 235,672 | |
| Interest and fiscal charges | 157,045 | | 157,045 | |
| Total Expenditures | <u>10,241,131</u> | <u>643,491</u> | <u>10,884,622</u> | |
| Excess of revenues over (under) expenditures | <u>1,009,406</u> | <u>(346,706)</u> | <u>662,700</u> | |
| Other financing sources (uses): | | | | |
| Proceeds from bonds issued | 54,750 | 732,500 | 787,250 | |
| Bond premium | 3,023 | 42,500 | 45,523 | |
| Proceeds from capital leases | 54,424 | | 54,424 | |
| Transfers in | 153,892 | 639,408 | 793,300 | |
| Transfers out | (823,371) | (153,892) | (977,263) | |
| Total other financing sources (uses) | <u>(557,282)</u> | <u>1,260,516</u> | <u>703,234</u> | |
| Net change in fund balances | <u>452,124</u> | <u>913,810</u> | <u>1,365,934</u> | |
| Fund balances at beginning of year | <u>2,172,192</u> | <u>2,165,826</u> | <u>4,338,018</u> | |
| Fund balances at end of year | <u>\$ 2,624,316</u> | <u>\$ 3,079,636</u> | <u>\$ 5,703,952</u> | |

Net Change in Fund Balances - Total Governmental Funds \$ 1,365,934

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 expense in the current period. 433,933

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (512,031)

Proceeds from bond issues are an other financing source in the funds, but bond issues increase long-term liabilities in the statement of net assets. (787,250)

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. (39,697)

Proceeds from capital leases are reported as other financing sources in the governmental funds, but a capital lease increases long-term liabilities in the statement of net assets. (54,424)

235,672

(19,704)

Some expenses reported in the statement of activities, such as compensated absences, other post-employment benefits and the estimated liability for landfill postclosure care costs, do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (134,268)

Change in net assets of governmental activities \$ 488,165

EXHIBIT E
TOWN OF WOLFEBORO, NEW HAMPSHIRE
Statement of Net Assets
Proprietary Funds
December 31, 2010

| | Business-type Activities | | | | Totals |
|---|--------------------------|----------------------|----------------------|---------------------------------|----------------------|
| | Electric Department | Water Department | Sewer Department | Pop Whalen Ice Arena Fund | |
| ASSETS | | | | | |
| Current Assets: | | | | | |
| Cash and cash equivalents | \$ 86 | | | | \$ 86 |
| Accounts receivable, net | 1,444,907 | \$ 395,234 | \$ 266,456 | \$ 9,347 | 2,115,944 |
| Special assessments | | | 3,799 | | 3,799 |
| Due from other governments | 884 | 51,983 | 59,554 | | 112,421 |
| Due from other funds | | 1,933,108 | | 68,815 | 2,001,923 |
| Prepaid expenses | 6,103 | 3,472 | 2,707 | 696 | 12,978 |
| Inventory | 256,674 | | | | 256,674 |
| Total Current Assets | <u>1,708,654</u> | <u>2,383,797</u> | <u>332,516</u> | <u>78,858</u> | <u>4,503,825</u> |
| Noncurrent Assets: | | | | | |
| Due from other governments | | 581,114 | | | 581,114 |
| Capital assets: | | | | | |
| Non-depreciable capital assets | 46,733 | 12,772 | 1,105,152 | | 1,164,657 |
| Depreciable capital assets, net | 6,020,245 | 13,164,872 | 11,155,525 | 1,053,441 | 31,394,083 |
| Total Noncurrent Assets | <u>6,066,978</u> | <u>13,758,758</u> | <u>12,260,677</u> | <u>1,053,441</u> | <u>33,139,854</u> |
| Total Assets | <u>\$ 7,775,632</u> | <u>\$ 16,142,555</u> | <u>\$ 12,593,193</u> | <u>\$ 1,132,299</u> | <u>\$ 37,643,679</u> |
| LIABILITIES | | | | | |
| Current Liabilities: | | | | | |
| Accounts payable | \$ 217,392 | \$ 36,169 | \$ 204,897 | \$ 10,951 | \$ 469,409 |
| Accrued expenses | 4,432 | 1,310 | 1,306 | 889 | 7,937 |
| Accrued interest payable | 5,872 | 138,078 | 194,639 | 6,254 | 344,843 |
| Retainage payable | 3,461 | | 29,148 | 4,653 | 37,262 |
| Deferred revenue | 31,454 | 5,326 | 3,821 | | 40,601 |
| Deposits payable | 37,744 | 200 | | | 37,944 |
| Due to other funds | 49,148 | | 1,183,715 | | 1,232,863 |
| Current portion of deferred bond premiums | | 11,723 | 8,544 | 1,406 | 21,673 |
| Current portion of bonds payable | 265,000 | 539,334 | 463,997 | 25,825 | 1,294,156 |
| Total Current Liabilities | <u>614,503</u> | <u>732,140</u> | <u>2,090,067</u> | <u>49,978</u> | <u>3,486,688</u> |
| Noncurrent Liabilities: | | | | | |
| Deferred bond premiums | | 67,878 | 48,226 | 9,006 | 125,110 |
| Bonds payable | 3,160,000 | 7,513,910 | 7,354,196 | 315,330 | 18,343,436 |
| Other long-term obligations | | | 1,118,782 | | 1,118,782 |
| Compensated absences payable | 35,276 | 26,063 | 9,489 | | 70,828 |
| Other post-employment benefits payable | 12,516 | 22,947 | 5,215 | | 40,678 |
| Total Noncurrent Liabilities | <u>3,207,792</u> | <u>7,630,798</u> | <u>8,535,908</u> | <u>324,336</u> | <u>19,698,834</u> |
| Total Liabilities | <u>3,822,295</u> | <u>8,362,938</u> | <u>10,625,975</u> | <u>374,314</u> | <u>23,185,522</u> |
| NET ASSETS | | | | | |
| Invested in capital assets, net of related debt | 2,641,978 | 5,677,896 | 3,266,932 | 701,874 | 12,288,680 |
| Unrestricted (deficit) | 1,311,359 | 2,101,721 | (1,299,714) | 56,111 | 2,169,477 |
| Total Net Assets | <u>3,953,337</u> | <u>7,779,617</u> | <u>1,967,218</u> | <u>757,985</u> | <u>14,458,157</u> |
| Total Liabilities and Net Assets | <u>\$ 7,775,632</u> | <u>\$ 16,142,555</u> | <u>\$ 12,593,193</u> | <u>\$ 1,132,299</u> | <u>\$ 37,643,679</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, 2010

| | Business-type Activities | | | | Totals |
|--|--------------------------|---------------------|---------------------|---------------------------------|----------------------|
| | Electric Department | Water Department | Sewer Department | Pop Whalen Ice Arena Fund | |
| Operating revenues: | | | | | |
| Charges for services | \$ 10,772,909 | \$ 1,660,297 | \$ 975,482 | \$ 219,776 | \$ 13,628,464 |
| Miscellaneous | 3,161 | 493 | | 7,353 | 11,007 |
| Total operating revenues | <u>10,776,070</u> | <u>1,660,790</u> | <u>975,482</u> | <u>227,129</u> | <u>13,639,471</u> |
| Operating expenses: | | | | | |
| Cost of operations | 1,664,306 | 677,365 | 953,302 | 136,116 | 3,431,089 |
| Cost of power | 8,165,159 | | | | 8,165,159 |
| Administration | 283,950 | 83,892 | 83,892 | 41,746 | 493,480 |
| Depreciation | 339,414 | 391,230 | 328,798 | 64,036 | 1,123,478 |
| Total operating expenses | <u>10,452,829</u> | <u>1,152,487</u> | <u>1,365,992</u> | <u>241,898</u> | <u>13,213,206</u> |
| Operating income (loss) | <u>323,241</u> | <u>508,303</u> | <u>(390,510)</u> | <u>(14,769)</u> | <u>426,265</u> |
| Non-operating revenues (expenses): | | | | | |
| Gain on sale of assets | 7,500 | | | | 7,500 |
| Interest revenue | 546 | 3,299 | 10 | 153 | 4,008 |
| Interest expense | (131,211) | (352,458) | (450,100) | (14,817) | (948,586) |
| Net non-operating revenues (expenses) | <u>(123,165)</u> | <u>(349,159)</u> | <u>(450,090)</u> | <u>(14,664)</u> | <u>(937,078)</u> |
| Income (Loss) before capital contributions and transfers | 200,076 | 159,144 | (840,600) | (29,433) | (510,813) |
| Capital contributions | 47,581 | | | | 47,581 |
| Transfers in | | | 183,963 | | 183,963 |
| Change in net assets | 247,657 | 159,144 | (656,637) | (29,433) | (279,269) |
| Total net assets at beginning of year | <u>3,705,680</u> | <u>7,620,473</u> | <u>2,623,855</u> | <u>787,418</u> | <u>14,737,426</u> |
| Total net assets at end of year | <u>\$ 3,953,337</u> | <u>\$ 7,779,617</u> | <u>\$ 1,967,218</u> | <u>\$ 757,985</u> | <u>\$ 14,458,157</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, 2010

| | Business-type Activities | | | | Totals |
|---|--------------------------|---------------------|-----------------------|---------------------------------|--------------------|
| | Electric Department | Water Department | Sewer Department | Pop Whalen Ice Arena Fund | |
| Cash flows from operating activities: | | | | | |
| Cash received from customers | \$10,146,136 | \$ 1,606,157 | \$ 968,586 | \$ 203,576 | \$ 12,924,455 |
| Other operating cash receipts | 3,161 | 493 | | 7,353 | 11,007 |
| Cash paid to suppliers | (9,765,596) | (308,402) | (1,002,080) | (145,281) | (11,221,359) |
| Cash paid to employees | (326,814) | (438,390) | (126,672) | (27,763) | (919,639) |
| Net cash provided (used) by operating activities | <u>56,887</u> | <u>859,858</u> | <u>(160,166)</u> | <u>37,885</u> | <u>794,464</u> |
| Cash flows from noncapital financing activities: | | | | | |
| Transfer from other funds | | | 183,963 | | 183,963 |
| Net cash provided for noncapital financing activities | <u>-</u> | <u>-</u> | <u>183,963</u> | <u>-</u> | <u>183,963</u> |
| Cash flows from capital financing activities: | | | | | |
| Purchases of capital assets | (284,375) | (115,069) | (1,156,987) | (54,755) | (1,611,186) |
| Capital contributions | 47,581 | 53,380 | | | 100,961 |
| Proceeds from bonds issued | | 600,000 | | 57,773 | 657,773 |
| Proceeds from other long-term obligations | | | 754,002 | | 754,002 |
| Principal paid on long-term debt | (265,000) | (480,512) | (385,995) | (18,575) | (1,150,082) |
| Interest paid on long-term debt | (131,211) | (349,588) | (283,852) | (14,324) | (778,975) |
| Reimbursement of overpayment on long-term obligations | | 57,131 | | | 57,131 |
| Net cash (used) for capital financing activities | <u>(633,005)</u> | <u>(234,658)</u> | <u>(1,072,832)</u> | <u>(29,881)</u> | <u>(1,970,376)</u> |
| Cash flows from investing activities: | | | | | |
| Interest on investments | 546 | 3,299 | 10 | 153 | 4,008 |
| Net cash provided by investing activities | <u>546</u> | <u>3,299</u> | <u>10</u> | <u>153</u> | <u>4,008</u> |
| Net increase (decrease) in cash and cash equivalents | (575,572) | 628,499 | (1,049,025) | 8,157 | (987,941) |
| Cash and cash equivalents (deficiency) at beginning of year | 526,510 | 1,304,609 | (134,690) | 60,658 | 1,757,087 |
| Cash and cash equivalents (deficiency) at end of year | <u>\$ (49,062)</u> | <u>\$ 1,933,108</u> | <u>\$ (1,183,715)</u> | <u>\$ 68,815</u> | <u>\$ 769,146</u> |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: | | | | | |
| Operating income (loss) | \$ 323,241 | \$ 508,303 | \$ (390,510) | \$ (14,769) | \$ 426,265 |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | | | |
| Depreciation expense | 339,414 | 391,230 | 328,798 | 64,036 | 1,123,478 |
| Changes in assets and liabilities: | | | | | |
| Accounts receivable, net | (634,272) | (50,639) | (6,064) | (9,347) | (700,322) |
| Special assessments | | | (2) | | (2) |
| Prepaid expenses | 938 | 534 | 415 | 107 | 1,994 |
| Inventory | (27,011) | | | | (27,011) |
| Accounts payable | 40,401 | 5,436 | (96,965) | 4,735 | (46,393) |
| Accrued expenses | (2,629) | (7,708) | (784) | (24) | (11,145) |
| Retainage payable | 3,461 | | | | 3,461 |
| Deferred revenue | (3,141) | (3,501) | (830) | (6,853) | (14,325) |
| Deposits payable | 10,640 | | | | 10,640 |
| Due to other governments | (2,754) | | | | (2,754) |
| Compensated absences payable | 2,109 | 4,303 | 3,072 | | 9,484 |
| Other post-employment benefits payable | 6,490 | 11,900 | 2,704 | | 21,094 |
| Net cash provided (used) by operating activities | <u>\$ 56,887</u> | <u>\$ 859,858</u> | <u>\$ (160,166)</u> | <u>\$ 37,885</u> | <u>\$ 794,464</u> |
| Noncash Transactions Affecting Financial Position: | | | | | |
| Amortization on deferred bond premiums | | \$ 5,958 | \$ 6,292 | \$ 872 | \$ 13,122 |
| Capital asset additions included in year end liabilities | | | 220,986 | 4,653 | 225,639 |
| Trade-in value of disposed capital assets | \$ 7,500 | | | | 7,500 |
| | <u>\$ 7,500</u> | <u>\$ 5,958</u> | <u>\$ 227,278</u> | <u>\$ 5,525</u> | <u>\$ 246,261</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, 2010

| | Private- Purpose Trust Funds | Agency Funds |
|---------------------------|---------------------------------------|---------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 6,005 | \$ 1,255,318 |
| Investments | <u>297,484</u> | <u>1,047,363</u> |
| Total Assets | <u>\$ 303,489</u> | <u>\$ 2,302,681</u> |
| LIABILITIES | | |
| Deposits | | \$ 1,255,318 |
| Due to other governments | | <u>1,047,363</u> |
| Total Liabilities | <u>\$ -</u> | <u>\$ 2,302,681</u> |
| NET ASSETS | | |
| Held in trust | <u>303,489</u> | |
| Total Net Assets | <u>\$ 303,489</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, 2010

| | Private- Purpose Trust <u>Funds</u> |
|---|--|
| ADDITIONS: | |
| Contributions: | |
| Private donations | \$ 150 |
| Total Contributions | <u>150</u> |
| Investment earnings: | |
| Investment income | 13,737 |
| Net increase in the fair value of investments | <u>15,404</u> |
| Net investment earnings | <u>29,141</u> |
| Total Additions | <u>29,291</u> |
| DEDUCTIONS: | |
| Benefits | <u>7,905</u> |
| Total Deductions | <u>7,905</u> |
| Change in Net Assets | 21,386 |
| Net assets - beginning of year | <u>282,103</u> |
| Net assets - end of year | <u>\$ 303,489</u> |

See accompanying notes to the basic financial statements

TOWN OF WOLFEBORO, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2010

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 and business-type 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 and business-type 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 and proprietary fund financial statements is on major funds. Each major fund is

TOWN OF WOLFEBORO, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2010

presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The fiduciary funds are reported by type.

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 wastewater 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

TOWN OF WOLFEBORO, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2010

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) 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

TOWN OF WOLFEBORO, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2010

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.

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.

**TOWN OF WOLFEBORO, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2010**

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 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, 2010, the Town applied \$1,145,647 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

The Town pools its cash resources for the governmental and proprietary funds. Cash applicable to a particular fund is reflected as an interfund balance. For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of the following:

| | Electric <u>Department</u> | Water <u>Department</u> | Sewer <u>Department</u> | Pop Whalen Ice Arena <u>Fund</u> | <u>Totals</u> |
|---------------------------|-------------------------------|----------------------------|----------------------------|--|-------------------|
| Cash and cash equivalents | \$ 86 | | | | \$ 86 |
| Due from other funds | | \$ 1,933,108 | | \$ 68,815 | 2,001,923 |
| Due to other funds | (49,148) | | \$(1,183,715) | | (1,232,863) |
| Totals | <u>\$ (49,062)</u> | <u>\$ 1,933,108</u> | <u>\$(1,183,715)</u> | <u>\$ 68,815</u> | <u>\$ 769,146</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, 2010 are recorded as receivables net of reserves for estimated uncollectibles of \$102,678.

Accounts Receivable

Accounts receivable are recorded net of reserves for estimated uncollectibles of \$150,000, \$31,377, and \$32,146 in the electric fund, water fund and sewer fund, respectively.

**TOWN OF WOLFEBORO, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2010**

Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond December 31, 2010 are recorded as prepaid items.

Inventory

On government-wide and proprietary fund financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

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 governmental 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 capital 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 add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction phase of capital assets of the business-type activities 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 | 5-50 |
| Machinery, equipment and vehicles | 3-20 |
| Improvements other than buildings | 3-50 |

Compensated Absences

Employees earn vacation and sick leave as they provide services. Provision is made in the annual budget for vacation and sick leave. Pursuant to the Town personnel policy and collective bargaining agreements, employees may accumulate (subject to certain limitations) unused vacation and sick pay earned and upon severance of employment, will be compensated for such amounts at current rates of pay.

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.

**TOWN OF WOLFEBORO, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2010**

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.

Deferred Bond Premiums

The issuance of general obligation bonds that result in a difference between the acquisition price and the carrying value of the debt have been reported in the accompanying financial statements as deferred bond premiums. The deferred bond premiums are amortized as a component of interest expense over the lives of the related bonds. The balances of the deferred bond premiums as of December 31, 2010 are \$87,819 and \$146,783 in the governmental and business-type activities, respectively.

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 or expenditure. Unreserved fund balance indicates that portion which is available for appropriation in future periods. A fund balance reserve has been established for endowments, encumbrances and prepaid expenses.

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.

TOWN OF WOLFEBORO, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2010

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 electric fund, water fund, sewer fund, and ice arena 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 allowances for uncollectible taxes and accounts receivable.

NOTE 2—PROPERTY TAXES

Taxes are levied on the assessed valuation of all taxable real property as of the prior April 1 (\$2,048,930,072 as of April 1, 2010) and are due in two installments on July 1, 2010 and December 10, 2010. 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 \$12,529,248 and \$2,038,205 for the Governor Wentworth Regional School District and Carroll County, respectively. These taxes are not 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, 2010, the Town was a member of the New Hampshire Public Risk Management Exchange (PRIMEX). The Town currently reports all of its risk management activities in its General Fund. The

TOWN OF WOLFEBORO, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2010

Trust is classified as a “Risk Pool” in accordance with accounting principles generally accepted in the United States of America.

The Trust agreement permits the Trust 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 Trust foresees 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, 2010.

Property and Liability Insurance

PRIMEX provides certain property and liability insurance coverage to member towns, cities, and other qualified political subdivisions of New Hampshire. As a member of PRIMEX, 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

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.

Deposits and investments as of December 31, 2010 are classified in the accompanying financial statements as follows:

| | |
|------------------------------------|----------------------|
| Statement of Net Assets: | |
| Cash and cash equivalents | \$ 10,244,747 |
| Investments | 2,117,050 |
| Statement of Fiduciary Net Assets: | |
| Cash and cash equivalents | 1,261,323 |
| Investments | <u>1,344,847</u> |
| Total deposits and investments | <u>\$ 14,967,967</u> |

Deposits and investments as of December 31, 2010 consist of the following:

TOWN OF WOLFEBORO, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2010

| | |
|--------------------------------------|----------------------|
| Cash on hand | \$ 20,891 |
| Deposits with financial institutions | 13,692,121 |
| Investments | <u>1,254,955</u> |
| Total deposits and investments | <u>\$ 14,967,967</u> |

The Town's investment policy for governmental and business-type funds 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. Investments of the library fund are at the discretion of the Library Trustees. 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, who have employed professional banking assistance in accordance with New Hampshire state law (RSA 31:38a).

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. None of the investments held by the Town as of December 31, 2010 are rated.

The Town has no policy regarding credit risk for its governmental funds. The investment policy of the Trustees of Trust Funds states that the primary concern is to avoid loss of principal over time. The ability to tolerate some fluctuations in the investment portfolio beyond the market's performance and/or benchmark comparisons should be cause for review and re-examination of the investment portfolio.

The following investment types are not rated:

| <u>Investment Type</u> | <u>Not Rated</u> |
|------------------------|---------------------|
| Mutual funds | \$ 1,194,945 |
| State investment pool | <u>60,010</u> |
| | <u>\$ 1,254,955</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. The Town and Trustees of Trust Funds have investment policies for assurance against custodial credit risk which requires collateralization for all deposits not covered by Federal Deposit Insurance.

Of the Town's deposits with financial institutions at year end, \$11,481,675 was collateralized by securities held by the bank in the bank's name and \$713,917 was uninsured and uncollateralized.

As of December 31, 2010, Town investments in the following investment types were held by the same counterparty that was used to buy the securities.

**TOWN OF WOLFEBORO, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2010**

| | <u>Investment Type</u> | <u>Reported Amount</u> |
|--------------|------------------------|----------------------------|
| Mutual funds | | <u>\$ 1,194,945</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, 2010 consist 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 - Energy & Efficiency Grant | \$ | 18,689 |
| State of New Hampshire - Homeland Security Grant | | 2,430 |
| State of New Hampshire - Department of Transportation | | 96,221 |
| Business-type activities: | | |
| State of New Hampshire - Consumption taxes | | 884 |
| State of New Hampshire - Filtration grant | | 633,097 |
| State of New Hampshire - State revolving funds | | <u>59,554</u> |
| | \$ | <u>810,875</u> |

NOTE 6—CAPITAL ASSETS

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

| | <u>Balance 01/01/10</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance 12/31/10</u> |
|--|-----------------------------|------------------|-------------------|-----------------------------|
| Governmental activities: | | | | |
| Capital assets not depreciated: | | | | |
| Land | \$ 6,410,331 | | | \$ 6,410,331 |
| Construction in progress | <u>547,327</u> | \$ 296,971 | \$ (390,085) | <u>454,213</u> |
| Total capital assets not being depreciated | <u>6,957,658</u> | <u>296,971</u> | <u>(390,085)</u> | <u>6,864,544</u> |

TOWN OF WOLFEBORO, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2010

| | | | |
|---|----------------------|-------------------|---------------------|
| Other capital assets: | | | |
| Infrastructure | 18,718,648 | 900,981 | 19,619,629 |
| Buildings and building improvements | 1,932,432 | 243,224 | 2,175,656 |
| Machinery, equipment and vehicles | 4,733,579 | 187,083 | (53,500) |
| Improvements other than buildings | 1,225,015 | | 1,225,015 |
| Total other capital assets at historical cost | <u>26,609,674</u> | <u>1,331,288</u> | <u>(53,500)</u> |
| Less accumulated depreciation for: | | | |
| Infrastructure | (5,654,185) | (349,460) | (6,003,645) |
| Buildings and building improvements | (793,533) | (55,197) | (848,730) |
| Machinery, equipment and vehicles | (3,226,938) | (373,023) | 53,500 |
| Improvements other than buildings | (890,546) | (23,561) | (914,107) |
| Total accumulated depreciation | <u>(10,565,202)</u> | <u>(801,241)</u> | <u>53,500</u> |
| Total other capital assets, net | <u>16,044,472</u> | <u>530,047</u> | <u>-</u> |
| Total capital assets, net | <u>\$ 23,002,130</u> | <u>\$ 827,018</u> | <u>\$ (390,085)</u> |

Depreciation expense was charged to governmental functions as follows:

| | |
|--|-------------------|
| General government | \$ 21,352 |
| Public safety | 153,634 |
| Highways and streets | 500,844 |
| Sanitation | 72,309 |
| Culture and recreation | 53,102 |
| Total governmental activities depreciation expense | <u>\$ 801,241</u> |

The balance of the assets acquired through capital leases as of December 31, 2010 is as follows:

| | |
|-----------------------------------|------------------|
| Machinery, equipment and vehicles | \$ 84,195 |
| Less: Accumulated depreciation | <u>(17,881)</u> |
| | <u>\$ 66,314</u> |

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

| | Balance <u>01/01/10</u> | Additions | Reductions | Balance <u>12/31/10</u> |
|---|----------------------------|------------------|------------------|----------------------------|
| Business-type activities: | | | | |
| Capital assets not depreciated: | | | | |
| Land | \$ 1,115,005 | | | \$ 1,115,005 |
| Construction in progress | <u>49,652</u> | | | <u>49,652</u> |
| Total capital assets not being depreciated | <u>1,164,657</u> | <u>\$ -</u> | <u>\$ -</u> | <u>1,164,657</u> |
| Other capital assets: | | | | |
| Buildings and systems | 25,305,761 | 1,384,444 | | 26,690,205 |
| Machinery, equipment and vehicles | 16,986,289 | 273,336 | (103,736) | 17,155,889 |
| Total other capital assets at historical cost | <u>42,292,050</u> | <u>1,657,780</u> | <u>(103,736)</u> | <u>43,846,094</u> |

TOWN OF WOLFEBORO, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2010

| | | | | |
|------------------------------------|----------------------|--------------------|----------------|----------------------|
| Less accumulated depreciation for: | | | | |
| Buildings and systems | (4,328,852) | (534,258) | | (4,863,110) |
| Machinery, equipment and vehicles | (7,103,417) | (589,220) | 103,736 | (7,588,901) |
| Total accumulated depreciation | <u>(11,432,269)</u> | <u>(1,123,478)</u> | <u>103,736</u> | <u>(12,452,011)</u> |
| Total other capital assets, net | <u>30,859,781</u> | <u>534,302</u> | <u>-</u> | <u>31,394,083</u> |
| Total capital assets, net | <u>\$ 32,024,438</u> | <u>\$ 534,302</u> | <u>\$ -</u> | <u>\$ 32,558,740</u> |

Depreciation expense was charged to proprietary funds as follows:

| | |
|---|---------------------|
| Electric Department | \$ 339,414 |
| Water Department | 391,230 |
| Sewer Department | 328,798 |
| Pop Whalen Ice Arena Fund | 64,036 |
| Total business-type activities depreciation expense | <u>\$ 1,123,478</u> |

NOTE 7—DUE TO OTHER GOVERNMENTS

Payables to other governments at December 31, 2010, consists of the balance of the property tax appropriation due to the Governor Wentworth Regional School District and monies due to the State of New Hampshire. A summary of the principal items of intergovernmental payables is as follows:

| | |
|--|---------------------|
| Governmental activities: | |
| Governor Wentworth School District | \$ 5,924,238 |
| State of New Hampshire - Town clerk fees | <u>7,952</u> |
| | <u>\$ 5,932,190</u> |

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 13.66%, 17.28% and 9.16%, respectively through June 30, 2010 and 14.63%, 18.52% and 9.16%, respectively, thereafter. The Town contributes 70% of the employer cost for public safety officers employed by the Town, and the State contributes the remaining 30% of the employer cost, through June 30, 2010 and 75% and 25%, respectively, thereafter. The Town

TOWN OF WOLFEBORO, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2010

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 \$79,455 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, 2010, 2009, and 2008 were \$438,496, \$399,244, and \$374,031, respectively, equal to the required contributions for each year.

NOTE 9—OTHER POST-EMPLOYMENT BENEFITS

In addition to providing pension benefits, the Town provides implicit postretirement medical benefits to its retired employees and their spouses. The pre-65 benefits are the only benefits included in this valuation. Retirees under the age of 65 have a medical insurance plan with either Anthem Blue Cross and Blue Shield or Matthew Thornton. The following groups of retirees qualify for this benefit. Group I employees are required to reach age 55 with a minimum service requirement of 30 years or age 60 with 20 years of service. Group II employees hired before July 1, 2003 are eligible at age 45 with 20 years of service and employees hired after July 1, 2003 are eligible at any age with 20 years of service. Retirees contribute 100% for individual, two person or family medical coverage. Surviving beneficiaries continue to receive access to the Town medical coverage after the death of the retired employee as long as they pay the required premiums. As of January 1, 2009, the actuarial valuation date, participants of the postretirement plan that meet eligibility requirements are comprised of 20 retirees and 74 active employees with 1 currently eligible to retire. The plan does not issue a separate financial report.

Annual OPEB Costs

The Town's December 31, 2010 annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid, on an ongoing basis, is projected to cover the normal cost each year and amortize the unfunded actuarial liability over a period of thirty years. The Town's annual OPEB cost for the year ending December 31, 2010 including the amount actually contributed to the plan, and the change in the Town's net OPEB obligation based on an actuarial valuation as of January 1, 2009 is as follows:

| | |
|---|--------------------------|
| Annual Required Contribution (ARC) | \$ 238,362 |
| Interest on net OPEB obligation | 6,347 |
| Adjustment to ARC | <u>(8,999)</u> |
| Annual OPEB cost | 235,710 |
| Contributions made | <u>(64,785)</u> |
| Increase in net OPEB obligation | 170,925 |
| Net OPEB obligation - beginning of year | <u>158,675</u> |
| Net OPEB obligation - end of year | <u><u>\$ 329,600</u></u> |

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the years ended December 31, 2010 and 2009 are as follows:

**TOWN OF WOLFEBORO, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2010**

| Year | Annual | Percentage of | Net OPEB | Covered | OPEB Cost |
|--------------|------------------|--------------------|-------------------|----------------|-----------------|
| <u>Ended</u> | <u>OPEB Cost</u> | <u>OPEB Cost</u> | <u>Obligation</u> | <u>Payroll</u> | <u>% of Pay</u> |
| | | <u>Contributed</u> | | | |
| 12/31/2009 | \$ 237,797 | 33.3% | \$ 158,675 | \$ 3,241,432 | 7.3% |
| 12/31/2010 | \$ 235,711 | 27.5% | \$ 329,600 | \$ 4,275,589 | 5.5% |

The Town's net OPEB obligation as of December 31, 2010 is recognized as a liability in these financial statements.

Funded Status and Funding Progress for OPEB

The funded status of the plan as of January 1, 2009, the date of the most recent actuarial valuation is as follows:

| | |
|---|---------------------|
| Actuarial Accrued Liability (AAL) | \$ 1,908,441 |
| Actuarial value of plan assets | - |
| Unfunded Actuarial Accrued Liability (UAAL) | <u>\$ 1,908,441</u> |
| Funded ratio (actuarial value of plan assets/AAL) | 0.0% |
| Covered payroll (active plan members) | \$ 3,241,432 |
| UAAL as a percentage of covered payroll | 58.9% |

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. The total cost of providing post-employment benefits is projected, taking into account assumptions about current claim cost, turnover, mortality, health care trends, and other actuarial assumptions. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information will provide multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits, when available.

Actuarial Methods and Assumptions for OPEB

Projections of benefits for financial reporting purposes are based on the plan as understood by the Town and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the Town and plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

The method used in the January 1, 2009 actuarial valuation was the Projected Unit Credit cost method. The amounts in this OPEB valuation represent a closed group and do not reflect new entrants. The actuarial value of assets was not determined as the Town has not advance funded its obligation. The actuarial assumptions included a 4.0% investment rate of return and an initial annual healthcare cost trend of 14.0% which decreases to a 5.0% long-term rate for all healthcare benefits after five years. The amortization costs for the initial Unfunded Actuarial Accrued Liability (UAAL) have been calculated using an annuity due amortization formula.

**TOWN OF WOLFEBORO, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2010**

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, 2010 are as follows:

| | Balance <u>01/01/10</u> | <u>Additions</u> | <u>Reductions</u> | Balance <u>12/31/10</u> | Due Within <u>One Year</u> |
|--|----------------------------|---------------------|-----------------------|----------------------------|-------------------------------|
| Governmental activities: | | | | | |
| Bonds payable | \$ 3,396,203 | \$ 787,250 | \$ (235,672) | \$ 3,947,781 | \$ 310,872 |
| Compensated absences payable | 397,112 | 22,268 | (14,831) | 404,549 | |
| Capital leases payable | - | 54,424 | | 54,424 | 26,393 |
| Estimated liability for landfill postclosure care costs | <u>414,000</u> | | <u>(23,000)</u> | <u>391,000</u> | <u>23,000</u> |
| Total governmental activities | <u>\$ 4,207,315</u> | <u>\$ 863,942</u> | <u>\$ (273,503)</u> | <u>\$ 4,797,754</u> | <u>\$ 360,265</u> |
| Business-type activities: | | | | | |
| Bonds payable | \$ 20,166,924 | \$ 620,750 | \$ (1,150,082) | \$ 19,637,592 | \$ 1,294,156 |
| Other long-term obligations | 462,350 | 656,432 | | 1,118,782 | |
| Compensated absences payable | <u>61,344</u> | <u>15,608</u> | <u>(6,124)</u> | <u>70,828</u> | |
| Total business-type activities | <u>\$ 20,690,618</u> | <u>\$ 1,292,790</u> | <u>\$ (1,156,206)</u> | <u>\$ 20,827,202</u> | <u>\$ 1,294,156</u> |

Payments on the general obligation bonds, capital leases and estimated liability for landfill postclosure care costs of the governmental activities are paid out of the General Fund. Payments on the general obligation bonds and other long-term obligations of the business-type activities are paid out of the Electric, Water, Sewer and Pop Whalen Ice Arena Funds, as applicable. Compensated absences will be paid from the fund where the employee’s salary is paid.

General Obligation Bonds

Governmental Activities:

Bonds payable at December 31, 2010 are comprised of the following individual issues:

| | Original Issue <u>Amount</u> | Interest <u>Rate</u> | Final Maturity <u>Date</u> | Balance at <u>12/31/10</u> |
|---------------------------------------|------------------------------------|-------------------------|----------------------------------|-------------------------------|
| Landfill Closure bond | \$ 600,000 | 5.80 % | July 2017 | \$ 210,000 |
| Public Improvements bond578,5 | 00 | 5.125 - 5.50% | August 2020 | 285,723 |
| Friend Street Water System bonds | 396,514 | 4.0 - 4.30% | January 2028 | 304,188 |
| General Projects bond | 1,292,315 | 4.0 - 5.0% | August 2027 | 1,095,000 |
| Town Hall Renovations bond | 485,920 | 4.0 - 5.25% | August 2028 | 441,405 |
| ADA Restrooms Compliance bond | 301,800 | 4.0 - 5.25% | August 2028 | 271,405 |
| Land Purchase bond | 131,500 | 4.0 - 5.25% | August 2028 | 116,405 |
| Sidewalks - Pickering/Clark bond | 97,530 | 4.0 - 5.25% | August 2028 | 91,405 |
| Repair/Renovate Railroad Station bond | 141,225 | 3.02 - 4.02% | August 2019 | 125,000 |

TOWN OF WOLFEBORO, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2010

| | | | | |
|--|---------------------|--------------|-------------|---------------------|
| Parking Lot Purchase bond | 243,325 | 3.02 - 4.02% | August 2019 | 220,000 |
| Center Street Drainage Upgrades bond | 566,000 | 3.00 - 5.00% | August 2020 | 566,000 |
| Smith River Streambank Improvements bond | 166,500 | 3.00 - 5.00% | August 2020 | 166,500 |
| Pop Whalen ADA Improvements bond | 54,750 | 3.00 - 5.00% | August 2020 | 54,750 |
| Totals | <u>\$ 5,055,879</u> | | | <u>\$ 3,947,781</u> |

Debt service requirements to retire general obligation bonds for governmental activities at December 31, 2010 are as follows:

| <u>Year Ending</u> <u>December 31,</u> | <u>Principal</u> | <u>Interest</u> | <u>Totals</u> |
|---|---------------------|---------------------|---------------------|
| 2011 | \$ 310,872 | \$ 177,753 | \$ 488,625 |
| 2012 | 318,622 | 162,433 | 481,055 |
| 2013 | 316,122 | 149,429 | 465,551 |
| 2014 | 318,982 | 136,376 | 455,358 |
| 2015 | 308,982 | 123,181 | 432,163 |
| 2016-2020 | 1,378,346 | 408,859 | 1,787,205 |
| 2021-2025 | 693,705 | 161,255 | 854,960 |
| 2026-2028 | 302,150 | 23,279 | 325,429 |
| | <u>\$ 3,947,781</u> | <u>\$ 1,342,565</u> | <u>\$ 5,290,346</u> |

As included on the Statement of Activities (Exhibit B), interest expense for the year ended December 31, 2010 was \$170,923 on general obligation debt for governmental activities.

The State of New Hampshire annually reimburses the Town for its share of water and landfill closure related debt service payments. For the year ended December 31, 2010, the reimbursement was \$9,036 and \$8,610 for water and landfill closure related debt service payments, respectively.

Business-type Activities:

Bonds payable at December 31, 2010 are comprised of the following individual issues:

| | <u>Original</u> <u>Issue</u> <u>Amount</u> | <u>Interest</u> <u>Rate</u> | <u>Final</u> <u>Maturity</u> <u>Date</u> | <u>Balance at</u> <u>12/31/10</u> |
|-------------------------------------|--|--------------------------------|--|--------------------------------------|
| Water Treatment Facility bond | \$ 3,000,000 | 4.50% | June 2026 | \$ 1,551,874 |
| Water System Improvements | 450,000 | 4.50% | March 2021 | 250,207 |
| Water System Improvements | 550,000 | 4.50% | May 2025 | 294,641 |
| Water System Improvements | 1,183,080 | 4.25% | November 2033 | 938,304 |
| Water System Improvements | 1,650,011 | 4.0 - 4.30% | January 2026 | 1,265,813 |
| Water Projects bond | 2,816,295 | 4.0 - 5.0% | August 2027 | 2,390,000 |
| Water System Improvements | 640,735 | 4.0 - 5.25% | August 2028 | 571,405 |
| Sewer Infiltration/Inflow Project | 535,000 | 5.125 - 5.50% | August 2020 | 264,276 |
| Sewer Projects bond | 592,990 | 4.0 - 5.0% | August 2027 | 510,000 |
| Sewer Infiltration/Inflow Project | 797,605 | 4.0 - 5.25% | August 2028 | 721,570 |
| Electric Distribution Upgrade bonds | 5,281,000 | 2.25 - 4.25% | June 2023 | 3,425,000 |
| Pop Whalen Rink bond | 321,755 | 4.0 - 5.25% | August 2028 | 286,405 |

TOWN OF WOLFEBORO, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2010

| | | | | |
|---------------------------------------|----------------------|--------------|--------------|----------------------|
| Water Line Replacement bond | 253,010 | 3.02 - 4.02% | August 2019 | 225,000 |
| Sewer bond | 793,000 | 3.0 - 4.0% | January 2020 | 793,000 |
| Wastewater Treatment Facility Upgrade | 5,820,364 | 2.352% | March 2029 | 5,529,347 |
| Water Line Replacement bond | 566,000 | 3.00 - 5.00% | August 2020 | 566,000 |
| Pop Whalen ADA Improvements bond | 54,750 | 3.00 - 5.00% | August 2020 | 54,750 |
| Totals | <u>\$ 25,305,595</u> | | | <u>\$ 19,637,592</u> |

Debt service requirements to retire general obligation bonds for business-type activities at December 31, 2010 are as follows:

| <u>Year Ending</u> <u>December 31,</u> | <u>Principal</u> | <u>Interest</u> | <u>Totals</u> |
|---|----------------------|---------------------|----------------------|
| 2011 | \$ 1,294,156 | \$ 774,879 | \$ 2,069,035 |
| 2012 | 1,301,276 | 724,762 | 2,026,038 |
| 2013 | 1,299,685 | 675,620 | 1,975,305 |
| 2014 | 1,297,777 | 625,949 | 1,923,726 |
| 2015 | 1,293,770 | 575,591 | 1,869,361 |
| 2016-2020 | 6,331,992 | 2,098,603 | 8,430,595 |
| 2021-2025 | 4,670,646 | 923,713 | 5,594,359 |
| 2026-2030 | 2,025,902 | 193,546 | 2,219,448 |
| 2031-2033 | 122,388 | 8,687 | 131,075 |
| | <u>\$ 19,637,592</u> | <u>\$ 6,601,350</u> | <u>\$ 26,238,942</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, 2010 was \$948,586 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, 2010, the annual reimbursement was \$53,380.

Other Long-Term Obligations

Business-type Activities:

The Town has drawn \$1,118,782 of approximately \$2,000,000 in funds under the State of New Hampshire, State Water Pollution Control Revolving Loan Fund Program for improvements to the Wastewater Treatment Facility. Payments are not scheduled to commence until the first anniversary of the scheduled completion date of the project or the date of substantial completion, whichever is earliest. Interest is accrued at 1% during the construction period of the project and is to be paid upon completion of the construction project within the following year.

As authorized by the American Recovery and Reinvestment Act, the Town shall be provided federal financial assistance for the above Wastewater Treatment Facility Project, whereby a portion of the principal sum, not to exceed \$706,000 or 50% of aggregate disbursements, whichever is less, will be forgiven. The principal forgiveness will be applied at the time of each loan repayment over a period not to exceed 20 years.

TOWN OF WOLFEBORO, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2010

Capital Lease Obligations

Capital lease obligations represent lease agreements entered into for the financing of equipment acquisitions. These contracts are subject to cancellation should funds not be appropriated to meet payment obligations. Amounts are annually budgeted in the applicable function. The following are the individual capital lease obligations for governmental activities at December 31, 2010:

| Governmental Activities: | <u>Interest Rate</u> | <u>Final Maturity Date</u> | <u>Balance at 12/31/10</u> |
|---------------------------------|----------------------|----------------------------|----------------------------|
| Equipment - Ford Escape | 6.60% | June 2012 | \$ 11,541 |
| Equipment - Ford Cruisers | 6.10% | March 2012 | 42,883 |
| | | | <u>\$ 54,424</u> |

Debt service requirements to retire capital lease obligations outstanding for governmental activities at December 31, 2010 are as follows:

| <u>Year Ending December 31,</u> | <u>Principal</u> | <u>Interest</u> | <u>Totals</u> |
|---------------------------------|------------------|-----------------|------------------|
| 2011 | \$ 26,393 | \$ 3,377 | \$ 29,770 |
| 2012 | 28,031 | 1,740 | 29,771 |
| | <u>\$ 54,424</u> | <u>\$ 5,117</u> | <u>\$ 59,541</u> |

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 \$391,000 as of December 31, 2010. 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, 2010. 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 of the Town's landfill 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, 2010:

| | |
|--|-------------------|
| Balance January 1, 2010 | \$ 414,000 |
| Expenditures recognized in the General Fund | (17,986) |
| Net change in estimated liability for postclosure care costs | (5,014) |
| Balance December 31, 2010 | <u>\$ 391,000</u> |

TOWN OF WOLFEBORO, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2010

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. Also, the General Fund paid for various items that are to be reimbursed from the Nonmajor Governmental Funds. The balance of expenditure reimbursements due to the General Fund are reflected as an interfund receivable. Interfund balances at December 31, 2010 are as follows:

| | | Due from | | | | |
|--------|-----------------------------|---------------------|-------------------|------------------|---------------------|---------------------|
| | | General | Nonmajor | Electric | Sewer | |
| | | Fund | Governmental | Department | Department | Totals |
| | General Fund | | \$ 117,627 | \$ 49,148 | \$ 1,096,181 | \$ 1,262,956 |
| Due to | Nonmajor Governmental Funds | \$ 776,875 | | | | 776,875 |
| | Water Department | 1,845,574 | | | 87,534 | 1,933,108 |
| Due to | Pop Whalen Ice Arena Fund | 68,815 | | | | 68,815 |
| | | <u>\$ 2,691,264</u> | <u>\$ 117,627</u> | <u>\$ 49,148</u> | <u>\$ 1,183,715</u> | <u>\$ 4,041,754</u> |

During the year, interfund transactions occurred between funds. The various transfers were made in accordance with budgetary authorizations. Interfund transfers for the year ended December 31, 2010 are as follows:

| | | Transfer from | | |
|-------------|-----------------------------|-------------------|-------------------|-------------------|
| | | General | Nonmajor | |
| | | Fund | Governmental | Totals |
| | General Fund | | \$ 153,892 | \$ 153,892 |
| Transfer to | Nonmajor Governmental Funds | \$ 639,408 | | 639,408 |
| | Sewer Department | 183,963 | | 183,963 |
| | | <u>\$ 823,371</u> | <u>\$ 153,892</u> | <u>\$ 977,263</u> |

NOTE 13—RESTRICTED NET ASSETS

Net assets are restricted for specific purposes as follows:

| | Governmental |
|-------------------------|---------------------|
| | Activities |
| Endowments | \$ 509,340 |
| Expendable Trusts | 1,060,082 |
| Capital Projects | 802,606 |
| Conservation Commission | 92,381 |
| | <u>\$ 2,464,409</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.

**TOWN OF WOLFEBORO, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2010**

Principal and income balances at December 31, 2010 are as follows:

| | <u>Principal</u> | <u>Income</u> | <u>Total</u> |
|-----------------|-------------------|-------------------|-------------------|
| Cemetery Funds | \$ 130,122 | \$ 39,832 | \$ 169,954 |
| Library Funds | 15,563 | 1,406 | 16,969 |
| Aide to Elderly | 101,678 | 42,221 | 143,899 |
| Town Roads | 107,385 | 95,322 | 202,707 |
| Town Concerts | 10,894 | 785 | 11,679 |
| Town Park | 38,907 | 22,167 | 61,074 |
| Other Various | 104,791 | 87,840 | 192,631 |
| | <u>\$ 509,340</u> | <u>\$ 289,573</u> | <u>\$ 798,913</u> |

NOTE 15—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.

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 amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

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, 2010

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Favorable (Unfavorable) |
|---|---------------------|---------------------|---------------------|---|
| | Original | Final | | |
| Revenues: | | | | |
| Taxes | \$ 7,987,595 | \$ 7,987,595 | \$ 8,258,232 | \$ 270,637 |
| Licenses and permits | 1,160,584 | 1,160,584 | 1,214,948 | 54,364 |
| Intergovernmental revenues | 465,009 | 465,009 | 469,971 | 4,962 |
| Charges for services | 408,124 | 408,124 | 548,002 | 139,878 |
| Interest and investment income | 14,030 | 14,030 | 10,252 | (3,778) |
| Miscellaneous | 123,426 | 123,426 | 154,646 | 31,220 |
| Total Revenues | <u>10,158,768</u> | <u>10,158,768</u> | <u>10,656,051</u> | <u>497,283</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 1,572,176 | 1,572,176 | 1,428,752 | 143,424 |
| Public safety | 3,471,748 | 3,471,748 | 3,290,914 | 180,834 |
| Highways and streets | 1,876,413 | 1,876,413 | 1,833,765 | 42,648 |
| Health and welfare | 273,927 | 273,927 | 302,192 | (28,265) |
| Sanitation | 827,437 | 827,437 | 790,346 | 37,091 |
| Culture and recreation | 778,986 | 778,986 | 767,579 | 11,407 |
| Economic development | 15,249 | 15,249 | 14,770 | 479 |
| Capital outlay | 1,425,244 | 1,295,482 | 1,344,976 | (49,494) |
| Debt service: | | | | |
| Principal retirement | 235,672 | 235,672 | 235,672 | - |
| Interest and fiscal charges | 157,045 | 157,045 | 157,045 | - |
| Total Expenditures | <u>10,633,897</u> | <u>10,504,135</u> | <u>10,166,011</u> | <u>338,124</u> |
| Excess of revenues over (under) expenditures | <u>(475,129)</u> | <u>(345,367)</u> | <u>490,040</u> | <u>835,407</u> |
| Other financing sources (uses): | | | | |
| Proceeds from bonds issued | 54,750 | 54,750 | 54,750 | - |
| Bond premium | 3,023 | 3,023 | 3,023 | - |
| Transfers in | 129,675 | 129,675 | 153,892 | 24,217 |
| Transfers out | (892,015) | (892,015) | (823,371) | 68,644 |
| Total other financing sources (uses) | <u>(704,567)</u> | <u>(704,567)</u> | <u>(611,706)</u> | <u>92,861</u> |
| Net change in fund balance | (1,179,696) | (1,049,934) | (121,666) | 928,268 |
| Fund balance at beginning of year | | | | |
| - Budgetary Basis | <u>3,442,955</u> | <u>3,442,955</u> | <u>3,442,955</u> | <u>-</u> |
| Fund balance at end of year | | | | |
| - Budgetary Basis | <u>\$ 2,263,259</u> | <u>\$ 2,393,021</u> | <u>\$ 3,321,289</u> | <u>\$ 928,268</u> |

See accompanying notes to the required supplementary information

SCHEDULE 2
TOWN OF WOLFEBORO, NEW HAMPSHIRE
Schedule of Funding Progress for Other Post-Employment Benefits
For the Year Ended December 31, 2010

| <u>Actuarial Valuation Date</u> | <u>Actuarial Value of Assets</u> | <u>Actuarial Accrued Liability (AAL)</u> | <u>Unfunded AAL (UAAL)</u> | <u>Funded Ratio</u> | <u>Covered Payroll</u> | <u>UAAL as a Percentage of Covered Payroll</u> |
|---|--|--|------------------------------------|-------------------------|----------------------------|--|
| 1/1/2009 | \$ - | \$ 1,908,441 | \$ 1,908,441 | 0.0% | \$ 3,241,432 | 59% |

See accompanying notes to the required supplementary information

TOWN OF WOLFEBORO, NEW HAMPSHIRE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2010

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 revenues and expenditures were adjusted for capital lease proceeds, encumbrances and on-behalf payments for fringe benefits.

| | Revenues and Other Financing <u>Sources</u> | Expenditures and Other Financing <u>Uses</u> |
|---|--|---|
| Per Exhibit D | \$ 11,516,626 | \$ 11,064,502 |
| Difference in property taxes meeting susceptible to accrual criteria | (515,031) | |
| Capital lease proceeds | (54,424) | (54,424) |
| Encumbrances, December 31, 2010 | | 175,756 |
| Encumbrances, December 31, 2009 | | (116,997) |
| On-behalf fringe benefits | <u>(79,455)</u> | <u>(79,455)</u> |
| Per Schedule 1 | <u>\$ 10,867,716</u> | <u>\$ 10,989,382</u> |

NOTE 2—BUDGETARY FUND BALANCE

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

| | |
|---|---------------------|
| Reserved for prepaid expenses | \$ 38,353 |
| Unreserved: | |
| Designated for subsequent years' expenditures | 129,762 |
| Undesignated | <u>3,153,174</u> |
| | <u>\$ 3,321,289</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 OF WOLFEBORO, NEW HAMPSHIRE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
December 31, 2010

| | |
|---------------------------------------|-------------------|
| Stump Dump Landfill | \$ 10,006 |
| Public Buildings Evaluation | 9,683 |
| Public Safety Building ADA Compliance | 7,497 |
| South Main Street Corridor | 3,818 |
| Plow Truck | 112 |
| Dockside Upgrades | 1,826 |
| Upgrade Town Roads | 96,820 |
| | <u>\$ 129,762</u> |

NOTE 4—SCHEDULE OF FUNDING PROGRESS FOR OTHER POST-EMPLOYMENT BENEFITS

In accordance with GASB Statement #45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*, the Town is required to disclose the schedule of funding progress for each of the three most recent actuarial valuations. The Town implemented the provisions of GASB Statement #45 during the year ended December 31, 2009. Accordingly, the funding progress has only been presented for the most recent actuarial valuation report. Additional disclosures will be made as the information becomes available.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Wolfeboro, New Hampshire, as of and for the year ended December 31, 2010, and have issued our report thereon dated August 17, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Wolfeboro, New Hampshire's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Wolfeboro, New Hampshire's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Wolfeboro, New Hampshire's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Town's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Wolfeboro, New Hampshire's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Board of Selectmen, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Wachon Clutey & Company PC

August 17, 2011

SCHEDULE A
TOWN OF WOLFEBORO, NEW HAMPSHIRE
Combining Balance Sheet
Governmental Funds - All Nonmajor Funds
December 31, 2010

| | Special Revenue Funds | Permanent Funds | Capital Project Funds | Total Other Governmental Funds |
|-------------------------------------|-----------------------------|--------------------|-----------------------------|---|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 134,013 | \$ 120,863 | | \$ 254,876 |
| Investments | 1,436,300 | 680,750 | | 2,117,050 |
| Accounts receivable | 4,094 | | | 4,094 |
| Due from other governments | 21,119 | | \$ 96,221 | 117,340 |
| Due from other funds | 59,486 | | 717,389 | 776,875 |
| Total Assets | <u>\$ 1,655,012</u> | <u>\$ 801,613</u> | <u>\$ 813,610</u> | <u>\$ 3,270,235</u> |
| LIABILITIES | | | | |
| Accounts payable | \$ 18,689 | | \$ 11,004 | \$ 29,693 |
| Deferred revenue | 43,279 | | | 43,279 |
| Due to other funds | 114,927 | \$ 2,700 | | 117,627 |
| Total Liabilities | <u>176,895</u> | <u>2,700</u> | <u>11,004</u> | <u>190,599</u> |
| FUND BALANCES | | | | |
| Reserved for encumbrances | | | 74,207 | 74,207 |
| Reserved for endowments | | 509,340 | | 509,340 |
| Unreserved, reported in: | | | | |
| Special revenue funds | 1,478,117 | | | 1,478,117 |
| Permanent funds | | 289,573 | | 289,573 |
| Capital project funds | | | 728,399 | 728,399 |
| Total Fund Balances | <u>1,478,117</u> | <u>798,913</u> | <u>802,606</u> | <u>3,079,636</u> |
| Total Liabilities and Fund Balances | <u>\$ 1,655,012</u> | <u>\$ 801,613</u> | <u>\$ 813,610</u> | <u>\$ 3,270,235</u> |

SCHEDULE A-1
TOWN OF WOLFEBORO, NEW HAMPSHIRE
 Combining Balance Sheet
 Governmental Funds - All Nonmajor Special Revenue Funds
 December 31, 2010

| | Library Fund | Conservation Commission | Josiah Brown Fund | Police Details Fund | Miscellaneous Grants Fund | Expendable Trust Funds | Combining Totals |
|-------------------------------------|-------------------|----------------------------|-------------------------|---------------------------|---------------------------------|------------------------------|---------------------|
| ASSETS | | | | | | | |
| Cash and cash equivalents | \$ 102,293 | \$ 31,427 | \$ 293 | | | \$ 1,147,183 | \$ 134,013 |
| Investments | 229,107 | 60,010 | | | | | 1,436,300 |
| Accounts receivable | | | | | \$ 4,094 | | 4,094 |
| Due from other governments | | | | \$ 21,787 | 21,119 | | 21,119 |
| Due from other funds | | 944 | | 36,755 | | | 59,486 |
| Total Assets | <u>\$ 331,400</u> | <u>\$ 92,381</u> | <u>\$ 293</u> | <u>\$ 21,787</u> | <u>\$ 61,968</u> | <u>\$ 1,147,183</u> | <u>\$ 1,655,012</u> |
| LIABILITIES | | | | | | | |
| Accounts payable | | | | | \$ 18,689 | | \$ 18,689 |
| Deferred revenue | \$ 27,826 | | | | 43,279 | | 43,279 |
| Due to other funds | <u>27,826</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>61,968</u> | <u>\$ 87,101</u> | <u>114,927</u> |
| Total Liabilities | | | | | | <u>\$ 87,101</u> | <u>176,895</u> |
| FUND BALANCES | | | | | | | |
| Unreserved, reported in: | | | | | | | |
| Special revenue funds | 303,574 | 92,381 | 293 | 21,787 | | 1,060,082 | 1,478,117 |
| Total Fund Balances | <u>303,574</u> | <u>92,381</u> | <u>293</u> | <u>21,787</u> | <u>-</u> | <u>1,060,082</u> | <u>1,478,117</u> |
| Total Liabilities and Fund Balances | <u>\$ 331,400</u> | <u>\$ 92,381</u> | <u>\$ 293</u> | <u>\$ 21,787</u> | <u>\$ 61,968</u> | <u>\$ 1,147,183</u> | <u>\$ 1,655,012</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, 2010

| | Special Revenue <u>Funds</u> | Permanent <u>Funds</u> | Capital Project <u>Funds</u> | Total Other Governmental <u>Funds</u> |
|---|------------------------------------|---------------------------|------------------------------------|---|
| Revenues: | | | | |
| Taxes | \$ 36,178 | | | \$ 36,178 |
| Intergovernmental revenues | 33,763 | | | 33,763 |
| Charges for services | 28,403 | | | 28,403 |
| Interest and investment income | 61,974 | \$ 60,714 | | 122,688 |
| Miscellaneous | 75,753 | | | 75,753 |
| Total Revenues | <u>236,071</u> | <u>60,714</u> | <u>\$ -</u> | <u>296,785</u> |
| Expenditures: | | | | |
| Current operations: | | | | |
| General government | 10,810 | 1,638 | | 12,448 |
| Public safety | 26,562 | | | 26,562 |
| Highways and streets | 3,811 | 5,464 | | 9,275 |
| Culture and recreation | 480,097 | 9,244 | | 489,341 |
| Capital outlay | 35,012 | | 70,853 | 105,865 |
| Total Expenditures | <u>556,292</u> | <u>16,346</u> | <u>70,853</u> | <u>643,491</u> |
| Excess of revenues over (under) expenditures | <u>(320,221)</u> | <u>44,368</u> | <u>(70,853)</u> | <u>(346,706)</u> |
| Other financing sources (uses): | | | | |
| Proceeds from bond issuances | | | 732,500 | 732,500 |
| Bond premium | | | 42,500 | 42,500 |
| Transfers in | 639,408 | | | 639,408 |
| Transfers out | (92,857) | (2,700) | (58,335) | (153,892) |
| Total other financing sources (uses) | <u>546,551</u> | <u>(2,700)</u> | <u>716,665</u> | <u>1,260,516</u> |
| Net change in fund balances | 226,330 | 41,668 | 645,812 | 913,810 |
| Fund balances at beginning of year | <u>1,251,787</u> | <u>757,245</u> | <u>156,794</u> | <u>2,165,826</u> |
| Fund balances at end of year | <u>\$ 1,478,117</u> | <u>\$ 798,913</u> | <u>\$ 802,606</u> | <u>\$ 3,079,636</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, 2010

| | Library Fund | Conservation Commission | Josiah Brown Fund | Police Details Fund | Miscellaneous Grants Fund | Expendable Trust Funds | Combining Totals |
|---|-------------------|----------------------------|-------------------------|---------------------------|---------------------------------|------------------------------|---------------------|
| Revenues: | | | | | | | |
| Taxes | | \$ 36,178 | | | \$ 33,763 | | \$ 36,178 |
| Intergovernmental revenues | | | | | | | 33,763 |
| Charges for services | | | | \$ 28,403 | | | 28,403 |
| Interest and investment income | \$ 23,363 | 114 | | | | \$ 38,497 | 61,974 |
| Miscellaneous | 33,077 | 103 | | | 42,573 | | 75,753 |
| Total Revenues | <u>56,440</u> | <u>36,395</u> | <u>\$ -</u> | <u>28,403</u> | <u>76,336</u> | <u>38,497</u> | <u>236,071</u> |
| Expenditures: | | | | | | | |
| Current operations: | | | | | | | |
| General government | | | | | 10,810 | | 10,810 |
| Public safety | | | | 24,132 | 2,430 | | 26,562 |
| Highways and streets | | | | | 3,811 | | 3,811 |
| Culture and recreation | 420,812 | | | | 59,285 | | 480,097 |
| Capital outlay | 29,735 | | | | | 5,277 | 35,012 |
| Total Expenditures | <u>450,547</u> | <u>-</u> | <u>-</u> | <u>24,132</u> | <u>76,336</u> | <u>5,277</u> | <u>556,292</u> |
| Excess of revenues over (under) expenditures | <u>(394,107)</u> | <u>36,395</u> | <u>-</u> | <u>4,271</u> | <u>-</u> | <u>33,220</u> | <u>(320,221)</u> |
| Other financing sources (uses): | | | | | | | |
| Transfers in | 404,086 | 2,572 | | | | 232,750 | 639,408 |
| Transfers out | <u>404,086</u> | <u>2,572</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(92,857)</u> | <u>(92,857)</u> |
| Total other financing sources (uses) | | | | | | <u>139,893</u> | <u>546,551</u> |
| Net change in fund balances | 9,979 | 38,967 | - | 4,271 | - | 173,113 | 226,330 |
| Fund balances at beginning of year | <u>293,595</u> | <u>53,414</u> | <u>293</u> | <u>17,516</u> | <u>-</u> | <u>886,969</u> | <u>1,251,787</u> |
| Fund balances at end of year | <u>\$ 303,574</u> | <u>\$ 92,381</u> | <u>\$ 293</u> | <u>\$ 21,787</u> | <u>\$ -</u> | <u>\$ 1,060,082</u> | <u>\$ 1,478,117</u> |

SCHEDULE C
TOWN OF WOLFEBORO, NEW HAMPSHIRE
Combining Statement of Fiduciary Net Assets
Fiduciary Funds - All Agency Funds
December 31, 2010

| | School Agency <u>Funds</u> | Escrow Agency <u>Funds</u> | Total Agency <u>Funds</u> |
|---------------------------|----------------------------------|----------------------------------|---------------------------------|
| ASSETS | | | |
| Cash and cash equivalents | | \$ 1,255,318 | \$ 1,255,318 |
| Investments | <u>\$ 1,047,363</u> | | <u>1,047,363</u> |
| Total Assets | <u>\$ 1,047,363</u> | <u>\$ 1,255,318</u> | <u>\$ 2,302,681</u> |
| LIABILITIES | | | |
| Deposits | | \$ 1,255,318 | \$ 1,255,318 |
| Due to other governments | <u>\$ 1,047,363</u> | | <u>1,047,363</u> |
| Total Liabilities | <u>\$ 1,047,363</u> | <u>\$ 1,255,318</u> | <u>\$ 2,302,681</u> |