

TOWN OF WOLFEBORO, NEW HAMPSHIRE

Financial Statements

With Schedule of Expenditures of Federal Awards

December 31, 2011

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***

**Report on Compliance With Requirements That Could
Have a Direct and Material Effect on Each Major Program
and on Internal Control Over Compliance in Accordance
With OMB Circular A-133**

Schedule of Findings and Questioned Costs

TOWN OF WOLFEBORO, NEW HAMPSHIRE
FINANCIAL STATEMENTS
December 31, 2011

TABLE OF CONTENTS

	<u>Page(s)</u>
INDEPENDENT AUDITOR’S REPORT	
MANAGEMENT’S DISCUSSION AND ANALYSIS	i-ix
BASIC FINANCIAL STATEMENTS	
EXHIBITS:	
A Statement of Net Assets	1
B Statement of Activities	2
C Balance Sheet – Governmental Funds	3
D Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	4
E Statement of Net Assets – Proprietary Funds	5
F Statement of Revenues, Expenses and Changes in Net Assets – Proprietary Funds	6
G Statement of Cash Flows – Proprietary Funds	7
H Statement of Fiduciary Net Assets – Fiduciary Funds	8
I Statement of Changes in Fiduciary Net Assets – Fiduciary Funds	9
NOTES TO BASIC FINANCIAL STATEMENTS	10-32
REQUIRED SUPPLEMENTARY INFORMATION	
SCHEDULES:	
1 Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budgetary Basis) - General Fund	33
2 Schedule of Funding Progress for Other Post-Employment Benefits	34
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION	35-36
FEDERAL COMPLIANCE	
SCHEDULE:	
I Schedule of Expenditures of Federal Awards	37
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	38

TOWN OF WOLFEBORO, NEW HAMPSHIRE
FINANCIAL STATEMENTS
December 31, 2011

TABLE OF CONTENTS (CONTINUED)

	<u>Page(s)</u>
FEDERAL COMPLIANCE (CONTINUED)	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	39-40
Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133	41-42
Schedule of Findings and Questioned Costs	43-44

SUPPLEMENTAL SCHEDULES

SCHEDULES:

A Combining Balance Sheet – Governmental Funds - All Nonmajor Funds	45
A-1 Combining Balance Sheet – Governmental Funds - All Nonmajor Special Revenue Funds	46
B Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds - All Nonmajor Funds	47
B-1 Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds - All Nonmajor Special Revenue Funds	48
C Combining Statement of Fiduciary Net Assets – Fiduciary Funds - All Agency Funds	49

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, 2011, 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, 2011, 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 July 24, 2012, 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 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 assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that 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 33-36, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States

of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Wolfeboro, New Hampshire's financial statements as a whole. The combining nonmajor governmental and fiduciary fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining nonmajor governmental and fiduciary fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Vachon Clutkey & Company PC

July 24, 2012

TOWN OF WOLFEBORO, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ending December 31, 2011

Presented herewith please find the Management Discussion & Analysis Report for the Town of Wolfeboro for the year ended December 31, 2011. 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. Toward this end, management strives to maintain up-to-date information technology systems and software applications.

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, 2011

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, 2011**

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 governmental and fiduciary fund financial statements, as well as the schedule of expenditures of federal awards.

Government-Wide Financial Analysis

Governmental Activities

According to Exhibit A – Statement of Net Assets in the Financial Statements, net assets of the governmental activities for the Town of Wolfeboro as of December 31, 2011 and 2010 are as follows:

	<u>2011</u>	<u>2010</u>
Capital and other assets:		
Capital assets, net	\$ 24,329,743	\$ 23,439,063
Other assets	<u>13,712,366</u>	<u>13,237,511</u>
Total assets	<u>\$ 38,042,109</u>	<u>\$ 36,676,574</u>
Long-term liabilities	\$ 4,939,622	\$ 5,174,495
Other liabilities	<u>7,522,457</u>	<u>6,736,661</u>
Total liabilities	<u>\$ 12,462,079</u>	<u>\$ 11,911,156</u>
Net assets:		
Invested in capital assets, net of related debt	\$ 20,770,703	\$ 19,559,039
Restricted	1,444,830	2,464,409
Unrestricted	<u>3,364,497</u>	<u>2,741,970</u>
Total net assets	<u>\$ 25,580,030</u>	<u>\$ 24,765,418</u>

The Town's net assets totaled \$25,580,030 at the end of fiscal year 2011, an increase of \$814,612 when compared to the end of the previous fiscal year. This total increase includes an increase in the Town's

TOWN OF WOLFEBORO, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ending December 31, 2011

investment in capital assets, net of related debt of \$1,211,664, which was offset by a decrease in Restricted Net Assets of (\$1,019,579) and an increase in Unrestricted Net Assets of \$622,527.

A large portion of the Town's net assets reflect 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 and capital project 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.

According to Exhibit B – Statement of Activities in the Financial Statements, changes in net assets for governmental activities for the years ended December 31, 2011 and 2010 are as follows:

	<u>2011</u>	<u>2010</u>
Program revenues:		
Charges for services	\$ 687,871	\$ 581,773
Operating grants and contributions	987,880	291,049
Capital grants and contributions	<u>72,754</u>	<u>9,036</u>
Total program revenues	<u>1,748,505</u>	<u>882,218</u>
General revenues:		
Property and other taxes	8,876,972	8,294,410
Licenses and permits	1,242,781	1,214,948
Intergovernmental revenue	280,124	282,744
Interest and investment earnings	71,589	132,940
Miscellaneous	<u>404,621</u>	<u>228,031</u>
Total general revenues	<u>10,876,087</u>	<u>10,153,073</u>
Total revenues	<u>12,624,592</u>	<u>11,035,291</u>
Program expenses:		
General government	1,597,246	1,491,759
Public safety	3,724,046	3,645,387
Highways and streets	2,506,538	2,522,535
Health and welfare	295,040	302,306
Sanitation	789,840	875,563
Culture and recreation	1,576,894	1,339,920
Economic development	496,740	14,770
Interest and fiscal charges	<u>153,787</u>	<u>170,923</u>
Total expenses	<u>11,140,131</u>	<u>10,363,163</u>
Excess (deficiency) before transfers	1,484,461	672,128
Transfers	<u>(669,849)</u>	<u>(183,963)</u>
Change in net assets	814,612	488,165
Net assets - beginning of year	<u>24,765,418</u>	<u>24,277,253</u>
Net assets - ending of year	<u>\$ 25,580,030</u>	<u>\$ 24,765,418</u>

TOWN OF WOLFEBORO, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ending December 31, 2011

As shown in the above statement, governmental activities of the Town experienced a net increase in financial position of \$814,612 on the full accrual basis of accounting.

During the year ended December 31, 2011, program revenues covered only 16% of program expenses, while the remaining 84% 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 (33%), culture and recreation (14%), and highways and streets (23%), which accounted for 84% of total expenses.

Business-type Activities

According to Exhibit A – Statement of Net Assets in the Financial Statements, net assets of the business type activities as of December 31, 2011 and 2010 are as follows:

	<u>2011</u>	<u>2010</u>
Capital and other assets:		
Capital assets, net	\$ 32,124,457	\$ 32,512,871
Other assets	<u>5,045,295</u>	<u>3,852,076</u>
Total assets	<u>\$ 37,169,751</u>	<u>\$ 36,364,947</u>
Long-term liabilities	\$ 20,667,443	\$ 21,014,663
Other liabilities	<u>711,282</u>	<u>892,127</u>
Total liabilities	<u>\$ 21,378,725</u>	<u>\$ 21,906,790</u>
Net assets:		
Invested in capital assets, net of related debt	\$ 12,216,995	\$ 12,288,680
Unrestricted	<u>3,574,031</u>	<u>2,169,477</u>
Total net assets	<u>\$ 15,791,026</u>	<u>\$ 14,458,157</u>

The Town's business-type activities net assets totaled \$15,791,026 at the end of fiscal year 2011, an increase of \$1,332,869 when compared to the end of the previous fiscal year. This increase includes a decrease in the Town's investment in capital assets, net of related debt of (\$71,685) which was more than offset by increases in Unrestricted Net Assets of \$1,404,554.

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

TOWN OF WOLFEBORO, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ending December 31, 2011

According to Exhibit B – Statement of Activities in the Financial Statements, changes in net assets for the business-type activities for the years ended December 31, 2011 and 2010 are as follows:

	<u>2011</u>	<u>2010</u>
Program revenues:		
Charges for services	\$ 13,967,565	\$ 13,628,464
Operating grants and contributions	-	-
Capital grants and contributions	<u>88,347</u>	<u>47,581</u>
Total program revenues	<u>14,055,912</u>	<u>13,676,045</u>
General revenues:		
Interest and investment earnings	307	4,008
Miscellaneous	<u>27,702</u>	<u>18,507</u>
Total general revenues	<u>28,009</u>	<u>22,515</u>
Total revenues	<u>14,083,921</u>	<u>13,698,560</u>
Program expenses:		
Electric	9,985,316	10,584,040
Water	1,468,943	1,504,945
Sewer	1,695,663	1,816,092
Pop Whalen	<u>270,979</u>	<u>256,715</u>
Total program expenses	<u>13,420,901</u>	<u>14,161,792</u>
Excess (deficiency) before transfers	663,020	(463,232)
Transfers	<u>669,849</u>	<u>183,963</u>
Change in net assets	1,332,869	(279,269)
Net assets - beginning of year	<u>14,458,157</u>	<u>14,737,426</u>
Net assets - ending of year	<u>\$ 15,791,026</u>	<u>\$ 14,458,157</u>

The primary funding source for business-type activities is charges for services, which comprises 95% of all funding sources. Program revenues provided funding for 105% of total program expenses, which contributed to the overall increase in net assets of \$1,332,869. There was however, a significant increase in transfers from other funds of \$485,886. 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 at the Wastewater Treatment Plant, which is substantially complete, coupled with the State of NH's ongoing failure to provide offset funding as originally anticipated, future variances in Sewer Fund net assets may be significant.

**TOWN OF WOLFEBORO, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ending December 31, 2011**

Financial Analysis of the Town's Funds

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

Governmental Funds

The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's near-term financing requirements. In particular, unassigned 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 unassigned fund balance of \$1,625,108, while total fund equity was \$3,938,391. The total fund equity also includes a Non-spendable fund balance of \$88,355, as well as an Assigned fund balance of \$984,632 and Committed fund balance of \$1,240,296. The General Fund total fund balance decreased (\$49,874) from December 31, 2010.

During the tax setting process the Finance Director and Town Manager review the calculation outlined in the vote of the 2002 Town Meeting under Article 18 as one method of determining the appropriate amount of fund balance to retain for the following year. In December 2011, after the tax rate was set for 2011, the Board of Selectmen adopted a formal fund balance policy in accordance with the Governmental Accounting Standards Board Pronouncement 54 (GASB 54). In 2011 \$1,200,000 was used to offset the tax rate.

Other Governmental Funds

The total fund balance in Other Governmental Funds is \$1,617,175 at year end, a decrease of (\$98,512) from the previous year. The various Non-major governmental funds within this category are: Special Revenue Funds, Permanent Funds and Capital Projects Funds. The Special Revenue Funds consist of the following funds: Conservation Commission Fund \$148,289 in Committed fund balance; Police Detail Fund \$24,056 in Committed fund balance and the Miscellaneous Grants Fund which carries a fund balance of \$0. The Capital Project Fund has a Restricted fund balance of \$657,071 and the Permanent Funds fund balance totals \$787,759, of which \$511,015 is Non-spendable, with the remaining \$276,744 being Restricted fund balance.

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. According to Exhibit F the Statement of Revenues, Expenses and Changes in Net Assets, total net assets increased \$1,332,869 from December 31, 2010 to December 31, 2011 to a total of \$15,791,026. The Income (Loss) before capital contributions and transfers was as follows: Electric Department \$1,126,945; Water Department \$226,212; Sewer Department (\$712,763)

TOWN OF WOLFEBORO, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ending December 31, 2011

and Pop Whalen Ice Arena (\$65,721). Please note that after applying the effect of capital contributions and transfers in from the general fund changes in net assets were as follows: Electric Department \$1,176,592; Sewer Department (\$42,914) and Pop Whalen Fund (\$ 27,021). The Water Department had no capital contributions or transfers in.

Rates for the use of the Pop Whalen ice skating rink were increased during the year to meet anticipated operating expenses and debt service requirements. Rates for the Municipal Electric, Water and Sewer Departments were not increased in fiscal 2011.

General Fund Budgetary Highlights

According to Schedule 1, actual revenues for the year exceeded those anticipated by \$308,000. Revenues exceeded estimations in almost all categories as follows: Licenses and permits \$34,221; Intergovernmental revenues \$113,763; Charges for services \$176,613 and Miscellaneous income \$47,968. Interest and investment income failed to meet expectations by (\$5,294) as did Taxes by (\$59,271).

Expenditures for the year remained within appropriated amounts overall. The Town remained within its total expenditure budget by \$85,576 which resulted in excess anticipated revenues over anticipated expenditures of \$393,576.

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.

According to Note 6 of the Notes To Basic Financial Statements, the Town's investment in capital assets net of accumulated depreciation for its governmental activities and business-type activities as of December 31, 2011 amounts to \$24,329,743 and \$32,124,457, respectively. This investment in capital assets includes land, infrastructure, buildings and improvements, vehicles and equipment, and other capital improvements. See Note 6 for a summary of all capital assets activity for the year.

Long-Term Obligations

On January 1, 2011 the Town of Wolfeboro had total outstanding bonded debt and other long-term obligations of \$3,947,781 and \$20,756,374 in the governmental activities and business-type activities, respectively. Principal payments during the year reduced outstanding general obligation debt of the Town by \$1,605,028 and new general obligation bonds issued and other long-term obligations added totaled \$870,174, resulting in a combined total outstanding balance at year-end of \$23,969,301. As part of that total, other long-term obligations at year end in the business-type activities of \$1,165,956 consist of funds drawn on the State Revolving Loan Program for improvements to the Wastewater Treatment Facility. Capital leases payable at year-end totaled \$28,031. See Note 10 in the Notes to 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, 2011

Compensated absences payable combined for both governmental and business-type activities at year-end totaled \$471,449. See Note 10 in the Notes to Basic Financial Statements for a summary of compensated absences activity.

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 \$368,000. See Note 11 in the Notes to Basic Financial Statements for a summary of post closure costs and changes for the year.

Economic Conditions

The assessed real estate value decreased from \$2,048,930,072 to \$2,048,479,200 or (\$450,872) as a result of the housing market, as reflected in the Town's ongoing revaluation of property by the Assessing Department. The next scheduled full revaluation of property is scheduled for April 1, 2015.

The overall tax rate remained relatively low at \$ 12.20 compared with the 2010 rate of \$11.04 per thousand. Totals for uncollected taxes at year end remained low.

The operating budget for calendar year 2011 was \$25,517,566. The Town maintains a Capital Improvement Plan through the CIP Committee, which 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, 2011. The average unemployment rate for the year was 5.2% for the Wolfeboro NH LMA; lower than the national average of 8.5%. The yearly Northeast Consumer Price Index totaled 2.9%.

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, 2011

	Governmental <u>Activities</u>	Business-type <u>Activities</u>	<u>Total</u>
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 11,833,115	\$ 86	\$ 11,833,201
Investments	2,440,813		2,440,813
Taxes receivable, net	1,672,218		1,672,218
Accounts receivable, net	10,244	1,654,419	1,664,663
Special assessments		3,799	3,799
Due from other governments	147,297	98,649	245,946
Internal balances	(2,479,676)	2,479,676	-
Prepaid expenses	88,355	13,538	101,893
Inventory		264,599	264,599
Total Current Assets	<u>13,712,366</u>	<u>4,514,766</u>	<u>18,227,132</u>
Noncurrent Assets:			
Due from other governments		530,528	530,528
Capital assets:			
Non-depreciable capital assets	6,831,927	1,456,175	8,288,102
Depreciable capital assets, net	<u>17,497,816</u>	<u>30,668,282</u>	<u>48,166,098</u>
Total Noncurrent Assets	<u>24,329,743</u>	<u>32,654,985</u>	<u>56,984,728</u>
Total Assets	<u>\$ 38,042,109</u>	<u>\$ 37,169,751</u>	<u>\$ 75,211,860</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	\$ 306,069	\$ 263,524	\$ 569,593
Accrued expenses	78,991	10,343	89,334
Accrued interest payable	65,584	321,915	387,499
Retainage payable		20,652	20,652
Deferred revenue	186,844	50,373	237,217
Deposits payable	6,415	44,475	50,890
Due to other governments	6,878,554		6,878,554
Current portion of deferred bond premiums	11,999	27,507	39,506
Current portion of bonds payable	318,622	1,301,276	1,619,898
Current portion of capital leases payable	28,031		28,031
Current portion of estimated liability for landfill postclosure care costs	23,000		23,000
Total Current Liabilities	<u>7,904,109</u>	<u>2,040,065</u>	<u>9,944,174</u>
Noncurrent Liabilities:			
Deferred bond premiums	62,101	175,851	237,952
Bonds payable	3,318,287	17,865,160	21,183,447
Other long-term obligations		1,165,956	1,165,956
Compensated absences payable	400,580	70,869	471,449
Other post-employment benefits payable	432,002	60,824	492,826
Estimated liability for landfill postclosure care costs	345,000		345,000
Total Noncurrent Liabilities	<u>4,557,970</u>	<u>19,338,660</u>	<u>23,896,630</u>
Total Liabilities	<u>12,462,079</u>	<u>21,378,725</u>	<u>33,840,804</u>
NET ASSETS			
Invested in capital assets, net of related debt	20,770,703	12,216,995	32,987,698
Restricted	1,444,830		1,444,830
Unrestricted	<u>3,364,497</u>	<u>3,574,031</u>	<u>6,938,528</u>
Total Net Assets	<u>25,580,030</u>	<u>15,791,026</u>	<u>41,371,056</u>
Total Liabilities and Net Assets	<u>\$ 38,042,109</u>	<u>\$ 37,169,751</u>	<u>\$ 75,211,860</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, 2011

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	\$ 1,597,246		\$ 33,615		\$ (1,563,631)		\$ (1,563,631)
Public safety	3,724,046	\$ 92,170	128,373		(3,503,503)		(3,503,503)
Highways and streets	2,506,538	212,770	179,331	\$ 72,754	(2,041,683)		(2,041,683)
Health and welfare	295,040				(295,040)		(295,040)
Sanitation	789,840	269,478			(520,362)		(520,362)
Culture and recreation	1,576,894	113,453	151,840		(1,311,601)		(1,311,601)
Economic development	496,740		486,459		(10,281)		(10,281)
Interest and fiscal charges	153,787		8,262		(145,525)		(145,525)
Total governmental activities	<u>11,140,131</u>	<u>687,871</u>	<u>987,880</u>	<u>72,754</u>	<u>(9,391,626)</u>	<u>\$ -</u>	<u>(9,391,626)</u>
Business-type activities:							
Electric	9,985,316	11,100,899		49,647		1,165,230	1,165,230
Water	1,468,943	1,678,894				209,951	209,951
Sewer	1,695,663	982,524				(713,139)	(713,139)
Pop Whalen Ice Arena	270,979	205,248		38,700		(27,031)	(27,031)
Total business-type activities	<u>13,420,901</u>	<u>13,967,565</u>	<u>-</u>	<u>88,347</u>	<u>-</u>	<u>635,011</u>	<u>635,011</u>
Total primary government	<u>\$ 24,561,032</u>	<u>\$ 14,655,436</u>	<u>\$ 987,880</u>	<u>\$ 161,101</u>	<u>(9,391,626)</u>	<u>635,011</u>	<u>(8,756,615)</u>
General revenues:							
Property and other taxes					8,876,972		8,876,972
Licenses and permits					1,242,781		1,242,781
Grants and contributions:							
Rooms and meals tax distribution					280,050		280,050
State and federal forest land reimbursement					74		74
Interest and investment earnings					71,589	307	71,896
Miscellaneous					404,621	27,702	432,323
Transfers					(669,849)	669,849	-
Total general revenues and transfers					<u>10,206,238</u>	<u>697,858</u>	<u>10,904,096</u>
Change in net assets					814,612	1,332,869	2,147,481
Net assets - beginning					<u>24,765,418</u>	<u>14,458,157</u>	<u>39,223,575</u>
Net assets - ending					<u>\$ 25,580,030</u>	<u>\$ 15,791,026</u>	<u>\$ 41,371,056</u>

See accompanying notes to the basic financial statements

EXHIBIT C
TOWN OF WOLFEBORO, NEW HAMPSHIRE
Balance Sheet
Governmental Funds
December 31, 2011

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 11,724,997	\$ 108,118	\$ 11,833,115
Investments	1,609,847	830,966	2,440,813
Taxes receivable, net	1,672,218		1,672,218
Accounts receivable	10,244		10,244
Due from other governments		147,297	147,297
Due from other funds	1,588,165	681,978	2,270,143
Prepaid expenses	88,355		88,355
Total Assets	<u>\$ 16,693,826</u>	<u>\$ 1,768,359</u>	<u>\$ 18,462,185</u>
LIABILITIES			
Accounts payable	\$ 289,483	\$ 16,586	\$ 306,069
Accrued expenses	78,991		78,991
Deferred revenue	866,729	20,042	886,771
Deposits payable	6,415		6,415
Due to other governments	6,878,554		6,878,554
Due to other funds	4,635,263	114,556	4,749,819
Total Liabilities	<u>12,755,435</u>	<u>151,184</u>	<u>12,906,619</u>
FUND BALANCES			
Nonspendable	88,355	511,015	599,370
Restricted		933,815	933,815
Committed	1,240,296	172,345	1,412,641
Assigned	984,632		984,632
Unassigned	1,625,108		1,625,108
Total Fund Balances	<u>3,938,391</u>	<u>1,617,175</u>	<u>5,555,566</u>
Total Liabilities and Fund Balances	<u>\$ 16,693,826</u>	<u>\$ 1,768,359</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			24,329,743
Property taxes are recognized on an accrual basis in the statement of net assets, not the modified accrual basis			699,927
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			(3,636,909)
Capital leases payable			(28,031)
Deferred bond premiums			(74,100)
Accrued interest on long-term obligations			(65,584)
Compensated absences payable			(400,580)
Other post-employment benefits payable			(432,002)
Estimated liability for landfill postclosure care costs			(368,000)
Net assets of governmental activities			<u>\$ 25,580,030</u>

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, 2011

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$ 9,044,694	\$ 5,080	\$ 9,049,774
Licenses and permits	1,242,781		1,242,781
Intergovernmental revenues	629,243	711,515	1,340,758
Charges for services	647,875	30,578	678,453
Interest and investment income	43,871	27,718	71,589
Miscellaneous	209,266	204,773	414,039
Total Revenues	<u>11,817,730</u>	<u>979,664</u>	<u>12,797,394</u>
Expenditures:			
Current operations:			
General government	1,450,224	61,850	1,512,074
Public safety	3,438,479	67,910	3,526,389
Highways and streets	1,977,515	30,033	2,007,548
Health and welfare	294,721	592	295,313
Sanitation	761,754		761,754
Culture and recreation	1,235,157	266,988	1,502,145
Economic development	10,281	486,459	496,740
Capital outlay	1,528,017	157,326	1,685,343
Debt service:			
Principal retirement	310,872		310,872
Interest and fiscal charges	177,753		177,753
Total Expenditures	<u>11,204,773</u>	<u>1,071,158</u>	<u>12,275,931</u>
Excess of revenues over (under) expenditures	612,957	(91,494)	521,463
Other financing sources (uses):			
Transfers in	9,496	2,478	11,974
Transfers out	(672,327)	(9,496)	(681,823)
Total other financing sources (uses)	<u>(662,831)</u>	<u>(7,018)</u>	<u>(669,849)</u>
Net change in fund balances	(49,874)	(98,512)	(148,386)
Fund balances at beginning of year, as restated	3,988,265	1,715,687	5,703,952
Fund balances at end of year	<u>\$ 3,938,391</u>	<u>\$ 1,617,175</u>	<u>\$ 5,555,566</u>

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, 2011

Net Change in Fund Balances - Total Governmental Funds	\$ (148,386)
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.	890,680
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(172,802)
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.	13,719
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	310,872
Repayment of principal on capital leases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	26,393
In the statement of activities, interest is accrued on outstanding bonds and capital leases, whereas in governmental funds, an interest expenditure is reported when due.	10,247
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.	(116,111)
Change in net assets of governmental activities	<u>\$ 814,612</u>

See accompanying notes to the basic financial statements

EXHIBIT E
TOWN OF WOLFEBORO, NEW HAMPSHIRE
Statement of Net Assets
Proprietary Funds
December 31, 2011

	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	1,038,168	\$ 362,238	\$ 248,105	\$ 5,908	1,654,419
Special assessments			3,799		3,799
Due from other governments	889	50,586	47,174		98,649
Due from other funds	1,931,154	2,015,333		94,460	4,040,947
Prepaid expenses	6,366	3,622	2,823	727	13,538
Inventory	264,599				264,599
Total Current Assets	<u>3,241,262</u>	<u>2,431,779</u>	<u>301,901</u>	<u>101,095</u>	<u>6,076,037</u>
Noncurrent Assets:					
Due from other governments		530,528			530,528
Capital assets:					
Non-depreciable capital assets	338,251	12,772	1,105,152		1,456,175
Depreciable capital assets, net	5,707,645	12,826,485	10,872,873	1,261,279	30,668,282
Total Noncurrent Assets	<u>6,045,896</u>	<u>13,369,785</u>	<u>11,978,025</u>	<u>1,261,279</u>	<u>32,654,985</u>
Total Assets	<u>\$ 9,287,158</u>	<u>\$ 15,801,564</u>	<u>\$ 12,279,926</u>	<u>\$ 1,362,374</u>	<u>\$ 38,731,022</u>
LIABILITIES					
Current Liabilities:					
Accounts payable	\$ 155,007	\$ 14,153	\$ 21,034	\$ 73,330	\$ 263,524
Accrued expenses	4,606	2,235	2,217	1,285	10,343
Accrued interest payable	5,316	126,575	183,813	6,211	321,915
Retainage payable	20,652				20,652
Deferred revenue	39,668	7,666	3,039		50,373
Deposits payable	44,275	200			44,475
Due to other funds			1,561,271		1,561,271
Current portion of deferred bond premiums	6,022	10,388	7,851	3,246	27,507
Current portion of bonds payable	265,000	544,205	465,996	26,075	1,301,276
Total Current Liabilities	<u>540,546</u>	<u>705,422</u>	<u>2,245,221</u>	<u>110,147</u>	<u>3,601,336</u>
Noncurrent Liabilities:					
Deferred bond premiums	52,778	57,490	40,375	25,208	175,851
Bonds payable	3,511,200	6,969,705	6,888,200	496,055	17,865,160
Other long-term obligations			1,165,956		1,165,956
Compensated absences payable	33,990	28,807	8,072		70,869
Other post-employment benefits payable	18,715	34,311	7,798		60,824
Total Noncurrent Liabilities	<u>3,616,683</u>	<u>7,090,313</u>	<u>8,110,401</u>	<u>521,263</u>	<u>19,338,660</u>
Total Liabilities	<u>4,157,229</u>	<u>7,795,735</u>	<u>10,355,622</u>	<u>631,410</u>	<u>22,939,996</u>
NET ASSETS					
Invested in capital assets, net of related debt	2,210,896	5,838,583	3,456,821	710,695	12,216,995
Unrestricted (deficit)	2,919,033	2,167,246	(1,532,517)	20,269	3,574,031
Total Net Assets	<u>5,129,929</u>	<u>8,005,829</u>	<u>1,924,304</u>	<u>730,964</u>	<u>15,791,026</u>
Total Liabilities and Net Assets	<u>\$ 9,287,158</u>	<u>\$ 15,801,564</u>	<u>\$ 12,279,926</u>	<u>\$ 1,362,374</u>	<u>\$ 38,731,022</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, 2011

	Business-type Activities				Totals
	Electric Department	Water Department	Sewer Department	Pop Whalen Ice Arena Fund	
Operating revenues:					
Charges for services	\$ 11,100,899	\$ 1,678,894	\$ 982,524	\$ 205,248	\$ 13,967,565
Miscellaneous	11,362	15,964	376		27,702
Total operating revenues	<u>11,112,261</u>	<u>1,694,858</u>	<u>982,900</u>	<u>205,248</u>	<u>13,995,267</u>
Operating expenses:					
Cost of operations	1,667,791	668,528	1,000,181	143,210	3,479,710
Cost of power	7,577,346				7,577,346
Administration	294,150	87,524	87,523	46,411	515,608
Depreciation	322,992	383,043	344,026	67,029	1,117,090
Total operating expenses	<u>9,862,279</u>	<u>1,139,095</u>	<u>1,431,730</u>	<u>256,650</u>	<u>12,689,754</u>
Operating income (loss)	<u>1,249,982</u>	<u>555,763</u>	<u>(448,830)</u>	<u>(51,402)</u>	<u>1,305,513</u>
Non-operating revenues (expenses):					
Interest revenue		297		10	307
Interest expense	(123,037)	(329,848)	(263,933)	(14,329)	(731,147)
Net non-operating revenues (expenses)	<u>(123,037)</u>	<u>(329,551)</u>	<u>(263,933)</u>	<u>(14,319)</u>	<u>(730,840)</u>
Income (Loss) before capital contributions and transfers	1,126,945	226,212	(712,763)	(65,721)	574,673
Capital contributions	49,647			38,700	88,347
Transfers in			669,849		669,849
Change in net assets	1,176,592	226,212	(42,914)	(27,021)	1,332,869
Total net assets at beginning 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>
Total net assets at end of year	<u>\$ 5,129,929</u>	<u>\$ 8,005,829</u>	<u>\$ 1,924,304</u>	<u>\$ 730,964</u>	<u>\$ 15,791,026</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, 2011

	Business-type Activities				Totals
	Electric Department	Water Department	Sewer Department	Pop Whalen Ice Arena Fund	
Cash flows from operating activities:					
Cash received from customers	\$ 11,522,383	\$ 1,714,230	\$ 1,000,093	\$ 208,687	\$ 14,445,393
Other operating cash receipts	11,362	15,964	376		27,702
Cash paid to suppliers	(9,278,886)	(320,201)	(948,453)	(158,686)	(10,706,226)
Cash paid to employees	(325,892)	(442,984)	(129,315)	(36,539)	(934,730)
Net cash provided (used) by operating activities	<u>1,928,967</u>	<u>967,009</u>	<u>(77,299)</u>	<u>13,462</u>	<u>2,832,139</u>
Cash flows from noncapital financing activities:					
Transfer from other funds			669,849		669,849
Net cash provided for noncapital financing activities	<u>-</u>	<u>-</u>	<u>669,849</u>	<u>-</u>	<u>669,849</u>
Cash flows from capital financing activities:					
Purchases of capital assets	(284,719)	(44,656)	(282,360)	(211,172)	(822,907)
Capital contributions	49,647	51,983		38,700	140,330
Proceeds from bonds issued	675,000			226,248	901,248
Proceeds from other long-term obligations			59,554		59,554
Principal paid on long-term debt	(265,000)	(539,334)	(463,997)	(25,825)	(1,294,156)
Interest paid on long-term debt	(123,593)	(353,074)	(283,303)	(15,778)	(775,748)
Net cash provided (used) for capital financing activities	<u>51,335</u>	<u>(885,081)</u>	<u>(970,106)</u>	<u>12,173</u>	<u>(1,791,679)</u>
Cash flows from investing activities:					
Interest on investments		297		10	307
Net cash provided by investing activities	<u>-</u>	<u>297</u>	<u>-</u>	<u>10</u>	<u>307</u>
Net increase (decrease) in cash and cash equivalents	1,980,302	82,225	(377,556)	25,645	1,710,616
Cash and cash equivalents (deficiency) at beginning of year	(49,062)	1,933,108	(1,183,715)	68,815	769,146
Cash and cash equivalents (deficiency) at end of year	<u>\$ 1,931,240</u>	<u>\$ 2,015,333</u>	<u>\$(1,561,271)</u>	<u>\$ 94,460</u>	<u>\$ 2,479,762</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ 1,249,982	\$ 555,763	\$ (448,830)	\$ (51,402)	\$ 1,305,513
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation expense	322,992	383,043	344,026	67,029	1,117,090
Changes in assets and liabilities:					
Accounts receivable, net	406,739	32,996	18,351	3,439	461,525
Prepaid expenses	(263)	(150)	(116)	(31)	(560)
Inventory	(7,925)				(7,925)
Accounts payable	(62,385)	(22,016)	7,975	(5,969)	(82,395)
Accrued expenses	174	925	911	396	2,406
Deferred revenue	8,214	2,340	(782)		9,772
Deposits payable	6,531				6,531
Due to other governments	(5)				(5)
Compensated absences payable	(1,286)	2,744	(1,417)		41
Other post-employment benefits payable	6,199	11,364	2,583		20,146
Net cash provided (used) by operating activities	<u>\$ 1,928,967</u>	<u>\$ 967,009</u>	<u>\$ (77,299)</u>	<u>\$ 13,462</u>	<u>\$ 2,832,139</u>
Noncash Transactions Affecting Financial Position:					
Amortization on deferred bond premiums		\$ 11,723	\$ 8,544	\$ 1,406	\$ 21,673
Capital asset additions included in year end liabilities	<u>\$ 20,652</u>			<u>68,348</u>	<u>89,000</u>
	<u>\$ 20,652</u>	<u>\$ 11,723</u>	<u>\$ 8,544</u>	<u>\$ 69,754</u>	<u>\$ 110,673</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, 2011

	Private- Purpose Trust Funds	Agency Funds
ASSETS		
Cash and cash equivalents	\$ 31,584	\$ 529,411
Investments	<u>273,831</u>	<u>765,818</u>
Total Assets	<u>\$ 305,415</u>	<u>\$ 1,295,229</u>
LIABILITIES		
Deposits		\$ 521,042
Due to other governments		<u>774,187</u>
Total Liabilities	<u>\$ -</u>	<u>\$ 1,295,229</u>
NET ASSETS		
Held in trust	<u>305,415</u>	
Total Net Assets	<u>\$ 305,415</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, 2011

	Private- Purpose Trust <u>Funds</u>
ADDITIONS:	
Contributions:	
Private donations	\$ 50
Total Contributions	<u>50</u>
Investment earnings:	
Investment income	12,650
Net increase in the fair value of investments	<u>227</u>
Net investment earnings	<u>12,877</u>
Total Additions	<u>12,927</u>
DEDUCTIONS:	
Benefits	<u>11,001</u>
Total Deductions	<u>11,001</u>
Change in Net Assets	1,926
Net assets - beginning of year	<u>303,489</u>
Net assets - end of year	<u>\$ 305,415</u>

See accompanying notes to the basic financial statements

**TOWN OF WOLFEBORO, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2011**

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, 2011

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, 2011

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.

TOWN OF WOLFEBORO, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2011

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

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, 2011

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, 2011, the Town applied \$1,200,000 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	1,931,154	\$ 2,015,333		\$ 94,460	4,040,947
Due to other funds			\$(1,561,271)		(1,561,271)
Totals	<u>\$ 1,931,240</u>	<u>\$ 2,015,333</u>	<u>\$(1,561,271)</u>	<u>\$ 94,460</u>	<u>\$ 2,479,762</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, 2011 are recorded as receivables net of reserves for estimated uncollectibles of \$137,678.

Accounts Receivable

Accounts receivable are recorded net of reserves for estimated uncollectibles of \$165,000, \$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, 2011

Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond December 31, 2011 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, 2011

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, 2011 are \$74,100 and \$203,358 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 Policy

During the year ended December 31, 2011, the Town implemented GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Statement 54 establishes new fund balance classifications and changes the definition of governmental fund types. Under Statement 54, the Town has segregated fund balance into five classifications: Non-spendable, Restricted, Committed, Assigned, and Unassigned. The components of fund balance are defined as follows:

- *Non-spendable Fund Balance*: Amounts that are not in a spendable form or are required to be maintained intact.
- *Restricted Fund Balance*: Amounts constrained to specific purposes by their providers through constitutional provisions or by enabling legislation. Restrictions may be changed or lifted only upon the consent of the external resource provider or enabling legislation.
- *Committed Fund Balance*: Amounts constrained to specific purposes by a government itself using its highest level of decision-making authority (the annual Town Meeting). Commitments may be changed or lifted only upon the governing body taking the same formal action that imposed the constraint originally. The resolution must either be approved or rescinded, as applicable, prior to

TOWN OF WOLFEBORO, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2011

the last day of the fiscal year for which the commitment is made. The amount subject to the constraint may be determined in the subsequent period.

- *Assigned Fund Balance:* Amounts a government intends to use for a specific purpose; intent can be expressed by the governing body (Board of Selectmen) or by an official or body to which the governing body delegates the authority. The Selectmen expressly delegates this authority to the Town Manager. For all governmental funds other than the General Fund, any remaining positive amounts are to be classified as “Assigned”.
- *Unassigned Fund Balance:* Amounts that are not obligated or specifically designated and is available for any purpose. The residual classification of any General Fund balance is to be reported here. Any deficit fund balance of another governmental fund is also classified as “Unassigned”.

Spending Prioritizations

The Town’s policy is to first apply restricted resources when expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available. When expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications may be applied, committed resources are to be applied first, followed by assigned and unassigned.

Deficit Fund Balance

At year end, if any of the Town’s governmental special revenue funds has a deficit unassigned fund balance, the Town Manager is authorized to transfer funds from the General Fund to offset the deficit; providing the General Fund has the resources to do so.

Minimum Fund Balance

In order to maintain a reasonable cash reserve, as well as plan for fiscal emergencies, the Town will strive to maintain an unassigned fund balance in its General Fund equal to 10% of the current year’s voted Operating Budget. Consistent with Article #16 of the 2002 Town Warrant, which established a Town Surplus Policy, the Town Manager shall have authority to reduce the surplus (General Fund Unassigned Fund Balance) carried over from the prior year to an amount no greater than 10% of the Operating Budget voted for in the current year by applying it as Fund Balance to reduce taxes.

Interfund Activity

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

Interfund purchases and sales are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in the proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

TOWN OF WOLFEBORO, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2011

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, the liability for other post-employment benefits, 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 (\$2,048,479,200 as of April 1, 2011) and are due in two installments on July 1, 2011 and December 9, 2011. 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 \$13,769,617 and \$2,064,396 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, 2011, 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 Trust is classified as a "Risk Pool" in accordance with accounting principles generally accepted in the United States of America.

TOWN OF WOLFEBORO, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2011

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, 2011.

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, 2011 are classified in the accompanying financial statements as follows:

Statement of Net Assets:	
Cash and cash equivalents	\$ 11,833,201
Investments	2,440,813
Statement of Fiduciary Net Assets:	
Cash and cash equivalents	560,995
Investments	1,039,649
Total deposits and investments	<u>\$ 15,874,658</u>

Deposits and investments as of December 31, 2011 consist of the following:

TOWN OF WOLFEBORO, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2011

Cash on hand	\$ 919
Deposits with financial institutions	14,552,551
Investments	<u>1,321,188</u>
Total deposits and investments	<u>\$ 15,874,658</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, 2011 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		\$ 1,191,121
State investment pool		<u>130,067</u>
		<u>\$ 1,321,188</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, \$12,813,490 was collateralized by securities held by the bank in the bank's name.

As of December 31, 2011, 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, 2011

	<u>Investment Type</u>	Reported <u>Amount</u>
Mutual funds		\$ 1,191,121

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, 2011 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	\$	39,964
State of New Hampshire - Department of Transportation		33,615
State of New Hampshire - Department of Environmental Services		52,351
United States Department of Justice - COPS Grant		21,367
Business-type activities:		
State of New Hampshire - Consumption taxes		889
State of New Hampshire - Filtration grant		581,114
State of New Hampshire - State revolving funds		47,174
		<u>\$ 776,474</u>

NOTE 6—CAPITAL ASSETS

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

	<u>Balance</u> 01/01/11	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> 12/31/11
Governmental activities:				
Capital assets not depreciated:				
Land	\$ 6,462,174			\$ 6,462,174
Construction in progress	144,883	\$ 224,870		369,753
Total capital assets not being depreciated	<u>6,607,057</u>	<u>224,870</u>	<u>\$ -</u>	<u>6,831,927</u>

TOWN OF WOLFEBORO, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2011

Other capital assets:			
Infrastructure	19,601,277	807,026	20,408,303
Buildings and building improvements	2,323,074	188,074	2,511,148
Machinery, equipment and vehicles	4,867,162	46,583	4,913,745
Improvements other than buildings	1,353,436	393,665	1,747,101
Total other capital assets at historical cost	<u>28,144,949</u>	<u>1,435,348</u>	<u>29,580,297</u>
Less accumulated depreciation for:			
Infrastructure	(5,976,915)	(354,745)	(6,331,660)
Buildings and building improvements	(848,730)	(82,399)	(931,129)
Machinery, equipment and vehicles	(3,546,461)	(298,521)	(3,844,982)
Improvements other than buildings	(940,837)	(33,873)	(974,710)
Total accumulated depreciation	<u>(11,312,943)</u>	<u>(769,538)</u>	<u>(12,082,481)</u>
Total other capital assets, net	<u>16,832,006</u>	<u>665,810</u>	<u>17,497,816</u>
Total capital assets, net	<u>\$ 23,439,063</u>	<u>\$ 890,680</u>	<u>\$ 24,329,743</u>

Depreciation expense was charged to governmental functions as follows:

General government	\$ 40,194
Public safety	151,707
Highways and streets	479,623
Sanitation	42,365
Culture and recreation	55,649
Total governmental activities depreciation expense	<u>\$ 769,538</u>

The balance of the assets acquired through capital leases as of December 31, 2011 is as follows:

Machinery, equipment and vehicles	\$ 84,195
Less: Accumulated depreciation	(42,219)
	<u>\$ 41,976</u>

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

	Restated Balance 01/01/11	Additions	Reductions	Balance 12/31/11
Business-type activities:				
Capital assets not depreciated:				
Land	\$ 1,115,005			\$ 1,115,005
Construction in progress	49,652	\$ 291,518		341,170
Total capital assets not being depreciated	<u>1,164,657</u>	<u>291,518</u>	<u>\$ -</u>	<u>1,456,175</u>
Other capital assets:				
Buildings and systems	26,644,336	148,250		26,792,586
Machinery, equipment and vehicles	17,155,889	288,908		17,444,797
Total other capital assets at historical cost	<u>43,800,225</u>	<u>437,158</u>	<u>-</u>	<u>44,237,383</u>

TOWN OF WOLFEBORO, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2011

Less accumulated depreciation for:				
Buildings and systems	(4,863,110)	(559,141)		(5,422,251)
Machinery, equipment and vehicles	(7,588,901)	(557,949)		(8,146,850)
Total accumulated depreciation	<u>(12,452,011)</u>	<u>(1,117,090)</u>	<u>-</u>	<u>(13,569,101)</u>
Total other capital assets, net	<u>31,348,214</u>	<u>(679,932)</u>	<u>-</u>	<u>30,668,282</u>
Total capital assets, net	<u>\$ 32,512,871</u>	<u>\$ (388,414)</u>	<u>\$ -</u>	<u>\$ 32,124,457</u>

Depreciation expense was charged to proprietary funds as follows:

Electric Department	\$ 322,992
Water Department	383,043
Sewer Department	344,026
Pop Whalen Ice Arena Fund	67,029
Total business-type activities depreciation expense	<u>\$ 1,117,090</u>

NOTE 7—DUE TO OTHER GOVERNMENTS

Payables to other governments at December 31, 2011, 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	\$ 6,871,815
State of New Hampshire - Town clerk fees	<u>6,739</u>
	<u>\$ 6,878,554</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, through June 30, 2011. Effective July 1, 2011, covered police officers, fire employees, and general employees are required to contribute 11.55%, 11.8% and 7.0%, respectively. 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 14.63%, 18.52% and 9.16%, respectively through June 30, 2011, 25.57%, 30.9% and 11.09%, respectively in July 2011, and 19.95%, 22.89% and 8.8%, respectively, thereafter. The Town

TOWN OF WOLFEBORO, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2011

contributes 75% of the employer cost for public safety officers employed by the Town, and the State contributes the remaining 25% of the employer cost, through June 30, 2011, and the Town contributes 100% thereafter. The Town contributes 100% of the employer cost for general employees of the Town. In accordance with accounting principles generally accepted in the United States of America (GASB Statement #24), on-behalf fringe benefits contributed by the State of New Hampshire of \$33,943 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, 2011, 2010, and 2009 were \$484,454, \$438,496, and \$399,244, 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, 2011 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, 2011 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)	\$ 233,609
Interest on net OPEB obligation	13,185
Adjustment to ARC	<u>(18,690)</u>
Annual OPEB cost	228,104
Contributions made	<u>(64,878)</u>
Increase in net OPEB obligation	163,226
Net OPEB obligation - beginning of year	<u>329,600</u>
Net OPEB obligation - end of year	<u>\$ 492,826</u>

TOWN OF WOLFEBORO, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2011

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, 2011, 2010 and 2009 are as follows:

Year <u>Ended</u>	Annual <u>OPEB Cost</u>	Percentage of <u>OPEB Cost</u> <u>Contributed</u>	Net OPEB <u>Obligation</u>
12/31/2009	\$ 237,797	33.3%	\$ 158,675
12/31/2010	\$ 235,711	27.5%	\$ 329,600
12/31/2011	\$ 228,102	28.4%	\$ 492,826

The Town's net OPEB obligation as of December 31, 2011 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	<u>-</u>
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

TOWN OF WOLFEBORO, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2011

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.

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, 2011 are as follows:

	Balance 01/01/11	<u>Additions</u>	<u>Reductions</u>	Balance 12/31/11	Due Within One Year
Governmental activities:					
Bonds payable	\$ 3,947,781		\$ (310,872)	\$ 3,636,909	\$ 318,622
Compensated absences payable	404,549	\$ 37,167	(41,136)	400,580	
Capital leases payable	54,424		(26,393)	28,031	28,031
Estimated liability for landfill postclosure care costs	391,000		(23,000)	368,000	23,000
Total governmental activities	<u>\$ 4,797,754</u>	<u>\$ 37,167</u>	<u>\$ (401,401)</u>	<u>\$ 4,433,520</u>	<u>\$ 369,653</u>
Business-type activities:					
Bonds payable	\$ 19,637,592	\$ 823,000	\$ (1,294,156)	\$ 19,166,436	\$ 1,301,276
Other long-term obligations	1,118,782	47,174		1,165,956	
Compensated absences payable	70,828	2,897	(2,856)	70,869	
Total business-type activities	<u>\$ 20,827,202</u>	<u>\$ 873,071</u>	<u>\$ (1,297,012)</u>	<u>\$ 20,403,261</u>	<u>\$ 1,301,276</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, 2011 are comprised of the following individual issues:

	Original Issue <u>Amount</u>	Interest <u>Rate</u>	Final Maturity <u>Date</u>	Balance at <u>12/31/11</u>
Landfill Closure bond	\$ 600,000	5.80 %	July 2017	\$ 180,000
Public Improvements bond	578,500	5.125 - 5.50%	August 2020	257,151
Friend Street Water System bonds	396,514	4.0 - 4.30%	January 2028	280,938
General Projects bond	1,292,315	4.0 - 5.0%	August 2027	1,035,000
Town Hall Renovations bond	485,920	4.0 - 5.25%	August 2028	417,830

TOWN OF WOLFEBORO, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2011

ADA Restrooms Compliance bond	301,800	4.0 - 5.25%	August 2028	257,830
Land Purchase bond	131,500	4.0 - 5.25%	August 2028	107,830
Sidewalks - Pickering/Clark bond	97,530	4.0 - 5.25%	August 2028	87,830
Repair/Renovate Railroad Station bond	141,225	3.02 - 4.02%	August 2019	110,000
Parking Lot Purchase bond	243,325	3.02 - 4.02%	August 2019	195,000
Center Street Drainage Upgrades bond	566,000	3.00 - 5.00%	August 2020	510,000
Smith River Streambank Improvements bond	166,500	3.00 - 5.00%	August 2020	150,000
Pop Whalen ADA Improvements bond	54,750	3.00 - 5.00%	August 2020	47,500
Totals	<u>\$ 5,055,879</u>			<u>\$ 3,636,909</u>

Debt service requirements to retire general obligation bonds for governmental activities at December 31, 2011 are as follows:

<u>Year Ending</u> <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
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	306,822	108,830	415,652
2017-2021	1,210,833	344,759	1,555,592
2022-2026	690,865	130,022	820,887
2027-2028	165,681	9,782	175,463
	<u>\$ 3,636,909</u>	<u>\$ 1,164,812</u>	<u>\$ 4,801,721</u>

As included on the Statement of Activities (Exhibit B), interest expense for the year ended December 31, 2011 was \$153,787 on general obligation debt for governmental activities.

The State of New Hampshire annually reimburses the Town for its share of landfill closure related debt service payments. For the year ended December 31, 2011, the reimbursement for landfill closure related debt service payments was \$8,262.

Business-type Activities:

Bonds payable at December 31, 2011 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>12/31/11</u>
Water Treatment Facility bond	\$ 3,000,000	4.50%	June 2026	\$ 1,448,425
Water System Improvements	450,000	4.50%	March 2021	231,086
Water System Improvements	550,000	4.50%	May 2025	274,998
Water System Improvements	1,183,080	4.25%	November 2033	897,508
Water System Improvements	1,650,011	4.0 - 4.30%	January 2026	1,169,063
Water Projects bond	2,816,295	4.0 - 5.0%	August 2027	2,245,000
Water System Improvements	640,735	4.0 - 5.25%	August 2028	537,830
Sewer Infiltration/Inflow Project	535,000	5.125 - 5.50%	August 2020	237,848

TOWN OF WOLFEBORO, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2011

Sewer Projects bond	592,990	4.0 - 5.0%	August 2027	480,000
Sewer Infiltration/Inflow Project	797,605	4.0 - 5.25%	August 2028	683,020
Electric Distribution Upgrade bonds	5,281,000	2.25 - 4.25%	June 2023	3,160,000
Pop Whalen Rink bond	321,755	4.0 - 5.25%	August 2028	267,830
Water Line Replacement bond	253,010	3.02 - 4.02%	August 2019	200,000
Sewer bond	793,000	3.0 - 4.0%	January 2020	715,000
Wastewater Treatment Facility Upgrade	5,820,364	2.352%	March 2029	5,238,328
Water Line Replacement bond	566,000	3.00 - 5.00%	August 2020	510,000
Pop Whalen ADA Improvements bond	54,750	3.00 - 5.00%	August 2020	47,500
Pop Whalen Fire Protection Project	206,800	3.00 - 5.00%	January 2022	206,800
Pleasant Valley Road MED Upgrade Project	616,200	3.00 - 5.00%	January 2022	616,200
Totals	<u>\$ 26,128,595</u>			<u>\$ 19,166,436</u>

Debt service requirements to retire general obligation bonds for business-type activities at December 31, 2011 are as follows:

<u>Year Ending</u> <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2012	\$ 1,301,276	\$ 744,415	\$ 2,045,691
2013	1,382,685	708,066	2,090,751
2014	1,387,777	655,351	2,043,128
2015	1,378,770	601,491	1,980,261
2016	1,381,970	546,766	1,928,736
2017-2021	6,485,306	1,897,045	8,382,351
2022-2026	4,350,709	740,341	5,091,050
2027-2031	1,416,355	117,143	1,533,498
2032-2033	81,588	4,351	85,939
	<u>\$ 19,166,436</u>	<u>\$ 6,014,969</u>	<u>\$ 25,181,405</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, 2011 was \$731,147 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, 2011, the annual reimbursement was \$51,983.

Other Long-Term Obligations

Business-type Activities:

The Town has drawn \$1,165,956 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.

TOWN OF WOLFEBORO, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2011

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.

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, 2011:

Governmental Activities:	<u>Interest Rate</u>	<u>Final Maturity Date</u>	<u>Balance at 12/31/11</u>
Equipment - Ford Escape	6.60%	June 2012	\$ 5,955
Equipment - Ford Cruisers	6.10%	March 2012	22,076
			<u>\$ 28,031</u>

Debt service requirements to retire capital lease obligations outstanding for governmental activities at December 31, 2011 are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2012	\$ 28,031	\$ 1,740	\$ 29,771

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 \$368,000 as of December 31, 2011. 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, 2011. 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, 2011:

TOWN OF WOLFEBORO, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2011

Balance January 1, 2011	\$ 391,000
Expenditures recognized in the General Fund	(10,800)
Net change in estimated liability for postclosure care costs	<u>(12,200)</u>
Balance December 31, 2011	<u>\$ 368,000</u>

NOTE 12—INTERFUND BALANCES AND TRANSFERS

The Town has combined the cash resources of its governmental and proprietary fund types. For accounting and reporting purposes, that portion of the pooled cash balance is reported in the specific fund as an interfund balance. Interfund balances at December 31, 2011 are as follows:

	Due from			Totals
	General Fund	Nonmajor Governmental Funds	Sewer Department	
Due to				
General Fund		\$ 114,556	\$ 1,473,609	\$ 1,588,165
Nonmajor Governmental Funds	\$ 681,978			681,978
Electric Department	1,931,154			1,931,154
Water Department	1,927,671		87,662	2,015,333
Pop Whalen Ice Arena Fund	94,460			94,460
	<u>\$ 4,635,263</u>	<u>\$ 114,556</u>	<u>\$ 1,561,271</u>	<u>\$ 6,311,090</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, 2011 are as follows:

	Transfer from		Totals
	General Fund	Nonmajor Governmental Funds	
Transfer to			
General Fund		\$ 9,496	\$ 9,496
Nonmajor Governmental Funds	\$ 2,478		2,478
Sewer Department	669,849		669,849
	<u>\$ 672,327</u>	<u>\$ 9,496</u>	<u>\$ 681,823</u>

NOTE 13—RESTRICTED NET ASSETS

Net assets are restricted for specific purposes as follows:

	Governmental
	<u>Activities</u>
Permanent Funds - Endowments	\$ 511,015
Permanent Funds - Income	276,744
Capital Projects	<u>657,071</u>
	<u>\$ 1,444,830</u>

TOWN OF WOLFEBORO, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2011

NOTE 14—COMPONENTS OF FUND BALANCE

The components of the Town's fund balance for its governmental funds at December 31, 2011 are as follows:

<u>Fund Balances</u>	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable:			
Prepaid Expenses	\$ 88,355		\$ 88,355
Permanent Funds - Endowments		\$ 511,015	511,015
Restricted for:			
Permanent Funds - Income		276,744	276,744
Capital Projects Fund		657,071	657,071
Committed for:			
Expendable Trust Funds	1,240,296		1,240,296
Conservation Commission Fund		148,289	148,289
Police Special Detail Fund		24,056	24,056
Assigned for:			
Library operations	291,884		291,884
Josiah Brown Trust	293		293
Continuing appropriations	387,949		387,949
Encumbrances	304,506		304,506
Unassigned:			
General Fund - General operations	1,625,108		1,625,108
	<u>\$ 3,938,391</u>	<u>\$ 1,617,175</u>	<u>\$ 5,555,566</u>

NOTE 15—PERMANENT FUNDS

Permanent funds account for resources that are legally restricted to the extent that only earnings and not principal may be used for purposes that support the Town's programs. Principal and income balances at December 31, 2011 are as follows:

	<u>Principal</u>	<u>Income</u>	<u>Total</u>
Cemetery Funds	\$ 130,458	\$ 40,480	\$ 170,938
Library Funds	15,618	1,111	16,729
Aide to Elderly	102,037	46,931	148,968
Town Roads	107,764	70,920	178,684
Town Concerts	10,932	803	11,735
Town Park	39,045	24,195	63,240
Other Various	105,161	92,304	197,465
	<u>\$ 511,015</u>	<u>\$ 276,744</u>	<u>\$ 787,759</u>

TOWN OF WOLFEBORO, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2011

NOTE 16—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.

NOTE 17—RESTATEMENTS

Governmental Funds

Effective January 1, 2011, the Town retroactively changed its method of financial reporting to conform to a recent pronouncement of the Governmental Accounting Standards Board (Statement No. 54). This new standard changes how fund balance is reported for governmental fund types. As a result, the Expendable Trust Funds, Library Fund, and Josiah Brown Fund, all previously reported as Nonmajor Governmental Funds, have been reclassified and were combined into the General Fund for reporting purposes. The impact of the restatement on the governmental funds is as follows:

	General Fund	Nonmajor Governmental Funds
Fund balance, January 1, 2011 - as previously reported	\$ 2,624,316	\$ 3,079,636
Amount of restatement due to:		
Reclassification of Expendable Trust Funds	1,060,082	(1,060,082)
Reclassification of Library Fund	303,574	(303,574)
Reclassification of Josiah Brown Fund	293	(293)
Fund balance, January 1, 2011 - as restated	<u>\$ 3,988,265</u>	<u>\$ 1,715,687</u>

Proprietary Fund Statements

During the year ended December 31, 2011, it was determined that the capital assets and accounts payable balances of the Sewer Fund, a Major Proprietary Fund, were both overstated by \$45,869. There was no resulting impact from the above restatements on the Sewer Fund Net Assets, as previously reported on January 1, 2011.

NOTE 18—SUBSEQUENT EVENTS

During June 2012, the Town issued Bond Anticipation Notes for various capital projects in the amount of \$440,000. The Bond Anticipation Notes have an interest rate of 0.59% and mature on December 21, 2012.

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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
Revenues:				
Taxes	\$ 8,931,163	\$ 8,931,163	\$ 8,871,892	\$ (59,271)
Licenses and permits	1,208,560	1,208,560	1,242,781	34,221
Intergovernmental revenues	481,537	481,537	595,300	113,763
Charges for services	471,262	471,262	647,875	176,613
Interest and investment income	10,000	10,000	4,706	(5,294)
Miscellaneous	136,025	136,025	183,993	47,968
Total Revenues	<u>11,238,547</u>	<u>11,238,547</u>	<u>11,546,547</u>	<u>308,000</u>
Expenditures:				
Current operations:				
General government	1,523,260	1,523,260	1,485,067	38,193
Public safety	3,520,060	3,520,060	3,434,625	85,435
Highways and streets	1,918,134	1,918,134	1,991,425	(73,291)
Health and welfare	301,688	301,688	294,721	6,967
Sanitation	794,785	794,785	768,635	26,150
Culture and recreation	788,975	788,975	781,810	7,165
Economic development	10,271	10,271	10,281	(10)
Capital outlay	1,792,232	1,404,283	1,409,316	(5,033)
Debt service:				
Principal retirement	310,872	310,872	310,872	-
Interest and fiscal charges	177,753	177,753	177,753	-
Total Expenditures	<u>11,138,030</u>	<u>10,750,081</u>	<u>10,664,505</u>	<u>85,576</u>
Excess of revenues over (under) expenditures	<u>100,517</u>	<u>488,466</u>	<u>882,042</u>	<u>393,576</u>
Other financing sources (uses):				
Transfers in	3,000	3,000	22,395	19,395
Transfers out	(1,433,279)	(1,433,279)	(1,424,387)	8,892
Total other financing sources (uses)	<u>(1,430,279)</u>	<u>(1,430,279)</u>	<u>(1,401,992)</u>	<u>28,287</u>
Net change in fund balance	(1,329,762)	(941,813)	(519,950)	421,863
Fund balance at beginning of year				
- Budgetary Basis	<u>3,321,289</u>	<u>3,321,289</u>	<u>3,321,289</u>	<u>-</u>
Fund balance at end of year				
- Budgetary Basis	<u>\$ 1,991,527</u>	<u>\$ 2,379,476</u>	<u>\$ 2,801,339</u>	<u>\$ 421,863</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, 2011

<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	58.9%

See accompanying notes to the required supplementary information

TOWN OF WOLFEBORO, NEW HAMPSHIRE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2011

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 non-budgetary revenues and expenditures, budgetary transfers in and out, encumbrances, and on-behalf payments for fringe benefits as follows:

	Revenues and Other Financing <u>Sources</u>	Expenditures and Other Financing <u>Uses</u>
Per Exhibit D	\$ 11,827,226	\$ 11,877,100
Difference in property taxes meeting susceptible to accrual criteria	(172,802)	
Non-budgetary revenues and expenditures	(64,438)	(635,075)
Budgetary transfers in and out	12,899	752,060
Encumbrances, December 31, 2011		304,506
Encumbrances, December 31, 2010		(175,756)
On-behalf fringe benefits	(33,943)	(33,943)
Per Schedule 1	<u>\$ 11,568,942</u>	<u>\$ 12,088,892</u>

NOTE 2—BUDGETARY FUND BALANCE

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

<i>Nonspendable:</i>	
Prepaid expenses	\$ 88,355
<i>Assigned for:</i>	
Continuing appropriations	387,949
<i>Unassigned:</i>	
Unassigned - General operations	<u>2,325,035</u>
	<u>\$ 2,801,339</u>

TOWN OF WOLFEBORO, NEW HAMPSHIRE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
December 31, 2011

NOTE 3—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.

SCHEDULE I
TOWN OF WOLFEBORO, NEW HAMPSHIRE
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2011

Federal Granting Agency/Recipient State Agency/Grant Program/State <u>Grant Number</u>	Federal Catalogue <u>Number</u>	<u>Expenditures</u>
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		
Pass Through Payments from New Hampshire Community Development Finance Authority Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii #10-029-CDHS	14.228	\$ 486,459
Total Department of Housing and Urban Development		<u>486,459</u>
DEPARTMENT OF JUSTICE		
Received directly from U.S. Treasury Department Bulletproof Vest Partnership Program	16.607	1,275
Public Safety Partnership and Community Policing Grants, Recovery Program #2010UMWX0369	16.710	21,367
Total Department of Justice		<u>22,642</u>
DEPARTMENT OF TRANSPORTATION		
Pass Through Payments from New Hampshire Department of Highway Safety Highway Planning and Construction #X-A0001(116)	20.205	33,615
State and Community Highway Safety #314-11B-009 #315-11B-077 #315-11B-182 #315-11B-188	20.600	4,087 1,046 4,112 1,526 <u>10,771</u>
Alcohol Impaired Driving Countermeasures Incentive Grants I #308-11B-090 #308-11B-158	20.601	1,876 4,312 <u>6,188</u>
Total Department of Transportation		<u>50,574</u>
ENVIRONMENTAL PROTECTION AGENCY		
Pass Through Payments from New Hampshire Department of Environmental Services Capitalization Grants for Clean Water State Revolving Funds, Recovery Act #CS-333098-04	66.458	23,587
Nonpoint Source Implementation Grants	66.460	67,251
Total Environmental Protection Agency		<u>90,838</u>
DEPARTMENT OF ENERGY		
Pass Through Payments from New Hampshire Office of Energy and Planning Energy Efficiency and Conservation Block Grant Program (EECBG), Recovery Program #DE-EE0000668	81.128	84,589
Total Department of Energy		<u>84,589</u>
DEPARTMENT OF HOMELAND SECURITY		
Pass Through Payments from New Hampshire Department of Safety Disaster Grants - Public Assistance (Presidentially Declared Disasters) #FEMA-4026-DR-NH	97.036	39,637
Total Department of Homeland Security		<u>39,637</u>
Total Expenditures of Federal Awards		<u>\$ 774,739</u>

See notes to schedule of expenditures of federal awards

TOWN OF WOLFEBORO, NEW HAMPSHIRE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
December 31, 2011

NOTE 1—GENERAL

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of the Town of Wolfeboro, New Hampshire. The Town of Wolfeboro, New Hampshire's reporting entity is defined in Note 1 to the Town's basic financial statements.

NOTE 2—BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting, which is described in Note 1 to the Town's basic financial statements.

NOTE 3—RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

The recognition of expenditures of federal awards has been reported in the Town's basic financial statements as intergovernmental revenues in the governmental funds and capital contributions in the proprietary funds as follows:

Nonmajor Governmental Funds:	
CDBG Fund	\$ 486,459
Miscellaneous Grants Fund	225,056
Major Proprietary Fund:	
Electric Department	<u>39,637</u>
	<u>\$ 751,152</u>

The recognition of expenditures of federal awards in the amount of \$23,587 represents fifty percent of the drawdowns from the Clean Water State Revolving Loan Fund Program. As authorized by the American Recovery and Reinvestment Act, federal financial assistance in the form of principal forgiveness not to exceed 50% of aggregate disbursements will be forgiven on the principal of the loan over the length of the loan for a period not to exceed 20 years.

**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, 2011, which collectively comprise the Town of Wolfeboro, New Hampshire's basic financial statements and have issued our report thereon dated July 24, 2012. 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

Management of the Town of Wolfeboro, New Hampshire is responsible for establishing and maintaining effective 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 entity'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 those specified parties.

Vachon Clukay & Company PC

July 24, 2012

**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD
HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

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

Compliance

We have audited the Town of Wolfeboro, New Hampshire's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Town of Wolfeboro, New Hampshire's major federal programs for the year ended December 31, 2011. The Town of Wolfeboro, New Hampshire's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the Town of Wolfeboro, New Hampshire's management. Our responsibility is to express an opinion on the Town of Wolfeboro, New Hampshire's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Wolfeboro, New Hampshire's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Town of Wolfeboro, New Hampshire's compliance with those requirements.

In our opinion, the Town of Wolfeboro, New Hampshire complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2011.

Internal Control Over Compliance

Management of the Town of Wolfeboro, New Hampshire is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Town of Wolfeboro, New Hampshire's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on

the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Wolfeboro, New Hampshire's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance 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 compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above.

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 those specified parties.

Yachon Clukay & Company PC

July 24, 2012

**Town of Wolfeboro, New Hampshire
Schedule of Findings and Questioned Costs
Year Ended December 31, 2011**

Section I--Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: *unqualified*
 Internal control over financial reporting:
 Material weakness(es) identified? _____yes X no
 Significant deficiency(ies) identified
 not considered to be material weaknesses? _____yes X none reported
 Noncompliance material to financial statements noted? _____yes X no

Federal Awards

Internal Control over major programs:
 Material weakness(es) identified? _____yes X no
 Significant deficiency(ies) identified
 not considered to be material weaknesses? _____yes X none reported
 Type of auditor's report issued on compliance
 for major programs: *unqualified*
 Any audit findings disclosed that are required
 to be reported in accordance with
 Circular A-133, Section .510(a)? _____yes X no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
14.228	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii

Dollar threshold used to distinguish between Type A and Type B program: \$ 300,000

Auditee qualified as low-risk auditee? _____yes X no

Section II--Financial Statement Findings

There were no findings relating to the financial statements required to be reported by GAGAS.

Section III--Federal Award Findings and Questioned Costs

There were no findings and questioned costs as defined under OMB Circular A-133 .510(a).

SCHEDULE A
TOWN OF WOLFEBORO, NEW HAMPSHIRE
Combining Balance Sheet
Governmental Funds - All Nonmajor Funds
December 31, 2011

	Special Revenue Funds	Permanent Funds	Capital Project Funds	Total Other Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 17,371	\$ 90,747		\$ 108,118
Investments	130,067	700,899		830,966
Due from other governments	147,297			147,297
Due from other funds	24,907		\$ 657,071	681,978
Total Assets	<u>\$ 319,642</u>	<u>\$ 791,646</u>	<u>\$ 657,071</u>	<u>\$ 1,768,359</u>
LIABILITIES				
Accounts payable	\$ 16,586			\$ 16,586
Deferred revenue	20,042			20,042
Due to other funds	110,669	\$ 3,887		114,556
Total Liabilities	<u>147,297</u>	<u>3,887</u>	<u>\$ -</u>	<u>151,184</u>
FUND BALANCES				
Nonspendable		511,015		511,015
Restricted		276,744	657,071	933,815
Committed	172,345			172,345
Total Fund Balances	<u>172,345</u>	<u>787,759</u>	<u>657,071</u>	<u>1,617,175</u>
Total Liabilities and Fund Balances	<u>\$ 319,642</u>	<u>\$ 791,646</u>	<u>\$ 657,071</u>	<u>\$ 1,768,359</u>

SCHEDULE A-1
TOWN OF WOLFEBORO, NEW HAMPSHIRE
Combining Balance Sheet
Governmental Funds - All Nonmajor Special Revenue Funds
December 31, 2011

	<u>Conservation Commission</u>	<u>Police Details Fund</u>	<u>Miscellaneous Grants Fund</u>	<u>Combining Totals</u>
ASSETS				
Cash and cash equivalents	\$ 17,371			\$ 17,371
Investments	130,067			130,067
Due from other governments			\$ 147,297	147,297
Due from other funds	<u>851</u>	<u>\$ 24,056</u>		<u>24,907</u>
Total Assets	<u>\$ 148,289</u>	<u>\$ 24,056</u>	<u>\$ 147,297</u>	<u>\$ 319,642</u>
LIABILITIES				
Accounts payable			\$ 16,586	\$ 16,586
Deferred revenue			20,042	20,042
Due to other funds			<u>110,669</u>	<u>110,669</u>
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>147,297</u>	<u>147,297</u>
FUND BALANCES				
Committed	<u>148,289</u>	<u>24,056</u>		<u>172,345</u>
Total Fund Balances	<u>148,289</u>	<u>24,056</u>	<u>-</u>	<u>172,345</u>
Total Liabilities and Fund Balances	<u>\$ 148,289</u>	<u>\$ 24,056</u>	<u>\$ 147,297</u>	<u>\$ 319,642</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, 2011

	Special Revenue <u>Funds</u>	Permanent <u>Funds</u>	Capital Project <u>Funds</u>	Total Other Governmental <u>Funds</u>
Revenues:				
Taxes	\$ 5,080			\$ 5,080
Intergovernmental revenues	711,515			711,515
Charges for services	30,578			30,578
Interest and investment income	76	\$ 27,642		27,718
Miscellaneous	204,773			204,773
Total Revenues	<u>952,022</u>	<u>27,642</u>	<u>\$ -</u>	<u>979,664</u>
Expenditures:				
Current operations:				
General government	59,189	2,661		61,850
Public safety	67,910			67,910
Highways and streets	33	30,000		30,033
Health and welfare		592		592
Culture and recreation	265,332	1,656		266,988
Economic development	486,459			486,459
Capital outlay	17,400		139,926	157,326
Total Expenditures	<u>896,323</u>	<u>34,909</u>	<u>139,926</u>	<u>1,071,158</u>
Excess of revenues over (under) expenditures	<u>55,699</u>	<u>(7,267)</u>	<u>(139,926)</u>	<u>(91,494)</u>
Other financing sources (uses):				
Transfers in	2,478			2,478
Transfers out		(3,887)	(5,609)	(9,496)
Total other financing sources (uses)	<u>2,478</u>	<u>(3,887)</u>	<u>(5,609)</u>	<u>(7,018)</u>
Net change in fund balances	58,177	(11,154)	(145,535)	(98,512)
Fund balances at beginning of year	<u>114,168</u>	<u>798,913</u>	<u>802,606</u>	<u>1,715,687</u>
Fund balances at end of year	<u>\$ 172,345</u>	<u>\$ 787,759</u>	<u>\$ 657,071</u>	<u>\$ 1,617,175</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, 2011

	<u>Conservation Commission</u>	<u>Police Details Fund</u>	<u>Miscellaneous Grants Fund</u>	<u>CDBG Fund</u>	<u>Combining Totals</u>
Revenues:					
Taxes	\$ 5,080				\$ 5,080
Intergovernmental revenues			\$ 225,056	\$ 486,459	711,515
Charges for services		\$ 30,578			30,578
Interest and investment income	76				76
Miscellaneous	74,237		130,536		204,773
Total Revenues	<u>79,393</u>	<u>30,578</u>	<u>355,592</u>	<u>486,459</u>	<u>952,022</u>
Expenditures:					
Current operations:					
General government			59,189		59,189
Public safety		28,309	39,601		67,910
Highways and streets			33		33
Culture and recreation	8,563		256,769		265,332
Economic development				486,459	486,459
Capital outlay	17,400				17,400
Total Expenditures	<u>25,963</u>	<u>28,309</u>	<u>355,592</u>	<u>486,459</u>	<u>896,323</u>
Excess of revenues over (under) expenditures	<u>53,430</u>	<u>2,269</u>	<u>-</u>	<u>-</u>	<u>55,699</u>
Other financing sources:					
Transfers in	2,478				2,478
Total other financing sources	<u>2,478</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,478</u>
Net change in fund balances	55,908	2,269	-	-	58,177
Fund balances at beginning of year	<u>92,381</u>	<u>21,787</u>	<u>-</u>	<u>-</u>	<u>114,168</u>
Fund balances at end of year	<u>\$ 148,289</u>	<u>\$ 24,056</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 172,345</u>

SCHEDULE C
TOWN OF WOLFEBORO, NEW HAMPSHIRE
Combining Statement of Fiduciary Net Assets
Fiduciary Funds - All Agency Funds
December 31, 2011

	School Agency <u>Funds</u>	Escrow Agency <u>Funds</u>	Total Agency <u>Funds</u>
ASSETS			
Cash and cash equivalents		\$ 529,411	\$ 529,411
Investments	<u>\$ 765,818</u>		<u>765,818</u>
Total Assets	<u>\$ 765,818</u>	<u>\$ 529,411</u>	<u>\$ 1,295,229</u>
LIABILITIES			
Deposits		\$ 521,042	\$ 521,042
Due to other governments	<u>\$ 765,818</u>	<u>8,369</u>	<u>774,187</u>
Total Liabilities	<u>\$ 765,818</u>	<u>\$ 529,411</u>	<u>\$ 1,295,229</u>