

TOWN OF WOLFEBORO, NEW HAMPSHIRE

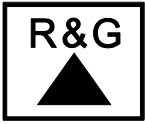
ANNUAL FINANCIAL REPORT

AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2012

**TOWN OF WOLFEBORO, NEW HAMPSHIRE
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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Wolfeboro, as of and for the year ended December 31, 2012, which collectively comprise the Town's basic financial statements as listed in the table of contents, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Wolfeboro, as of December 31, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 11 and 43 through 45 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Wolfeboro's financial statements as a whole. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. They 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 as a whole.

July 1, 2013

Roberts & Aceme, PLLC

TOWN OF WOLFEBORO, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ending December 31, 2012

Presented herewith please find the Management Discussion & Analysis Report for the Town of Wolfeboro for the year ended December 31, 2012. 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.

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Year Ending December 31, 2012

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.

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.

TOWN OF WOLFEBORO, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
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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 (Exhibit 12) and the activity as presented in the governmental fund financial statements (Page 44). 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 of non-major and fiduciary fund financial statements.

Government-Wide Financial Analysis

Governmental Activities

According to Exhibit 1 – Statement of Net Assets in the Financial Statements, net assets of the Town of Wolfeboro governmental activities as of December 31, 2012 and 2011 are as follows:

	<u>2012</u>	<u>2011</u>
Current and other assets:		
Capital assets, net	\$ 26,814,515	\$ 24,329,743
Other assets	<u>13,301,755</u>	<u>13,712,366</u>
Total assets	<u>\$ 40,116,270</u>	<u>\$ 38,042,109</u>
Long-term liabilities	\$ 5,401,385	\$ 4,939,622
Other liabilities	<u>7,697,675</u>	<u>7,522,457</u>
Total liabilities	<u>\$ 13,099,060</u>	<u>\$ 12,462,079</u>
Net position:		
Invested in capital assets, net of related debt	\$ 22,102,194	\$ 20,770,703
Restricted	1,325,890	1,444,830
Unrestricted	<u>3,589,126</u>	<u>3,364,497</u>
Total net position	<u>\$ 27,017,210</u>	<u>\$ 25,580,030</u>

The Town's net assets totaled \$ 27,017,2109 at the end of fiscal year 2012, an increase of \$1,437,180 when compared to the end of the previous fiscal year. This total increase includes an increase in the Town's investment in capital assets, net of related debt of \$1,331,491, which was offset by a decrease in Restricted Net Assets of (\$118,940) and increase in Unrestricted Net Assets of \$224,629.

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

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MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ending December 31, 2012

restrictions include those related to non-expendable trust funds, capital reserve funds, and conservation funds. The remaining unrestricted portion represents the part of net assets of the Town of Wolfeboro that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements.

According to Exhibit 2 – Statement of Activities in the Financial Statements, changes in net assets for governmental activities for the years ended December 31, 2012 and 2011 are as follows:

	<u>2012</u>	<u>2011</u>
Program revenues:		
Charges for services	\$ 704,953	\$ 687,871
Operating grants and contributions	449,242	987,880
Capital grants and contributions	<u>0</u>	<u>72,754</u>
Total program revenues	<u>1,154,195</u>	<u>1,748,505</u>
General revenues:		
Property and other taxes	9,527,770	8,876,972
Licenses and permits	1,286,673	1,242,781
Intergovernmental revenue	323,481	280,124
Interest and investment earnings		
Miscellaneous	957,692	476,210
Transfers	<u>(808,412)</u>	<u>(669,849)</u>
Total general revenues and transfers	<u>11,287,204</u>	<u>10,206,238</u>
Total revenues	<u>12,441,399</u>	<u>11,954,743</u>
Program expenses:		
General government	2,109,637	1,597,246
Public safety	3,800,602	3,724,046
Highways and streets	2,524,680	2,506,538
Health and welfare	278,718	295,040
Sanitation	549,318	789,840
Culture and recreation	1,400,843	1,576,894
Economic development	11,573	496,740
Conservation	145,217	
Interest and fiscal charges	139,143	153,787
Capital Outlay	<u>63,929</u>	<u>0</u>
Total expenses	<u>11,023,660</u>	<u>11,140,131</u>
Change in position	1,417,739	814,612
Net Position - beginning of year	<u>25,599,471</u>	<u>24,765,418</u>
Net Position - ending of year	<u>\$ 27,017,210</u>	<u>\$ 25,580,030</u>

As shown in the above statement, governmental activities of the Town experienced a net increase in financial position of \$1,417,739 on the full accrual basis of accounting.

During the year ended December 31, 2012, program revenues covered only 10% of program expenses, while the remaining 90% was funded by general revenues (e.g. taxes, grants and contributions).

TOWN OF WOLFEBORO, NEW HAMPSHIRE
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The Town's governmental activities expenses covered a range of services. The largest expenses were for general government (19%), public safety (35%), culture and recreation (13%), and highways and streets (23%) which accounted for 90% of total expenses.

Business-type Activities

According to Exhibit 1 – Statement of Net Assets in the Financial Statements, net assets of the business type activities as of December 31, 2012 and 2011 are as follows:

	<u>2012</u>	<u>2011</u>
Current and other assets:		
Capital assets, net	\$ 32,302,813	\$ 32,124,457
Other assets	<u>5,131,998</u>	<u>5,045,295</u>
Total assets	<u>\$ 37,434,811</u>	<u>\$ 37,169,751</u>
Long-term liabilities	\$ 18,279,506	\$ 20,667,443
Other liabilities	<u>2,130,647</u>	<u>711,282</u>
Total liabilities	<u>\$ 20,410,153</u>	<u>\$ 21,378,725</u>
Net position:		
Invested in capital assets, net of related debt	\$ 12,531,681	\$ 12,216,995
Unrestricted	<u>4,492,977</u>	<u>3,574,031</u>
Total net position	<u>\$ 17,024,658</u>	<u>\$ 15,791,026</u>

The Town's business-type activities net position totaled \$17,024,658 at the end of fiscal year 2012, an increase of \$1,233,632 when compared to the end of the previous fiscal year. This increase includes an increase in the Town's investment in capital assets, net of related debt of \$314,686 in addition to an increase in Unrestricted Net Assets of \$ 918,946.

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, 2012

According to Exhibit 2 – Statement of Activities in the Financial Statements, changes in net assets for the business-type activities for the years ended December 31, 2012 and 2011 are as follows:

	<u>2012</u>	<u>2011</u>
Program revenues:		
Charges for services	\$ 14,015,340	\$ 13,967,565
Operating grants and contributions	6,339	-
Capital grants and contributions	<u>0</u>	<u>88,347</u>
Total program revenues	<u>14,021,679</u>	<u>14,055,912</u>
General revenues:		
Interest and investment earnings		307
Miscellaneous	24,581	27,702
Transfers	<u>808,412</u>	<u>669,849</u>
Total general revenues and transfers	<u>832,993</u>	<u>697,858</u>
Total revenues	<u>14,854,672</u>	<u>14,753,770</u>
Program expenses:		
Electric	10,011,598	9,985,316
Water	1,472,587	1,468,943
Sewer	1,861,122	1,695,663
Pop Whalen	<u>275,733</u>	<u>270,979</u>
Total program expenses	<u>13,621,040</u>	<u>13,420,901</u>
Change in net assets	1,233,632	1,332,869
Net position - beginning of year	<u>15,791,026</u>	<u>14,458,157</u>
Net position - ending of year	<u>\$ 17,024,658</u>	<u>\$ 15,791,026</u>

The primary funding source for business-type activities is charges for services, which comprises 94% of all funding sources. Program revenues provided funding for 103% of total program expenses, which contributed to the overall increase in net position of \$1,233,632. There was however, a significant increase in transfers from other funds of \$138,563. 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.

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

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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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 \$1,039,107, while total fund equity was \$3,487,505. The total fund equity also includes a Non-spendable fund balance of \$55,624, a Restricted fund balance of \$ 337,430, as well as an Assigned fund balance of \$612,515 and a Committed fund balance of \$1,442,829. The General Fund total fund balance decreased (\$450,886) from December 31, 2011.

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 the Board of Selectmen adopted a formal fund balance policy in accordance with the Governmental Accounting Standards Board Pronouncement 54 (GASB 54). In 2012 \$600,000 was used to offset the tax rate. Please see Exhibit 18 of the financial statements for a reconciliation of changes in fund balance from the prior year.

Other Governmental Funds

The total fund balance in Other Governmental Funds is \$1,171,658 at year end, a decrease of (\$445,517) 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 \$253,979 in Committed fund balance; Police Detail Fund \$24,051 in Committed fund balance; Recreation Revolving Account \$6,552 in Committed Fund balance and Miscellaneous Grant Funds which always carry a fund balance of \$0. The Capital Project Fund has a Restricted fund balance of \$104,604 and the Permanent Fund totals \$887,076, of which \$595,157 is Non-spendable fund balance with the remaining \$291,919 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 8 the Statement of Revenues, Expenses and Changes in Net Position, total net position increased \$1,233,632 from December 31, 2011 to December 31, 2012 to a total of \$17,024,658. The Income (Loss) before capital contributions and transfers was as follows: Electric Department \$1,267,144; Water Department \$296,723; Sewer Department (\$603,841) and Pop Whalen Ice Arena (\$13,470). Please note that after applying the effect of capital contributions and transfers in from the general fund changes in net position were as follows: Electric Department \$1,143,170; Water Department \$221,478; Sewer Department (\$99,746) and Pop Whalen Fund (\$ 31,270).

Rates for the use of the Pop Whalen ice skating rink were increased to meet anticipated operating expense and debt service requirements. Rates for the Municipal Electric, Water and Sewer Departments were not increased in fiscal 2012.

TOWN OF WOLFEBORO, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
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General Fund Budgetary Highlights

According to Exhibit 12 of the Notes To Basic Financial Statements, actual revenues for the year exceeded those anticipated by \$151,597. Revenues exceeded estimations in almost all categories as follows: Licenses and permits \$46,831; Intergovernmental revenues \$16,044; Charges for services \$104,782 and Miscellaneous income \$6,863. Taxes failed to meet estimations by (\$22,923)

Expenditures for the year remained within appropriated amounts overall. The Town remained within its total expenditure budget by \$ 199,283 which resulted in excess anticipated revenues over anticipated expenditures of \$350,880.

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 Exhibit 1 Statement of Net Position, the Town's investment in capital assets net of accumulated depreciation for its governmental activities and business-type activities as of December 31, 2012 amounts to \$19,417,310 and \$ 30,925,891, respectively. This investment in capital assets includes land, infrastructure, buildings and improvements, vehicles and equipment, and other capital improvements.

Long-Term Obligations

On January 1, 2012 the Town of Wolfeboro had total outstanding bonded debt and other long-term obligations of \$3,636,909 and \$19,166,436 in the governmental activities and business-type activities, respectively. Principal payments during the year reduced outstanding general obligation debt of the Town by \$1,907,280 and new general obligation bonds issued and other long-term obligations added totaled \$2,257,063, resulting in a combined total outstanding balance at year-end of \$23,153,128. For a summary of long term debt transactions and all other long term obligations in the governmental and business type activities fund please see page 33 of the Notes To The Financial Statements.

Economic Conditions

Assessed real estate value decreased from \$2,048,376,300 to \$2,043,147,247 or (\$5,229,053) 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 \$ 12.64 compared with the 2011 rate of \$12.20 per thousand. Totals for uncollected taxes at year end remained low.

The operating budget for calendar year 2012 was \$25,663,524. 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

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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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, 2012. The average unemployment rate for the year was 5.1 % for the Wolfeboro NH LMA; lower than the national average of 8.5%. The yearly Northeast Consumer Price Index totaled 2.0%.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

EXHIBIT 1
TOWN OF WOLFEBORO, NEW HAMPSHIRE
Statement of Net Position
December 31, 2012

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 7,350,179	\$ 4,297,334	\$ 11,647,513
Investments	2,601,308	-	2,601,308
Intergovernmental receivable	223,771	530,528	754,299
Other receivables, net of allowance for uncollectibles	1,560,397	1,517,461	3,077,858
Due from proprietary fund	1,510,476	(1,510,476)	-
Inventory	-	282,665	282,665
Prepaid items	43,652	14,483	58,135
Tax deeded property	11,972	-	11,972
Capital assets, not being depreciated:			
Land	6,621,601	1,115,005	7,736,606
Construction in progress	775,604	261,920	1,037,524
Capital assets, net of accumulated depreciation:			
Buildings and building improvements	1,641,339	3,429,785	5,071,124
Machinery, vehicles and equipment	985,201	7,141,839	8,127,040
Infrastructure	15,900,870	20,354,267	36,255,137
Other improvements	889,900	-	889,900
Total assets	<u>40,116,270</u>	<u>37,434,811</u>	<u>77,551,081</u>
LIABILITIES			
Accounts payable	220,813	199,596	420,409
Accrued payroll and benefits	131,567	18,730	150,297
Accrued interest payable	62,147	336,286	398,433
Intergovernmental payable	6,911,227	1,824	6,913,051
Unearned revenue	4,217	57,332	61,549
Performance and escrow deposits	26,881	44,921	71,802
Noncurrent obligations:			
Due within one year:			
Bonds payable	316,122	1,424,859	1,740,981
Unamortized bond premium	11,066	66,399	77,465
Capital lease payable	8,235	-	8,235
Accrued landfill postclosure care costs	5,400	-	5,400
Due in more than one year:			
Bonds payable	4,250,264	17,161,884	21,412,148
Unamortized bond premium	117,973	958,346	1,076,319
Capital lease payable	8,660	-	8,660
Compensated absences	423,431	73,369	496,800
Other post employment benefits	444,457	66,607	511,064
Accrued landfill postclosure care costs	156,600	-	156,600
Total liabilities	<u>13,099,060</u>	<u>20,410,153</u>	<u>33,509,213</u>
NET POSITION			
Net investment in capital assets	22,102,194	12,531,681	34,633,875
Restricted for:			
Endowments:			
Nonexpendable	182,588	-	182,588
Expendable	48,931	-	48,931
Other purposes	1,094,371	-	1,094,371
Unrestricted	3,589,126	4,492,977	8,082,103
Total net position	<u>\$ 27,017,210</u>	<u>\$ 17,024,658</u>	<u>\$ 44,041,868</u>

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

EXHIBIT 2
TOWN OF WOLFEBORO, NEW HAMPSHIRE
Statement of Activities
For the Year Ended December 31, 2012

	Program Revenues		Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:						
General government	\$ 2,109,637	\$ 41,797	\$ 9,275	\$ (2,058,565)	\$ -	\$ (2,058,565)
Public safety	3,800,602	82,133	259,496	(3,458,973)	-	(3,458,973)
Highways and streets	2,524,680	220,880	163,811	(2,139,989)	-	(2,139,989)
Sanitation	549,318	206,844	16,569	(325,905)	-	(325,905)
Health	131,923	-	-	(131,923)	-	(131,923)
Welfare	146,795	-	-	(146,795)	-	(146,795)
Culture and recreation	1,400,843	153,299	-	(1,247,544)	-	(1,247,544)
Conservation	145,217	-	91	(145,126)	-	(145,126)
Economic development	11,573	-	-	(11,573)	-	(11,573)
Interest on long-term debt	139,143	-	-	(139,143)	-	(139,143)
Capital outlay	63,929	-	-	(63,929)	-	(63,929)
Total governmental activities	<u>11,023,660</u>	<u>704,953</u>	<u>449,242</u>	<u>(9,869,465)</u>	<u>-</u>	<u>(9,869,465)</u>
Business-type activities:						
Electric	10,011,598	11,148,429	6,339	-	1,143,170	1,143,170
Water	1,472,587	1,670,172	-	-	197,585	197,585
Sewer	1,861,122	952,276	-	-	(908,846)	(908,846)
Pop Whalen Ice Arena	275,733	244,463	-	-	(31,270)	(31,270)
Total business-type activities	<u>13,621,040</u>	<u>14,015,340</u>	<u>6,339</u>	<u>-</u>	<u>400,639</u>	<u>400,639</u>
Total primary government	<u>\$ 24,644,700</u>	<u>\$ 14,720,293</u>	<u>\$ 455,581</u>	<u>(9,869,465)</u>	<u>400,639</u>	<u>(9,468,826)</u>
General revenues:						
Property taxes				9,049,806	-	9,049,806
Other taxes				477,964	-	477,964
Licenses and permits				1,286,673	-	1,286,673
Grants and contributions not restricted to specific programs				323,481	-	323,481
Miscellaneous				957,692	24,581	982,273
Total general revenues				<u>12,095,616</u>	<u>24,581</u>	<u>12,120,197</u>
Transfers				(808,412)	808,412	-
Change in net position				1,417,739	1,233,632	2,651,371
Net position, beginning, as restated, see Note III.D.				25,599,471	15,791,026	41,390,497
Net position, ending				<u>\$ 27,017,210</u>	<u>\$ 17,024,658</u>	<u>\$ 44,041,868</u>

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

EXHIBIT 3
TOWN OF WOLFEBORO, NEW HAMPSHIRE
Balance Sheet
Governmental Funds
December 31, 2012

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 6,920,330	\$ 104,604	\$ 325,245	\$ 7,350,179
Investments	1,723,624	-	877,684	2,601,308
Receivables, net of allowance for uncollectibles:				
Taxes	1,560,347	-	-	1,560,347
Accounts	50	-	-	50
Intergovernmental	14,342	-	209,429	223,771
Interfund receivable	1,723,556	-	122,811	1,846,367
Prepaid items	43,652	-	-	43,652
Tax dedeed property for resale	11,972	-	-	11,972
Total assets	<u>\$ 11,997,873</u>	<u>\$ 104,604</u>	<u>\$ 1,535,169</u>	<u>\$ 13,637,646</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 220,813	\$ -	\$ -	\$ 220,813
Accrued salaries and benefits	131,567	-	-	131,567
Intergovernmental payable	6,911,227	-	-	6,911,227
Interfund payable	122,811	-	213,080	335,891
Deferred revenue	1,097,069	-	150,431	1,247,500
Escrow and performance deposits	26,881	-	-	26,881
Total liabilities	<u>8,510,368</u>	<u>-</u>	<u>363,511</u>	<u>8,873,879</u>
Fund balances:				
Nonspendable	55,624	-	595,157	650,781
Restricted	337,430	104,604	291,919	733,953
Committed	1,442,829	-	284,582	1,727,411
Assigned	612,515	-	-	612,515
Unassigned	1,039,107	-	-	1,039,107
Total fund balances	<u>3,487,505</u>	<u>104,604</u>	<u>1,171,658</u>	<u>4,763,767</u>
Total liabilities and fund balances	<u>\$ 11,997,873</u>	<u>\$ 104,604</u>	<u>\$ 1,535,169</u>	<u>\$ 13,637,646</u>

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

EXHIBIT 4
TOWN OF WOLFEBORO, NEW HAMPSHIRE
Reconciliation of Total Fund Balances of Governmental Funds to the Statement of Net Position
December 31, 2012

Total fund balances of governmental funds (Exhibit 3)		\$ 4,763,767
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Cost	\$ 39,658,289	
Less accumulated depreciation	<u>(12,843,774)</u>	26,814,515
Interfund receivables and payables between governmental funds are eliminated on the statement of net position.		
Receivables	\$ (1,846,367)	
Payables	<u>1,846,367</u>	-
Long-term revenues are not available to pay for current period expenditures and, therefore, are deferred in the funds.		
Deferred tax revenue		1,243,283
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(62,147)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Bonds outstanding	\$ 4,566,386	
Unamortized bond premium	129,039	
Capital lease outstanding	16,895	
Compensated absences payable	423,431	
Other post employment benefits	444,457	
Accrued landfill postclosure care costs	<u>162,000</u>	<u>(5,742,208)</u>
Total net position of governmental activities (Exhibit 1)		<u>\$ 27,017,210</u>

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

EXHIBIT 5
TOWN OF WOLFEBORO, NEW HAMPSHIRE
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2012

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 9,154,174	\$ -	\$ 154,043	\$ 9,308,217
Licenses, permits and fees	1,286,673	-	-	1,286,673
Intergovernmental	503,952	-	268,771	772,723
Charges for services	588,951	-	116,002	704,953
Miscellaneous	813,774	-	143,918	957,692
Total revenues	<u>12,347,524</u>	<u>-</u>	<u>682,734</u>	<u>13,030,258</u>
Expenditures:				
Current:				
General government	2,043,301	-	13,626	2,056,927
Public safety	3,526,862	-	289,018	3,815,880
Highways and streets	2,043,040	-	-	2,043,040
Sanitation	735,509	-	-	735,509
Health	131,923	-	-	131,923
Welfare	146,856	-	-	146,856
Culture and recreation	1,297,992	-	39,668	1,337,660
Conservation	7,742	-	137,475	145,217
Economic development	11,573	-	-	11,573
Debt service:				
Principal	318,623	-	-	318,623
Interest	162,433	-	-	162,433
Capital outlay	1,269,859	1,882,678	-	3,152,537
Total expenditures	<u>11,695,713</u>	<u>1,882,678</u>	<u>479,787</u>	<u>14,058,178</u>
Excess (deficiency) of revenues over (under) expenditures	<u>651,811</u>	<u>(1,882,678)</u>	<u>202,947</u>	<u>(1,027,920)</u>
Other financing sources (uses):				
Transfers in	4,962	7,319	28,569	40,850
Transfers out	(829,300)	-	(19,962)	(849,262)
Long-term debt issued	-	1,322,892	-	1,322,892
Inception of capital lease	26,003	-	-	26,003
Total other financing sources and uses	<u>(798,335)</u>	<u>1,330,211</u>	<u>8,607</u>	<u>540,483</u>
Net change in fund balances	(146,524)	(552,467)	211,554	(487,437)
Fund balances, beginning, as restated, see Note III.D.	3,634,029	657,071	960,104	5,251,204
Fund balances, ending	<u>\$ 3,487,505</u>	<u>\$ 104,604</u>	<u>\$ 1,171,658</u>	<u>\$ 4,763,767</u>

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

EXHIBIT 6
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, 2012

Net change in fund balances of governmental funds (Exhibit 5)	\$	(487,437)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capitalized capital outlay exceeded depreciation expense in the current period.		
Capitalized capital outlay	\$	3,246,065
Depreciation expense		<u>(761,293)</u>
		2,484,772
Transfers in and out between governmental funds are eliminated on the operating statement.		
Transfers in	\$	(40,850)
Transfers out		<u>40,850</u>
		-
Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in governmental funds.		
Change in deferred tax revenue		219,553
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.		
Issuance of bonds	\$	(1,248,100)
Premium on bonds issued		(74,792)
Inception of capital lease		(26,003)
Repayment of bond principal		318,623
Amortization of bond premium		19,853
Repayment of capital lease principal		<u>37,139</u>
		(973,280)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Decrease in accrued interest expense	\$	3,437
Increase in compensated absences payable		(22,851)
Increase in other post employment benefits payable		(12,455)
Decrease in accrued landfill postclosure care costs		<u>206,000</u>
		<u>174,131</u>
Change in net position of governmental activities (Exhibit 2)	\$	<u><u>1,417,739</u></u>

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

EXHIBIT 7
TOWN OF WOLFEBORO, NEW HAMPSHIRE
Statement of Net Position
Proprietary Funds
December 31, 2012

	Business-type Activities - Enterprise Funds				Total
	Electric Department	Water Department	Sewer Department	Pop Whalen Ice Arena	
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 2,922,814	\$ 1,364,574	\$ -	\$ 9,946	\$ 4,297,334
Accounts receivable, net	848,234	360,340	266,958	41,929	1,517,461
Intergovernmental receivable	-	530,528	-	-	530,528
Prepaid items	6,811	3,875	3,020	777	14,483
Inventory	282,665	-	-	-	282,665
Capital assets:					
Land	46,733	12,772	1,055,500	-	1,115,005
Construction in progress	-	178,973	82,947	-	261,920
Buildings and building improvements	315,091	3,649,673	282,497	839,188	5,086,449
Machinery and equipment	11,009,066	734,954	1,628,336	1,037,550	14,409,906
Infrastructure	-	14,006,622	12,109,150	-	26,115,772
Less accumulated depreciation	<u>(5,304,696)</u>	<u>(5,379,856)</u>	<u>(3,322,467)</u>	<u>(679,217)</u>	<u>(14,686,236)</u>
Total capital assets	<u>6,066,194</u>	<u>13,203,138</u>	<u>11,835,963</u>	<u>1,197,521</u>	<u>32,302,816</u>
Total assets	<u>10,126,718</u>	<u>15,462,455</u>	<u>12,105,941</u>	<u>1,250,173</u>	<u>38,945,287</u>
LIABILITIES					
Accounts payable	117,314	24,633	37,875	19,774	199,596
Accrued salaries and benefits	6,101	8,887	2,198	1,544	18,730
Intergovernmental payable	1,824	-	-	-	1,824
Interfund payable	-	-	1,510,476	-	1,510,476
Accrued interest payable	16,780	105,656	204,199	9,651	336,286
Deposits	44,721	200	-	-	44,921
Unearned revenue	46,748	7,973	2,611	-	57,332
Noncurrent obligations:					
Due within one year:					
Bonds payable	326,200	557,685	495,599	45,375	1,424,859
Unamortized bond premium	5,880	23,890	34,382	2,247	66,399
Due in more than one year:					
Bonds payable	3,185,000	6,154,243	7,371,961	450,680	17,161,884
Unamortized bond premium	41,736	291,218	604,184	21,208	958,346
Compensated absences	36,138	27,979	9,252	-	73,369
Other post employment benefits payable	25,177	32,784	8,646	-	66,607
Total liabilities	<u>3,853,619</u>	<u>7,235,148</u>	<u>10,281,383</u>	<u>550,479</u>	<u>21,920,629</u>
NET POSITION					
Net investment in capital assets	2,059,557	6,261,688	3,456,820	753,616	12,531,681
Unrestricted	4,213,542	1,965,619	(1,632,262)	(53,922)	4,492,977
Total net position	<u>\$ 6,273,099</u>	<u>\$ 8,227,307</u>	<u>\$ 1,824,558</u>	<u>\$ 699,694</u>	<u>\$ 17,024,658</u>

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

EXHIBIT 8
TOWN OF WOLFEBORO, NEW HAMPSHIRE
Statement of Revenues, Expenditures and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2012

	Business-type Activities - Enterprise Funds				Total
	Electric Department	Water Department	Sewer Department	Pop Whalen Ice Arena	
Operating revenues:					
Charges for services	\$ 11,148,429	\$ 1,670,172	\$ 952,276	\$ 244,463	\$ 14,015,340
Miscellaneous	-	23,779	688	-	24,467
Total operating revenues	<u>11,148,429</u>	<u>1,693,951</u>	<u>952,964</u>	<u>244,463</u>	<u>14,039,807</u>
Operating expenses:					
Cost of operations	1,128,483	1,016,655	1,211,788	187,575	3,544,501
Cost of power	7,685,007	-	-	-	7,685,007
Administration	746,609	-	-	-	746,609
Depreciation	321,186	380,573	345,017	70,358	1,117,134
Total operating expenses	<u>9,881,285</u>	<u>1,397,228</u>	<u>1,556,805</u>	<u>257,933</u>	<u>13,093,251</u>
Operating income (loss)	1,267,144	296,723	(603,841)	(13,470)	946,556
Nonoperating revenues (expenses):					
State grant	6,339	-	-	-	6,339
Interest revenue	-	114	-	-	114
Interest expense	(130,313)	(75,359)	(304,317)	(17,800)	(527,789)
Transfer to other funds	-	-	808,412	-	808,412
Total nonoperating income (expense)	<u>(123,974)</u>	<u>(75,245)</u>	<u>504,095</u>	<u>(17,800)</u>	<u>287,076</u>
Changes in net position	1,143,170	221,478	(99,746)	(31,270)	1,233,632
Total net position, beginning	5,129,929	8,005,829	1,924,304	730,964	15,791,026
Total net position, ending	<u>\$ 6,273,099</u>	<u>\$ 8,227,307</u>	<u>\$ 1,824,558</u>	<u>\$ 699,694</u>	<u>\$ 17,024,658</u>

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

EXHIBIT 9
TOWN OF WOLFEBORO, NEW HAMPSHIRE
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2012

	Business-type Activities - Enterprise Funds				Total
	Electric Department	Water Department	Sewer Department	Pop Whalen Ice Arena	
Cash flows from operating activities:					
Receipts from customers and users	\$ 11,346,778	\$ 1,746,742	\$ 984,656	\$ 208,441	\$ 14,286,617
Payments to suppliers and employees	(9,633,634)	(999,776)	(1,195,162)	(240,922)	(12,069,494)
Net cash provided (used) by operating activities	<u>1,713,144</u>	<u>746,966</u>	<u>(210,506)</u>	<u>(32,481)</u>	<u>2,217,123</u>
Cash flows from non-capital financing activities:					
Transfers from other funds	-	-	808,412	-	-
Cash flows from capital and related financing activities:					
Purchase of capital assets	(341,484)	(744,452)	(202,957)	(6,600)	(1,295,493)
Proceeds from bonds issued	-	-	425,985	-	425,985
Principal of bonds paid	(265,000)	(544,205)	(495,599)	(26,075)	(1,330,879)
Interest paid on bonds	(115,086)	(109,068)	(274,540)	(19,358)	(518,052)
Net cash used by capital and related financing activities	<u>(721,570)</u>	<u>(653,273)</u>	<u>(547,111)</u>	<u>(45,433)</u>	<u>(2,718,439)</u>
Increase (decrease) in cash	991,574	(650,759)	50,795	(84,514)	(501,316)
Cash and cash equivalents, (deficit), beginning	1,931,240	2,015,333	(1,561,271)	94,460	3,946,573
Cash and cash equivalents, (deficit), ending	<u>\$ 2,922,814</u>	<u>\$ 1,364,574</u>	<u>\$ (1,510,476)</u>	<u>\$ 9,946</u>	<u>\$ 3,445,257</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ 1,267,144	\$ 296,723	\$ (603,841)	\$ (13,470)	\$ 946,556
Adjustments to reconcile operating loss to net cash provided by operating activities:					
Depreciation expense	321,186	380,573	345,017	70,358	1,117,134
(Increase) decrease in accounts receivable	189,934	1,898	(15,054)	(36,021)	140,757
Decrease in intergovernmental receivables	889	50,586	47,174	-	98,649
Increase in inventory	(18,066)	-	-	-	(18,066)
Increase in prepaid items	(445)	(253)	(197)	(50)	(945)
Increase in customer deposits	446	-	-	-	446
Increase (decrease) in accounts payable	(58,348)	10,480	16,841	(53,557)	(84,584)
Increase (decrease) in accrued payroll	1,500	6,652	(18)	259	8,393
Decrease in intergovernmental payables	1,824	-	-	-	1,824
Increase (decrease) in deferred revenue	7,080	307	(428)	-	6,959
Total adjustments	<u>446,000</u>	<u>450,243</u>	<u>393,335</u>	<u>(19,011)</u>	<u>1,270,567</u>
Net cash provided (used) by operating activities	<u>\$ 1,713,144</u>	<u>\$ 746,966</u>	<u>\$ (210,506)</u>	<u>\$ (32,481)</u>	<u>\$ 2,217,123</u>

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

EXHIBIT 10
TOWN OF WOLFEBORO, NEW HAMPSHIRE
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2012

	Private Purpose Trust	Agency
Assets:		
Cash and cash equivalents	\$ 29,504	\$ 152,774
Investments	296,115	950,386
Total assets	325,619	1,103,160
Liabilities:		
Due to other governmental units	-	967,124
Due to developers	-	136,036
Total liabilities	-	1,103,160
Net position:		
Held in trust for specific purposes	\$ 325,619	\$ -

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

EXHIBIT 11
TOWN OF WOLFEBORO, NEW HAMPSHIRE
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended December 31, 2012

	<u>Private Purpose Trust</u>
Additions:	
New funds	\$ 300
Investment earnings:	
Interest	15,756
Net change in fair value of investments	<u>17,028</u>
Total additions	33,084
 Deductions:	
Trust distributions	<u>12,880</u>
 Change in net position	20,204
Net position, beginning	<u>305,415</u>
Net position, ending	<u><u>\$ 325,619</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS

**TOWN OF WOLFEBORO, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2012**

I. Summary of Significant Accounting Principles

I.A. Introduction

The accounting and reporting framework and the more significant accounting principles and practices of the Town of Wolfeboro (the Town) are discussed in subsequent sections of this note. The remainder of the notes is organized to provide explanations, including required disclosures, of the Town's financial activities for the fiscal year ended December 31, 2012.

I.B. Financial Reporting Entity – Basis of Presentation

I.B.1. *Entity Defined*

The Town of Wolfeboro is a municipal corporation governed by a board of selectmen consisting of five members elected by the voters, and a Town Manager appointed by the board of selectmen. These financial statements present the financial position and activity of the primary government. Component units are organizations for which the primary government is financially accountable, or other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete. Based on the stated criteria, the Town's financial statements do not include any component units.

I.B.2. *Government-Wide and Fund Financial Statements*

Government-Wide Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the Town as a whole, excluding fiduciary activities. Individual funds are not displayed.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges for the Town's services; and (2) operating grants and contributions, which finance annual operating activities including restricted investment income. These revenues are subject to externally imposed restrictions to these program uses. Taxes and revenue from other sources not properly included with program revenues are reported as general revenues.

TOWN OF WOLFEBORO, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2012

Fund Financial Statements

Fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major governmental and proprietary funds are reported in separate columns with composite columns for nonmajor funds.

I.B.3. *Measurement Focus, Basis of Accounting and Financial Statement Presentation*

The financial statements of the Town are prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Town's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

The government-wide, proprietary, and fiduciary fund financial statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). Reimbursements are reported as reductions to expenses. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property tax revenues are recognized in the year for which they are levied, while grants are recognized when grantor eligibility requirements are met. The agency funds are custodial in nature and do not measure results of operations.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Town considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation debt principal and interest which are reported as expenditures in the year due. Proceeds of general long-term debt and financing from capital leases are reported as other financing sources.

Major revenues susceptible to accrual are property taxes, intergovernmental amounts, charges for services, and investment income. In general, other revenues are recognized when cash is received.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as needed.

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I.B.4. Fund Types and Major Funds

Governmental Funds

The Town reports the following major governmental funds:

General Fund – Reports as the primary fund of the Town. This fund is used to account for all financial resources not reported in other funds.

Capital Projects Fund – Used to account for the various Town capital projects.

The Town also reports six nonmajor governmental funds.

Proprietary Funds

The Town reports the following major enterprise funds:

Electric Department – Accounts for all revenues and expenses related to the Town’s electric operations.

Water Department – Accounts for all revenues and expenses related to the Town’s water treatment and distribution operations.

Sewer Department – Accounts for all revenues and expenses related to the Town’s sewage disposal operations.

The Town also reports one nonmajor enterprise fund, the Pop Whalen Ice Arena Fund.

Fiduciary Funds

The Town reports the following fiduciary funds:

Private Purpose Trust Funds – Account for financial resources of the Town used only for the benefit of other entities or individuals.

Agency Funds – Account for fiduciary assets held by the Town in a custodial capacity as an agent on behalf of others. The Town’s agency funds are used to account for performance bonds held in escrow, and amounts held by the trustees of trust funds that belong to the Governor Wentworth Regional School District.

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I.C. Assets, Liabilities, and Net Assets or Fund Equity

I.C.1. *Cash and Investments*

The laws of the State of New Hampshire require that the Town's treasurer have custody of all monies belonging to the Town, other than those held by the trustees of trust funds and library trustees, and pay out the same only upon orders of the Board of Selectmen and/or Town Manager. The treasurer shall deposit all monies in participation units in the public deposit investment pool established pursuant to N.H. RSA 383.22 or in solvent banks in the state. Funds may be deposited in banks outside the state if such banks pledge or deliver to a third party custodial bank or the Federal Reserve Bank, collateral security for such deposits, United States government or government agency obligations, or obligations of the State of New Hampshire in value at least equal to the amount of the deposit in each case.

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

New Hampshire law authorizes the Town to invest in obligations of the United States government; the public deposit investment pool established pursuant to RSA 383:22; savings bank deposits; prime bankers' acceptances; or certificates of deposit and repurchase agreements of banks incorporated under the laws of the State of New Hampshire or in banks recognized by the state treasurer.

Any person who directly or indirectly receives any such funds or monies for deposit or for investment in securities of any kind shall, prior to acceptance of such funds, make available at the time of such deposit or investment an option to have such funds secured by collateral having a value at least equal to the amount of such funds. Such collateral shall be segregated for the exclusive benefit of the Town. Only securities defined by the bank commissioner as provided by rules adopted pursuant to RSA 386:57 shall be eligible to be pledged as collateral.

I.C.2. *Inventories and Prepaid Items*

Inventories are valued at cost using the first-in/first out (FIFO) method. The costs of proprietary fund-type inventories are recorded as expenses when consumed rather than when purchased.

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

I.C.3. *Capital Assets and Depreciation*

Generally, the Town's property, plant and equipment with useful lives of more than one year are stated at historical cost and reported in the government-wide financial statements. Donated assets are stated at fair value on the date donated. The Town generally capitalizes assets with cost of \$10,000 or more as purchase and construction outlays occur; however, the Town capitalizes police

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weapon inventory and assets purchased with grant funds with costs over \$5,000. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed of, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. Estimated useful lives, in years, for depreciable assets are as follow:

	Years
Buildings and building improvements	5-75
Machinery, vehicles and equipment	5-50
Infrastructure	3-20
Improvements other than buildings	3-50

I.C.4. Long-Term Debt

In the government-wide financial statements, outstanding debt is reported as liabilities. The balance of long-term debt is not reported in the governmental funds.

I.C.5. Compensated Absences

Full-time, permanent employees are granted accrued leave benefits in varying amounts to specified maximums based on the number of years in employment. Employees are entitled to a portion of their accrued leave upon termination.

Compensated absences are reported as accrued in the government-wide financial statements. Governmental funds report only matured compensated absences payable to currently terminated employees which are included in wages and benefits expenditures.

I.C.6. Equity

The government-wide statement of net position reports net position in the following components:

- Net investment in capital assets, which is computed as the total capital assets less accumulated depreciation, net of outstanding debt used to acquire those assets.
- Restricted for perpetual care, which consists of the balance of the permanent funds that is allowed to be used only for cemetery care.
- Restricted for other purposes, which consists of the balance of the permanent funds where the principal must be permanently invested and the income is allowed to be use for other specific Town purposes; the balance of the library fund resources, whose use is restricted by law; and the balance of unspent bond proceeds in the capital projects fund.

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- Unrestricted, which consists of the remaining balance of net position.

The governmental funds report the following components of fund balance:

- Nonspendable, which consists of endowments in the permanent funds; and prepaid items and tax deeded property held for resale in the general fund, whose resources are in a nonspendable form.
- Restricted, which represents the expendable income from permanent funds, the library fund, and unspent bond proceeds, all whose use is limited by law.
- Committed, which consists of balances for which the intended use has been established by Town Meeting vote, or by the Board of Selectmen, and would require an equally formal action to remove those commitments. Committed balances represent the expendable trust funds, Josiah Bartlett Fund, and special revenue funds.
- Assigned, which consists of balances for which the intended use is established by the Board of Selectmen in the form of an encumbrance.
- Unassigned, which represents the remaining fund balance in the General Fund in excess of the nonspendable, restricted, committed and assigned balances.

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 the 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 the current year by applying it as Fund Balance to reduce taxes.

I.D. Estimates

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

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II. Stewardship, Compliance and Accountability

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and Enterprise Funds. A project length budget is adopted for the Capital Projects. Unless encumbered, all appropriations lapse at year-end. The Town is allowed to use beginning fund balance to balance the budget. In 2012, \$600,000 of the General Fund fund balance from 2011 was used.

Encumbrance accounting is employed by the governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as commitments of fund balances and do not constitute expenditures or liabilities because the commitments will be added to the appropriations voted in the subsequent year.

Revenues are budgeted by source. Expenditures are budgeted by functions as follow: general government, public safety, highways and streets, sanitation, water distribution and treatment, health, welfare, culture and recreation, conservation, economic development, debt service, and capital outlay. Management can transfer appropriations among budget line items as necessary, but the total expenditures cannot legally exceed the total appropriations unless permission is received from the Commissioner of Revenue Administration.

III. Detailed Notes on Funds and Government-Wide Statements

III.A. Assets

III.A.1. *Cash and Cash Equivalents*

Custodial Credit Risks for Deposits

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The Town does not have a policy for custodial credit risk. As of December 31, 2012, \$135,256 of the Town of Wolfeboro's bank balances of \$12,243,159 was exposed to custodial credit risk as uninsured and uncollateralized.

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III.A.2. Investments

As of December 31, 2012, the Town’s reporting entity had the following investments:

Certificates of Deposit	\$ 2,430,971
Mutual Funds	1,232,972
Common Stock	103,675
New Hampshire Public Deposit Investment Pool	80,191
	<u>\$ 3,847,809</u>

The investments appear in the financial statements as follow:

Fund reporting level:	
Governmental funds - balance sheet (Exhibit 3)	\$ 2,601,308
Fiduciary funds - statement of fiduciary net assets (Exhibit 10)	1,246,501
Total	<u>\$ 3,847,809</u>

Investment Risks

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. New Hampshire law limits investments to those described in Note I.C.1. The Town does not have an investment policy that places any further restrictions on its investment choices.

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The Town does not have an investment policy that addresses limiting interest rate risk.

Custodial Credit Risk is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities in the possession of an outside party. Of the Town’s \$3,847,809 of investments, \$3,117,943 has exposure to custodial credit risk because the related securities are uninsured and uncollateralized.

III.A.3. Receivables, Uncollectible Accounts and Deferred Revenue

Property Taxes Receivable and Property Tax Calendar

Property taxes are levied and collected by the Town on a semi-annual basis. Tax bills are due on or around July 1 and December 1, with interest of 12% per annum on all taxes not received by the due date. The first billing is an estimate only based on half of the previous year’s billing. The final billing is levied based on an inventory taken in April of each year (the tax year runs from April 1 to March 31), and is assessed after the tax rate has been calculated and set by the New Hampshire Department of Revenue Administration. A lien is executed on any unpaid property taxes in the following year and this lien takes priority over any others. Interest of 18% per annum is charged upon redemption of lien

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taxes. Properties not redeemed within two years of the date of the tax lien are deeded to the Town. During the current year, the tax collector executed a lien for uncollected 2011 property taxes on April 27th.

The property taxes levied and collected by the Town include amounts for the State of New Hampshire, the Governor Wentworth Regional School District, and Belknap County. The Town is responsible for the collection of all these taxes. During the annual tax rate setting process, the Town sets an amount for potential abatements and tax deedings, known as overlay. Overlay is raised through taxation and is reported as a reduction in tax revenue.

The net assessed valuation as of April 1, 2012, upon which the 2012 property tax levy was based was:

For the New Hampshire education tax	\$ 2,043,147,247
For all other taxes	\$ 2,043,252,747

The tax rates and amounts assessed for the year ended December 31, 2012 were as follow:

	<u>Per \$1,000 of Assessed Valuation</u>	
Municipal portion	\$4.71	\$ 9,615,877
School portion:		
State of New Hampshire	\$2.40	4,911,733
Local	\$4.48	9,157,378
County portion	\$1.05	2,141,472
Total property taxes assessed		<u>\$ 25,826,460</u>

The following details the taxes receivable at year-end:

Property:		
Levy of 2012		\$ 1,272,282
Unredeemed (under tax lien):		
Levy of 2011		270,060
Levy of 2010		127,244
Levy of 2009		76,087
Levies of 2008 and prior		89,009
Timber		2,227
Less: allowance for estimated uncollectible taxes		(276,562)
Net taxes receivable		<u>\$ 1,560,347</u>

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Other Receivables

Significant receivables include grant reimbursements for the Town's various grant programs.

Deferred Revenue

Deferred revenue in the General Fund of \$1,097,069 at December 31, 2012 represents \$1,092,852 of 2012 property taxes and \$1,327 of State and Federal grant revenues that were not collected within 60 days of year-end, and therefore, are deferred in accordance with generally accepted accounting principles, and \$2,890 in donations for the Libby Museum. Deferred revenue of \$150,431 in the Nonmajor Funds represents land use change tax that was not collected within 60 days of year-end.

III.A.4. Capital Assets

Changes in Capital Assets

The following table provides a summary of changes in capital assets:

	Balance, beginning	Additions	Balance, ending
Governmental activities:			
At cost:			
Not being depreciated:			
Land	\$ 6,462,174	\$ 159,427	\$ 6,621,601
Construction in progress	369,753	405,851	775,604
Total capital assets not being depreciated	<u>6,831,927</u>	<u>565,278</u>	<u>7,397,205</u>
Being depreciated:			
Buildings and building improvements	2,511,148	150,983	2,662,131
Machinery, vehicles and equipment	4,913,745	149,492	5,063,237
Infrastructure	20,408,303	2,209,094	22,617,397
Other improvements	1,747,101	171,218	1,918,319
Total capital assets being depreciated	<u>29,580,297</u>	<u>2,680,787</u>	<u>32,261,084</u>
Total all capital assets	<u>36,412,224</u>	<u>3,246,065</u>	<u>39,658,289</u>
Less accumulated depreciation:			
Buildings and building improvements	(931,129)	(89,663)	(1,020,792)
Machinery, vehicles and equipment	(3,844,982)	(233,054)	(4,078,036)
Infrastructure	(6,331,660)	(384,867)	(6,716,527)
Other improvements	(974,710)	(53,709)	(1,028,419)
Total accumulated depreciation	<u>(12,082,481)</u>	<u>(761,293)</u>	<u>(12,843,774)</u>
Net book value, capital assets being depreciated	<u>17,497,816</u>	<u>1,919,494</u>	<u>19,417,310</u>
Net book value, all capital assets	<u>\$ 24,329,743</u>	<u>\$ 2,484,772</u>	<u>\$ 26,814,515</u>

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Depreciation Expense

Depreciation expense was charged to functions of the Town as follows:

Governmental activities:	
General government	\$ 44,172
Public safety	151,278
Highways and streets	488,714
Sanitation	15,363
Culture and recreation	61,766
Total depreciation expense	<u>\$ 761,293</u>

III.B. Liabilities

III.B.1 Intergovernmental Payable

The amount due to other governments at December 31, 2012 consists of \$6,898,183 due to the Governor Wentworth Regional School District for the balance of the 2012-2013 district assessment, and \$13,044 in fees collected on behalf of the State of New Hampshire.

III.B.2 Long-Term Debt

General obligation bonds are approved by the voters and repaid with general revenues (property taxes). These notes are backed by the full faith and credit of the Town.

Long-term liabilities currently outstanding in the governmental activities are as follow:

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at 12/31/2012	Current Portion
General obligation bonds payable:						
Landfill closure	\$ 600,000	1997	2017	5.8	\$ 150,000	\$ 30,000
Public improvements	578,500	2000	2020	5.125-5.50	228,578	28,572
Sewall/Friend Street water system	396,514	2006	2026	4.0-4.30	257,688	23,250
General projects	1,292,315	2007	2027	4.0-5.0	975,000	60,000
Town hall renovations	485,920	2008	2028	4.0-5.25	394,255	23,575
ADA restrooms compliance	301,800	2008	2028	4.0-5.25	244,255	13,575
Land purchase	131,500	2008	2028	4.0-5.25	99,255	8,575
Sidewalks	97,530	2008	2028	4.0-5.25	84,255	3,575
Repair/Renovate railroad station	141,225	2009	2019	3.02-4.02	95,000	15,000
Parking lot purchase	243,325	2009	2019	3.02-4.02	170,000	25,000
Center Street drainage	566,000	2010	2020	3.0-5.0	450,000	60,000
Smith River streambank improvements	166,500	2010	2020	3.0-5.0	130,000	20,000

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Pop Whalen ADA improvements	54,750	2010	2020	3.0-5.0	40,000	5,000
Public safety building repairs	121,000	2012	2023	2.1-5.1	121,000	-
255 Main Street property purchase	144,000	2012	2023	2.1-5.1	144,000	-
Downtown street upgrades	717,500	2012	2033	2.1-5.1	717,500	-
Glendon Street parking lot	265,600	2012	2033	2.1-5.1	265,600	-
					<u>4,566,386</u>	<u>316,122</u>
Unamortized bond premium					129,039	11,066
Capital lease payable:						
Server and equipment	\$ 26,003	2012	2014	5.17	16,895	8,235
Compensated absences payable:						
Accrued leave					423,431	-
Other post employment benefits payable					444,457	-
Accrued landfill postclosure care costs					162,000	5,400
					<u>\$ 5,742,208</u>	<u>\$ 340,823</u>

Long-term liabilities currently outstanding in the business-type activities are as follow:

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at 12/31/2012	Current Portion
General obligation bonds payable:						
Water system improvements	\$ 450,000	1996	2021	4.5	\$ 194,950	\$ 20,950
Water treatment facility	3,000,000	1996	2026	4.5	1,208,810	104,810
Water system improvements	550,000	1997	2025	4.5	227,100	21,100
Infiltration/inflow project	535,000	2000	2020	5.125-5.50	211,420	26,428
Electric distribution upgrade	5,281,000	2003	2023	2.25-4.25	2,895,000	265,000
Water system improvements	1,183,080	2004	2033	4.25	779,500	50,500
Sewall/Friend Street water system	1,650,011	2006	2026	4.0-4.30	1,072,314	96,750
Water projects	2,816,295	2007	2027	4.0-5.0	2,100,000	145,000
Sewer infiltration/inflow project	592,990	2007	2027	4.0-5.0	450,000	30,000
Water system improvements	640,735	2008	2028	4.0-5.25	504,255	33,575
Sewer infiltration/inflow project	797,605	2008	2028	4.0-5.25	644,470	38,550
Pop Whalen rink	321,755	2008	2028	4.0-5.25	249,255	18,575
Water line replacement	253,010	2009	2019	3.02-4.02	175,000	25,000
Wastewater treatment facility upgrade	5,820,364	2009	2029	2.352	4,947,310	291,018
Sewer bond	793,000	2009	2020	3.0-4.0	635,000	80,000
Water line replacement	566,000	2010	2020	3.0-5.0	450,000	60,000
Pop Whalen ADA improvements	54,750	2010	2020	3.0-5.0	40,000	5,000
Pop Whalen fire protection project	206,800	2011	2022	3.0-5.0	206,800	21,800
Pleasant Valley Road MED upgrade	616,200	2011	2022	3.0-5.0	616,200	61,200
Wastewater treatment facility upgrade	592,063	2012	2031	1.104	562,459	29,603
Wastewater facility upgrades	170,400	2012	2033	2.1-5.1	170,400	-
Wastewater facility upgrades	246,500	2012	2033	2.1-5.1	246,500	-
					<u>18,586,743</u>	<u>1,424,859</u>
Unamortized bond premium					1,024,745	66,399
Compensated absences payable:						
Accrued leave					73,369	-
Other post employment benefits payable					66,607	-
					<u>\$ 19,751,464</u>	<u>\$ 1,491,258</u>

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Changes in Long-Term Liabilities

The following is a summary of changes in long-term liabilities in the governmental activities for the year ended December 31, 2012:

	General Obligation Bonds	Unamortized Bond Premium	Capital Lease	Compensated Absences	OPEB Liability	Accrued Landfill Postclosure Care Costs	Total
Balance, beginning	\$ 3,636,909	\$ 74,100	\$ 28,031	\$ 400,580	\$ 432,002	\$ 368,000	\$ 4,939,622
Additions	1,248,100	74,792	26,003	22,851	12,455	-	1,384,201
Reductions	(318,623)	(19,853)	(37,139)	-	-	(206,000)	(581,615)
Balance, ending	<u>\$ 4,566,386</u>	<u>\$ 129,039</u>	<u>\$ 16,895</u>	<u>\$ 423,431</u>	<u>\$ 444,457</u>	<u>\$ 162,000</u>	<u>\$ 5,742,208</u>

The following is a summary of changes in long-term liabilities in the business-type activities for the year ended December 31, 2012:

	General Obligation Bonds	Unamortized Bond Premium	Other Debt	Compensated Absences	OPEB Liability	Total
Balance, beginning	\$ 19,166,436	\$ 203,358	\$ 1,165,956	\$ 70,869	\$ 60,824	\$ 20,667,443
Additions	1,008,963	864,892	9,085	2,500	5,783	1,891,223
Reductions	(1,588,656)	(43,505)	(1,175,041)	-	-	(2,807,202)
Balance, ending	<u>\$ 18,586,743</u>	<u>\$ 1,024,745</u>	<u>\$ -</u>	<u>\$ 73,369</u>	<u>\$ 66,607</u>	<u>\$ 19,751,464</u>

Debt Service Requirements to Maturity

The annual debt service requirements to maturity for the note outstanding as of year-end are as follow:

Fiscal Year Ending December 31,	Governmental Activities		
	Principal	Interest	Total
2013	\$ 316,122	\$ 174,310	\$ 490,432
2014	403,982	173,599	577,581
2015	393,982	158,620	552,602
2016	391,822	142,058	533,880
2017	387,881	125,293	513,174
2018-2022	1,427,261	400,568	1,827,829
2023-2027	934,396	147,577	1,081,973
2028-2032	272,840	22,458	295,298
2033	38,100	591	38,691
Totals	<u>\$ 4,566,386</u>	<u>\$ 1,345,074</u>	<u>\$ 5,911,460</u>

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Fiscal Year Ending December 31,	Business-type Activities		
	Principal	Interest	Total
2013	\$ 1,424,859	\$ 701,310	\$ 2,126,169
2014	1,432,639	667,150	2,099,789
2015	1,419,639	614,893	2,034,532
2016	1,420,799	560,512	1,981,311
2017	1,383,740	505,842	1,889,582
2018-2022	6,420,849	1,694,422	8,115,271
2023-2027	3,999,709	612,742	4,612,451
2028-2032	1,042,609	80,244	1,122,853
2033	41,900	1,857	43,757
Totals	<u>\$ 18,586,743</u>	<u>\$ 5,438,972</u>	<u>\$ 24,025,715</u>

The future minimum lease obligations for the capital lease are as follow:

Fiscal Year Ending December 31,	Principal	Interest	Total
2013	\$ 8,235	\$ 873	\$ 9,108
2014	8,660	448	9,108
Totals	<u>\$ 16,895</u>	<u>\$ 1,321</u>	<u>\$ 18,216</u>

Landfill Postclosure Care Costs

State and federal laws and regulations require that the Town continue to perform certain maintenance and monitoring functions at the landfill site for thirty years after the 1997 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 \$162,000 as of December 31, 2012. 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 monitor and maintain the landfill were acquired as of December 31, 2012. However, the actual costs of post-closure care may be higher or lower due to inflation, changes in technology, or changes in landfill laws and regulations.

Bond Anticipation Note

On June 8, 2012, the Town issued \$440,000 in a bond anticipation note to finance the wastewater facility upgrades. The note had an interest rate of 0.59%, and matured on December 21, 2012. The Town paid \$1,298 in interest on this note from its sewer department enterprise fund. No amounts were outstanding at the end of the fiscal year.

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III.C. Balances and Transfers – Payments Within the Reporting Entity

III.C.1. Receivables and Payables

Generally, outstanding balances between funds reported as “interfund receivables/payables” include outstanding charges by one fund to another for goods or services, subsidy commitments outstanding at year-end, or other miscellaneous amounts. Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is also reported as “interfund receivables/payables.”

The following schedule reports interfund receivables and payables within the reporting entity at year-end:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Sewer department - enterprise fund	\$ 1,510,476
General	Nonmajor	213,080
Nonmajor	General	<u>122,811</u>
		<u><u>\$ 1,846,367</u></u>

The amount due to the general fund from the sewer department enterprise fund and nonmajor funds represents overdrafts of pooled cash. The amount due to the nonmajor funds from the general fund represents land use change tax collected and unspent conservation appropriations.

III.C.2. Transfers

Transfers within the reporting entity are substantially for the purposes of distributing taxes to the fund for which the appropriation was made, and distributing trust income and certain voted amounts to the applicable fund. The government-wide statement of activities eliminates transfers reported within the governmental activities columns.

The following schedule reports transfers within the reporting entity:

	<u>Transfers In:</u>				
	<u>Governmental Funds</u>			<u>Enterprise Fund</u>	<u>Total</u>
	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Funds</u>	<u>Sewer Department</u>	
Transfers out:					
General fund	\$ -	\$ 7,319	\$ 13,569	\$ 808,412	\$ 829,300
Nonmajor funds	4,962	-	15,000	-	19,962
	<u><u>\$ 4,962</u></u>	<u><u>\$ 7,319</u></u>	<u><u>\$ 28,569</u></u>	<u><u>\$ 808,412</u></u>	<u><u>\$ 849,262</u></u>

The amount transferred to the sewer department enterprise fund from the general fund represents voted appropriations. The total amount transferred to the nonmajor funds from the general fund

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represents the appropriation to the conservation commission for the operating budget. The amount transferred from the general fund to the capital projects fund represents the capital reserve portion of the public safety building project. The amount transferred to the general fund from the nonmajor funds represents cemetery maintenance, and the amount transferred from the nonmajor funds to the nonmajor funds represents a donation from the permanent funds to the conservation commission.

III.D. Restatement of Beginning Equity

Equity at January 1, 2012 was restated to reflect the following adjustments:

	Governmental Activities	General Fund
To record deferred tax revenue	\$ -	\$ (323,803)
To record accounts receivable	19,440	19,440
Rounding	1	1
Net position/fund balance, as previously reported	<u>25,580,030</u>	<u>3,938,391</u>
Net position/fund balance, as restated	<u><u>\$ 25,599,471</u></u>	<u><u>\$ 3,634,029</u></u>

III.E. Fund Equity

The components of fund balance, as described in note I.C.5, are classified for the following purposes:

	General Fund	Capital Projects Fund	Nonmajor Funds	Total Governmental Funds
Nonspendable:				
Endowments	\$ -	\$ -	\$ 595,157	\$ 595,157
Prepaid items	43,652	-	-	43,652
Tax deeded property	<u>11,972</u>	-	-	<u>11,972</u>
Total nonspendable	<u>55,624</u>	<u>-</u>	<u>595,157</u>	<u>650,781</u>
Restricted:				
General government	-	-	291,919	291,919
Culture and recreation	<u>334,210</u>	<u>104,604</u>	-	<u>438,814</u>
Total restricted	<u>334,210</u>	<u>104,604</u>	<u>291,919</u>	<u>730,733</u>

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	General Fund	Capital Projects Fund	Nonmajor Funds	Total Governmental Funds
Committed:				
General government	7,295	-	-	7,295
Public safety	-	-	24,051	24,051
Culture and recreation	-	-	6,552	6,552
Conservation	-	-	253,979	253,979
Capital outlay	1,435,534	-	-	1,435,534
Total committed	<u>1,442,829</u>	<u>-</u>	<u>284,582</u>	<u>1,727,411</u>
Assigned:				
Highways and streets	19,098	-	-	19,098
Capital outlay	273,651	-	-	273,651
Total assigned	<u>292,749</u>	<u>-</u>	<u>-</u>	<u>292,749</u>
Unassigned	1,369,693	-	-	1,369,693
Total fund balance	<u>\$ 3,495,105</u>	<u>\$ 104,604</u>	<u>\$ 1,171,658</u>	<u>\$ 4,771,367</u>

IV. Other Information

IV.A. Risk Management

The Town's risk management activities are reported with governmental activities and recorded in the general fund. During the fiscal year, the Town was a member of the New Hampshire Public Risk Management Exchange (Primex) Workers' Compensation and Property/Liability Programs, which are considered public entity risk pools, currently operating as common risk management and insurance program for member governmental entities.

The Primex Workers' Compensation and Property/Liability Programs are pooled risk management programs under RSA 5-B and RSA 281-A. Workers' compensation and property/liability coverage are provided from January 1 through December 31. Primex retained \$1,000,000 of each workers' compensation loss, \$500,000 of each liability loss, and \$200,000 of each property loss.

Contributions paid in 2012 to be recorded as an insurance expenditure/expense totaled \$108,186 for property/liability and \$57,154 for workers' compensation. There were no unpaid contributions for the year ended December 31, 2012. The trust agreement permits the Trust to make additional assessments to members should there be a deficiency in trust assets to meet its liabilities. At this time, the Trust foresees no likelihood of any additional assessments for past years.

IV.B. Retirement Pensions

The New Hampshire Retirement System (NHRS) is a multiple-employer, cost-sharing, contributory public employee defined benefit plan qualified under section 401(a) of the Internal Revenue Code, and funded through a trust which is exempt from tax under Internal Revenue Code section 501(a). The

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NHRS provides service, disability, death and vested retirement benefits for the members and their beneficiaries. The New Hampshire Legislature establishes the provisions for benefits and contributions. The NHRS issues a separate financial report that is available by contacting the NHRS at 54 Regional Drive, Concord, NH 03301.

Both the members and the Town make contributions to the NHRS. Member rates of contribution are set by the Legislature. Employer rates are determined by the NHRS trustees based on an actuarial valuation. The rates of contribution for police officers, fire employees, and other employees were 11.55%, 11.80% and 7% respectively, of gross earnings. The rates of contribution for pension and the medical subsidy from the Town were 19.95% for police, 22.89% for fire personnel, and 8.80% for other employees. Employer contributions from the Town during the years 2010, 2011 and 2012 were \$438,496, \$484,454 and \$505,637, respectively. The amounts are paid on a monthly basis as due.

IV.C. Contingent Liabilities

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

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

IV.D. Other Postemployment Benefits

Plan Description

In addition to providing pension benefits, the Town provides implicit postretirement medical benefits to its retired employees and their spouses, as required by NH RSA 100-A:50, *New Hampshire Retirement System: Medical Benefits*. 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. Both group I and group II retirees, as categorized by the New Hampshire Retirement System, 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 individuals, 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 premium. As of January 1, 2012, the actuarial valuation date, participants of the postretirement plan that meet eligibility requirements are comprised of 31 retirees and 68 active employees. The plan does not issue a separate financial report.

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Annual OPEB Cost and Net OPEB Obligation

The Town's December 31, 2012 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 ended December 31, 2012 including the amount actually contributed to the plan, and the changes in the Town's net OPEB obligation based on an actuarial valuation as of January 1, 2012 are as follow:

Annual Required Contribution (ARC)	\$ 76,264
Interest on net OPEB Obligation	19,873
Adjustment of ARC	<u>(16,151)</u>
Annual OPEB cost	79,986
Contributions made	<u>(61,748)</u>
Increase in net OPEB Obligation	18,238
Net OPEB Obligation - beginning of year	<u>492,826</u>
Net OPEB Obligation - end of year	<u><u>\$ 511,064</u></u>

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the years ended December 31, 2010, 2011, and 2012 are as follow:

Year <u>Ended</u>	Annual OPEB <u>Cost</u>	Percentage of Annual OPEB Cost <u>Contributed</u>	Net OPEB <u>Obligation</u>
December 31, 2010	\$ 235,711	27.5%	\$ 329,600
December 31, 2011	\$ 228,102	28.4%	\$ 492,826
December 31, 2012	\$ 79,986	77.2%	\$ 511,064

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Funded Status and Funding Progress for OPEB

The funded status of the plan as of January 1, 2012, the date of the most recent actuarial valuation, is as follows:

Actuarial Accrued Liability (AAL)	\$ 1,628,024
Actuarial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability	<u>\$ 1,628,024</u>
Funded Ratio (Actuarial Value of Plan Assets/AAL)	<u>0%</u>
Covered Payroll	\$ 3,906,727
UAAL as a percentage of covered payroll	41.7%

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, 2012 actuarial valuation was the Projected Unit Credit cost method. The amounts in this OPEB valuation represent a closed group and do not reflect new entrants. The actuarial value of assets was not determined as the Town has not advance funded its obligation. The actuarial assumptions included a 4.0% investment rate of return and an initial annual healthcare cost trend of 9.0% which decreases to a 5.0% long-term rate for all healthcare benefits at a 0.5% rate per year for eight years. The amortization costs for the initial Unfunded Actuarial Accrued Liability (UAAL) have been calculated on a level dollar basis.

REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT 12
TOWN OF WOLFEBORO, NEW HAMPSHIRE
General Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
For the Year Ended December 31, 2012

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Taxes	\$ 9,246,219	\$ 9,223,296	\$ (22,923)
Licenses, permits and fees	1,239,842	1,286,673	46,831
Intergovernmental	487,908	503,952	16,044
Charges for services	484,000	588,782	104,782
Miscellaneous	675,380	682,243	6,863
Total revenues	<u>12,133,349</u>	<u>12,284,946</u>	<u>151,597</u>
EXPENDITURES			
Current:			
General government	2,037,560	1,983,855	53,705
Public safety	3,700,310	3,513,788	186,522
Highways and streets	2,077,179	2,024,891	52,288
Sanitation	749,011	699,595	49,416
Health	137,719	131,923	5,796
Welfare	165,339	146,856	18,483
Culture and recreation	1,247,071	1,278,287	(31,216)
Economic development	12,171	11,573	598
Debt service:			
Principal	318,622	318,623	(1)
Interest on long-term debt	168,386	162,433	5,953
Interest on tax anticipation notes	5,000	-	5,000
Capital outlay	965,400	1,112,661	(147,261)
Total expenditures	<u>11,583,768</u>	<u>11,384,485</u>	<u>199,283</u>
Excess of revenues over expenditures	<u>549,581</u>	<u>900,461</u>	<u>350,880</u>
Other financing sources (uses):			
Transfers in	3,000	3,651	651
Transfers out	(1,152,581)	(1,152,581)	-
Total other financing sources and uses	<u>(1,149,581)</u>	<u>(1,148,930)</u>	<u>651</u>
Net change in fund balance	<u>\$ (600,000)</u>	<u>(248,469)</u>	<u>\$ 351,531</u>
Decrease in nonspendable fund balance		32,731	
Unassigned fund balance, beginning, as restated, see Note III.D.		<u>2,344,475</u>	
Unassigned fund balance, ending		<u>\$ 2,128,737</u>	

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

TOWN OF WOLFEBORO, NEW HAMPSHIRE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED
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Reconciliation of General Fund Budgetary Basis to GAAP

Revenues and other financing sources:	
Per Exhibit 12 (budgetary basis)	\$ 12,288,597
Adjustments:	
Basis difference:	
Capital lease inception	26,003
Tax revenue deferred in the prior year	1,023,730
Tax revenue deferred in the current year	(1,092,852)
Perspective difference:	
Revenue from expendable trust funds	55,610
Revenue from library fund	59,088
Revenue from josiah brown fund	17,002
Transfer from permanent fund	1,311
Per Exhibit 5 (GAAP basis)	<u>\$ 12,378,489</u>
Expenditures and other financing uses:	
Per Exhibit 12 (budgetary basis)	\$ 12,537,066
Adjustments:	
Basis difference:	
Encumbrances, beginning	692,455
Encumbrances, ending	(612,515)
Capital lease inception	26,003
Perspective difference:	
Expenditures from expendable trust funds	183,653
Expenditures from library fund	11,632
Expenditures from josiah brown fund	10,000
Transfer from expendable trust funds	7,319
Transfer to expendable trust funds	(330,600)
Per Exhibit 5 (GAAP basis)	<u>\$ 12,525,013</u>
Fund balances:	
Per Exhibit 12 (budgetary basis)	\$ 2,128,737
Adjustments:	
Basis difference:	
Elimination of interfund	3,222
Deferred tax revenue, 60-day rule	(1,092,852)
Per Exhibit 3 (GAAP basis)	<u>\$ 1,039,107</u>

EXHIBIT 13
TOWN OF WOLFEBORO, NEW HAMPSHIRE
Other Post-Employment Benefits
Schedule of Funding Progress
For the Year Ended December 31, 2012

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (AAL) ((b-a)/c)
1/1/2009	\$ -	\$ 1,908,441	\$ 1,908,441	0.0%	\$ 3,241,432	58.9%
1/1/2012	\$ -	\$ 1,628,024	\$ 1,628,024	0.0%	\$ 3,906,727	41.7%

COMBINING NONMAJOR GOVERNMENTAL AND INDIVIDUAL GENERAL FUND SCHEDULES

EXHIBIT 14
TOWN OF WOLFEBORO, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2012

	Special Revenue Funds					Total
	Police Detail	Recreation Revolving	Conservation Commission	Miscellaneous Grants	Permanent Fund	
ASSETS						
Cash and cash equivalents	\$ 24,051	\$ 6,552	\$ 201,408	\$ -	\$ 93,234	\$ 325,245
Investments	-	-	80,191	-	797,493	877,684
Intergovernmental receivables	-	-	-	209,429	-	209,429
Interfund receivable	-	-	122,811	-	-	122,811
Total assets	<u>\$ 24,051</u>	<u>\$ 6,552</u>	<u>\$ 404,410</u>	<u>\$ 209,429</u>	<u>\$ 890,727</u>	<u>\$ 1,535,169</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Interfund payable	\$ -	\$ -	\$ -	\$ 209,429	\$ 3,651	\$ 213,080
Deferred revenue	-	-	150,431	-	-	150,431
Total liabilities	<u>-</u>	<u>-</u>	<u>150,431</u>	<u>209,429</u>	<u>3,651</u>	<u>363,511</u>
Fund balances:						
Nonspendable	-	-	-	-	595,157	595,157
Restricted	-	-	-	-	291,919	291,919
Committed	24,051	6,552	253,979	-	-	284,582
Total fund balances	<u>24,051</u>	<u>6,552</u>	<u>253,979</u>	<u>-</u>	<u>887,076</u>	<u>1,171,658</u>
Total liabilities and fund balances	<u>\$ 24,051</u>	<u>\$ 6,552</u>	<u>\$ 404,410</u>	<u>\$ 209,429</u>	<u>\$ 890,727</u>	<u>\$ 1,535,169</u>

EXHIBIT 15
TOWN OF WOLFEBORO, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended December 31, 2012

	Special Revenue Funds						Total
	Police Detail	Recreation Revolving	Conservation Commission	CDBG	Miscellaneous Grants	Permanent Fund	
REVENUES							
Taxes	\$ -	\$ -	\$ 154,043	\$ -	\$ -	\$ -	\$ 154,043
Intergovernmental	-	-	-	9,275	259,496	-	268,771
Charges for services	27,985	46,220	-	-	-	41,797	116,002
Miscellaneous	-	-	60,553	-	1,532	81,833	143,918
Total revenues	<u>27,985</u>	<u>46,220</u>	<u>214,596</u>	<u>9,275</u>	<u>261,028</u>	<u>123,630</u>	<u>682,734</u>
EXPENDITURES							
Current:							
General government	-	-	-	9,275	-	4,351	13,626
Public safety	27,990	-	-	-	261,028	-	289,018
Culture and recreation	-	39,668	-	-	-	-	39,668
Conservation	-	-	137,475	-	-	-	137,475
Total expenditures	<u>27,990</u>	<u>39,668</u>	<u>137,475</u>	<u>9,275</u>	<u>261,028</u>	<u>4,351</u>	<u>479,787</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(5)</u>	<u>6,552</u>	<u>77,121</u>	<u>-</u>	<u>-</u>	<u>119,279</u>	<u>202,947</u>
Other financing sources (uses):							
Transfers in	-	-	28,569	-	-	-	28,569
Transfers out	-	-	-	-	-	(19,962)	(19,962)
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>28,569</u>	<u>-</u>	<u>-</u>	<u>(19,962)</u>	<u>8,607</u>
Net change in fund balances	(5)	6,552	105,690	-	-	99,317	211,554
Fund balances, beginning	24,056	-	148,289	-	-	787,759	960,104
Fund balances, ending	<u>\$ 24,051</u>	<u>\$ 6,552</u>	<u>\$ 253,979</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 887,076</u>	<u>\$ 1,171,658</u>

EXHIBIT 16
TOWN OF WOLFEBORO, NEW HAMPSHIRE
General Fund
Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)
For the Year Ended December 31, 2012

	Estimated	Actual	Variance Positive (Negative)
Taxes:			
Property	\$ 9,120,059	\$ 9,049,806	\$ (70,253)
Boat	-	21,805	21,805
Timber	13,260	15,028	1,768
Excavation	171	171	-
Payments in lieu of taxes	15,129	15,104	(25)
Interest and penalties on delinquent taxes	97,600	121,382	23,782
Total taxes	<u>9,246,219</u>	<u>9,223,296</u>	<u>(22,923)</u>
Licenses, permits and fees:			
Business licenses and permits	23,423	3,380	(20,043)
Motor vehicle permits	1,080,000	1,120,161	40,161
Building permits	25,500	49,515	24,015
Other	110,919	113,617	2,698
Total licenses, permits and fees	<u>1,239,842</u>	<u>1,286,673</u>	<u>46,831</u>
Intergovernmental:			
State sources:			
Meals and rooms distributions	278,008	277,963	(45)
Highway block grant	156,386	156,386	-
Water pollution grant	-	8,655	8,655
State and federal forest land	82	91	9
Landfill closure	7,914	7,914	-
Federal sources:			
FEMA	-	7,425	7,425
Other government sources:			
PILOT	45,518	45,518	-
Total intergovernmental	<u>487,908</u>	<u>503,952</u>	<u>16,044</u>
Charges for services:			
Income from departments	<u>484,000</u>	<u>588,782</u>	<u>104,782</u>
Miscellaneous:			
Sale of property	-	85	85
Interest on investments	7,900	6,547	(1,353)
Rents	101,597	102,327	730
Fines and forfeits	-	13,133	13,133
Contributions and donations	19,216	15,000	(4,216)
Other	546,667	545,151	(1,516)
Total miscellaneous	<u>675,380</u>	<u>682,243</u>	<u>6,863</u>
Other financing sources:			
Transfers in:			
Nonmajor funds	<u>3,000</u>	<u>3,651</u>	<u>651</u>
Total revenues and other financing sources	12,136,349	<u>\$ 12,288,597</u>	<u>\$ 152,248</u>
Use of fund balance to reduce taxes	600,000		
Total revenues, other financing sources and use of fund balance	<u>\$ 12,736,349</u>		

EXHIBIT 17
TOWN OF WOLFEBORO, NEW HAMPSHIRE
General Fund
Schedule of Appropriations, Expenditures and Encumbrances (Non-GAAP Budgetary Basis)
For the Year Ended December 31, 2012

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
General government:					
Executive	\$ 11,381	\$ 532,108	\$ 556,874	\$ -	\$ (13,385)
Financial administration	30,939	300,806	305,524	-	26,221
Planning and zoning	-	195,156	177,489	-	17,667
General government buildings	7,126	80,083	72,353	-	14,856
Cemeteries	-	10,346	10,180	-	166
Other	-	919,061	910,881	-	8,180
Total general government	49,446	2,037,560	2,033,301	-	53,705
Public safety:					
Police	1,080	1,438,105	1,410,705	-	28,480
Fire	8,540	1,603,695	1,525,940	-	86,295
Building inspection	-	127,364	119,995	-	7,369
Emergency management	-	4,468	7,089	-	(2,621)
Other	3,454	526,678	463,133	-	66,999
Total public safety	13,074	3,700,310	3,526,862	-	186,522
Highways and streets:					
Administration	7,267	203,706	208,906	4,886	(2,819)
Highways and streets	15,658	1,370,661	1,359,104	13,700	13,515
Other	14,322	502,812	475,030	512	41,592
Total highways and streets	37,247	2,077,179	2,043,040	19,098	52,288
Sanitation:					
Solid waste disposal	35,914	749,011	735,509	-	49,416
Health:					
Administration	-	6,294	6,016	-	278
Pest control	-	20,833	17,815	-	3,018
Health agencies and hospitals	-	110,592	108,092	-	2,500
Total health	-	137,719	131,923	-	5,796
Welfare:					
Administration	-	165,333	146,856	-	18,477
Intergovernmental welfare payments	-	6	-	-	6
Total welfare	-	165,339	146,856	-	18,483

(continued)

EXHIBIT 17 (continued)
TOWN OF WOLFEBORO, NEW HAMPSHIRE
General Fund

Schedule of Appropriations, Expenditures and Encumbrances (Non-GAAP Budgetary Basis)
For the Year Ended December 31, 2012

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Culture and recreation:					
Parks and recreation	5,073	738,333	741,501	-	1,905
Public library	-	444,404	477,938	-	(33,534)
Patriotic purposes	-	17,387	16,918	-	469
Other	3,000	46,947	50,003	-	(56)
Total culture and recreation	<u>8,073</u>	<u>1,247,071</u>	<u>1,286,360</u>	<u>-</u>	<u>(31,216)</u>
Economic development	-	12,171	11,573	-	598
Debt service:					
Principal	-	318,622	318,623	-	(1)
Interest on long-term debt	-	168,386	162,433	-	5,953
Interest on tax anticipation notes	-	5,000	-	-	5,000
Total debt service	<u>-</u>	<u>492,008</u>	<u>481,056</u>	<u>-</u>	<u>10,952</u>
Capital outlay:					
Machinery, vehicles and equipment	-	-	2,801	-	(2,801)
Buildings	-	325,000	225,277	-	99,723
Other improvements	548,701	640,400	839,867	593,417	(244,183)
Total capital outlay	<u>548,701</u>	<u>965,400</u>	<u>1,067,945</u>	<u>593,417</u>	<u>(147,261)</u>
Other financing uses:					
Transfers out:					
Nonmajor funds	-	1,152,581	1,152,581	-	-
Total encumbrances, appropriations, expenditures and other financing uses	<u>\$ 692,455</u>	<u>\$ 12,736,349</u>	<u>\$ 12,617,006</u>	<u>\$ 612,515</u>	<u>\$ 199,283</u>

EXHIBIT 18
TOWN OF WOLFEBORO, NEW HAMPSHIRE
General Fund
Schedule of Changes in Unassigned Fund Balance (Non-GAAP Budgetary Basis)
For the Year Ended December 31, 2012

Unassigned fund balance, beginning, as restated, see Note III.D.		\$ 2,344,475
Changes:		
Unassigned fund balance used to reduce tax rate		(600,000)
Budget summary:		
Revenue surplus (Exhibit 16)	\$ 152,248	
Unexpended balance of appropriations (Exhibit 17)	199,283	
Budget surplus		351,531
Decrease in nonspendable fund balance		32,731
Unassigned fund balance, ending		\$ 2,128,737



Roberts & Greene, PLLC

INDEPENDENT AUDITOR'S COMMUNICATION OF NO MATERIAL WEAKNESSES

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

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Wolfeboro as of and for the year ended December 31, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered the Town's internal control over financial reporting (internal control) 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's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified.

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 significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. 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. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

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

July 1, 2013

Roberts & Greene, PLLC