

# TOWN OF WOLFEBORO, NEW HAMPSHIRE

ANNUAL FINANCIAL REPORT

AS OF AND FOR THE YEAR ENDED  
DECEMBER 31, 2013

**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, 2013, 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, 2013, 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, budgetary comparison information, and schedule of funding progress on pages 3 through 11 and 46 through 48 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 Wolfboro'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.

*Roberts & Hunt, PLLC*

July 7, 2014

**TOWN OF WOLFEBORO, NEW HAMPSHIRE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
Year Ending December 31, 2013

Presented herewith please find the Management Discussion & Analysis Report for the Town of Wolfeboro for the year ended December 31, 2013. 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 position presents information on all of the Town's assets and liabilities, with the difference between the two reported as net position. Over time, increases and decreases in net position 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 position changed during the most recent fiscal year. All of the current year's revenue and expenses are taken into account regardless of when cash is received or paid.

**TOWN OF WOLFEBORO, NEW HAMPSHIRE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
Year Ending December 31, 2013

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 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 position and statement of activities.

The Town maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and the statement of revenues, expenditures and changes in fund balances for the General Fund, which is the Town's only major governmental fund. All other non-major governmental funds are aggregated and presented as other governmental funds.

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

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

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

**TOWN OF WOLFEBORO, NEW HAMPSHIRE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
Year Ending December 31, 2013

**Notes to the Basic Financial Statements**

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

**Required Supplementary Information**

The basic financial statements and accompanying notes are followed by a section of required supplementary information. This section includes a budgetary comparison schedule for the Town's major governmental fund which includes a reconciliation between the reported activity of the revenues, expenditures and transfers for budgetary purposes (Exhibit 12) and the activity as presented in the governmental fund financial statements (Page 47). 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 Position in the Financial Statements, the net position of the Town of Wolfeboro governmental activities as of December 31, 2013 and 2012 are as follows:

	<u>2013</u>	<u>2012</u>
Current and other assets:		
Capital assets, net	\$ 28,478,003	\$ 26,814,515
Other assets	<u>13,260,489</u>	<u>13,301,755</u>
Total assets	<u>\$ 41,738,492</u>	<u>\$ 40,116,270</u>
Long-term liabilities	\$ 4,957,034	\$ 5,401,385
Other liabilities	<u>8,709,104</u>	<u>7,697,675</u>
Total liabilities	<u>\$ 13,666,138</u>	<u>\$ 13,099,060</u>
Deferred Inflows of Resources	<u>\$ 21,702</u>	<u>\$ 0</u>
Net position:		
Net investment in capital assets	\$ 24,088,845	\$ 22,102,194
Restricted	1,259,414	1,325,890
Unrestricted	<u>2,702,393</u>	<u>3,589,126</u>
Total net position	<u>\$ 28,050,652</u>	<u>\$ 27,017,210</u>

**TOWN OF WOLFEBORO, NEW HAMPSHIRE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
Year Ending December 31, 2013

The Town's net position totaled \$ 28,050,652 at the end of fiscal year 2013, an increase of \$1,033,442 when compared to the end of the previous fiscal year. This total increase includes an increase in the Town's net investment in capital assets of \$1,986,651, which was offset by a decrease in restricted net position of (\$66,476) and a decrease in unrestricted net position of (\$886,733).

A large portion of the Town's net position 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 position is restricted in regard to how they may be used. For the Town of Wolfeboro, those restrictions include those related to non-expendable trust funds, capital reserve funds, and conservation funds. The remaining unrestricted portion represents the part of net position 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 position for governmental activities for the years ended December 31, 2013 and 2012 are as follows:

	<u>2013</u>	<u>2012</u>
Program revenues:		
Charges for services	\$ 673,635	\$ 704,953
Operating grants and contributions	637,220	449,242
Capital grants and contributions	<u>75,909</u>	<u>0</u>
Total program revenues	<u>1,386,764</u>	<u>1,154,195</u>
General revenues:		
Property and other taxes	9,062,980	9,527,770
Licenses and permits	1,380,346	1,286,673
Grants and Contributions	322,075	323,481
Miscellaneous	1,082,588	957,692
Transfers	<u>(819,970)</u>	<u>(808,412)</u>
Total general revenues and transfers	<u>11,028,019</u>	<u>11,287,204</u>
Total revenues	<u>12,414,783</u>	<u>12,441,399</u>
Program expenses:		
General government	2,316,978	2,109,637
Public safety	3,923,746	3,800,602
Highways and streets	2,449,509	2,524,680
Health and welfare	300,855	278,718
Sanitation	693,354	549,318
Culture and recreation	1,399,908	1,400,843
Economic development	10,952	11,573
Conservation	64,313	145,217
Interest and fiscal charges	159,238	139,143
Capital Outlay	<u>62,488</u>	<u>63,929</u>
Total expenses	<u>11,381,341</u>	<u>11,023,660</u>
Change in position	1,033,442	1,417,739
Net Position - beginning of year	<u>27,017,210</u>	<u>25,599,471</u>
Net Position - ending of year	<u>\$ 28,050,652</u>	<u>\$ 27,017,210</u>



**TOWN OF WOLFEBORO, NEW HAMPSHIRE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
Year Ending December 31, 2013

As shown in the above statement, governmental activities of the Town experienced a net increase in financial position of \$1,033,442 on the full accrual basis of accounting.

During the year ended December 31, 2013, program revenues covered only 12% of program expenses, while the remaining 88% was funded by general revenues (e.g. taxes, grants and contributions).

The Town's governmental activities expenses covered a range of services. The largest expenses were for general government (20%), public safety (34%), culture and recreation (12%), and highways and streets (23%) which accounted for 89% of total expenses.

**Business-type Activities**

According to Exhibit 1 – Statement of Net Position in the Financial Statements, net position of the business type activities as of December 31, 2013 and 2012 are as follows:

	<u>2013</u>	<u>2012</u>
Current and other assets:		
Capital assets, net	\$ 31,895,506	\$ 32,302,813
Other assets	<u>7,402,435</u>	<u>5,131,998</u>
Total assets	<u>\$ 39,297,941</u>	<u>\$ 37,434,811</u>
Long-term liabilities	\$ 18,602,368	\$ 18,279,506
Other liabilities	<u>2,844,489</u>	<u>2,130,647</u>
Total liabilities	<u>\$ 21,446,857</u>	<u>\$ 20,410,153</u>
Deferred inflows of resources	<u>\$ 63,213</u>	<u>\$ 0</u>
Net position:		
Invested in capital assets, net of related debt	\$ 13,822,597	\$ 12,531,681
Unrestricted	<u>3,965,274</u>	<u>4,492,977</u>
Total net position	<u>\$ 17,787,871</u>	<u>\$ 17,024,658</u>

The Town's business-type activities net position totaled \$17,787,871 at the end of fiscal year 2013, an increase of \$763,213 when compared to the end of the previous fiscal year. This increase includes an increase in the Town's net investment in capital assets of \$1,290,916 in addition to a decrease in unrestricted net position of (\$ 527,703).

The largest portion of the Town's net position 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, 2013

According to Exhibit 2 – Statement of Activities in the Financial Statements, changes in net position for the business-type activities for the years ended December 31, 2013 and 2012 are as follows:

	<u>2013</u>	<u>2012</u>
Program revenues:		
Charges for services	\$ 13,876,558	\$ 14,015,340
Operating grants and contributions	<u>0</u>	<u>6,339</u>
Total program revenues	<u>13,876,558</u>	<u>14,021,679</u>
General revenues:		
Interest and investment earnings		
Miscellaneous	20,152	24,581
Transfers	<u>819,970</u>	<u>808,412</u>
Total general revenues and transfers	<u>840,122</u>	<u>832,993</u>
Total revenues	<u>14,716,680</u>	<u>14,854,672</u>
Program expenses:		
Electric	9,976,906	10,011,598
Water	1,497,466	1,472,587
Sewer	2,201,823	1,861,122
Pop Whalen	<u>277,272</u>	<u>275,733</u>
Total program expenses	<u>13,953,467</u>	<u>13,621,040</u>
Change in net position	763,213	1,233,632
Net position - beginning of year	<u>17,024,658</u>	<u>15,791,026</u>
Net position - ending of year	<u>\$ 17,787,871</u>	<u>\$ 17,024,658</u>

The primary funding source for business-type activities is charges for services, which comprises 100% of all funding sources. Program revenues provided funding for 99% of total program expenses, which contributed to the overall increase in net position of \$763,213. There was however, a small increase in transfers from other funds of \$11,558. Transfers from the General Fund to offset debt service in the Sewer Enterprise Fund were budgeted based upon the prior year's debt service and capital expenditures which leads to noticeable variances in net position from year to year. Beginning in 2014, these transfers will be budgeted on a current year basis.

**TOWN OF WOLFEBORO, NEW HAMPSHIRE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
Year Ending December 31, 2013

**Financial Analysis of the Town's Funds**

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

**Governmental Funds**

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

**General Fund**

The General Fund is the main operating fund of the Town. At the end of the current fiscal year, the general fund had an unassigned fund balance of \$905,333, while total fund equity was \$2,879,751. The total fund equity also includes a Non-spendable fund balance of \$60,190, a Restricted fund balance of \$ 372,338, as well as an Assigned fund balance of \$460,477 and a Committed fund balance of \$1,081,413. The General Fund total fund balance decreased (\$133,774) from December 31, 2012.

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 2013 \$850,000 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 \$1,128,219 at year end, a decrease of (\$43,439) 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 \$299,516 in Committed fund balance; Police Detail Fund \$28,069 in Committed fund balance; Recreation Revolving Account \$0 in Committed Fund balance and Miscellaneous Grant Funds with an Unassigned deficit of (\$5,666). The Capital Project Fund has an Unassigned deficit of (\$185,214) and the Permanent Fund totals \$991,514, of which \$504,991 is Non-spendable fund balance with the remaining \$486,523 being Restricted fund balance.

**Proprietary Funds**

The focus of the Town's proprietary funds is on total economic resources, and changes to net position, 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 \$763,213 from December 31, 2012 to December 31, 2013 to a total of \$17,787,871. The Income (Loss) before capital contributions and transfers was as follows: Electric Department \$1,100,133; Water Department \$427,847; Sewer Department (\$1,000,204) and Pop Whalen Ice Arena \$27,687. Please note that after applying the effect of capital contributions and transfers

**TOWN OF WOLFEBORO, NEW HAMPSHIRE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
Year Ending December 31, 2013

in from the general fund changes in net position were as follows: Electric Department \$980,150; Water Department \$177,829; Sewer Department (\$425,876) and Pop Whalen Fund \$31,110.

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 2013.

**General Fund Budgetary Highlights**

According to Exhibit 12 of the Notes To Basic Financial Statements, actual revenues for the year exceeded those anticipated by \$270,746. Revenues exceeded estimations in all categories as follows: Taxes \$ 76,049; Licenses and permits \$75,839; Intergovernmental revenues \$4,371; Charges for services \$27,628 and Miscellaneous income \$86,859.

Expenditures for the year remained within appropriated amounts overall. The Town remained within its total expenditure budget by \$370,852 which resulted in excess anticipated revenues over anticipated expenditures of \$641,598.

**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, 2013 amounts to \$24,088,845 and \$13,822,597, 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, 2013 the Town of Wolfeboro had total outstanding bonded debt and other long-term obligations of \$4,566,386 and \$18,586,743 in the governmental activities and business-type activities, respectively. Principal payments during the year reduced outstanding general obligation debt of the Town by \$1,740,982. No new bonds were issued, resulting in a combined total outstanding balance at year-end of \$21,412,147. For a summary of long term debt transactions and all other long term obligations in the governmental and business type activities fund please see pages 35 through 38 of the Notes To The Financial Statements.

**Economic Conditions**

Assessed real estate value decreased from \$2,043,147,247 to \$2,033,528,925 or (\$9,618,322) 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.

**TOWN OF WOLFEBORO, NEW HAMPSHIRE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
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The overall tax rate remained relatively low at \$ 12.83 compared with the 2012 rate of \$12.64 per thousand. Totals for uncollected taxes at year end remained low.

Total voted appropriation for 2013 were \$ 31,695,479. The town maintains a Capital Improvement Plan through the CIP Committee, which makes recommendations to the Board of Selectmen via the Planning Board. A number of recommendations forwarded by the CIP Committee were not included in the budget by the Board of Selectmen due to budget constraints, or subsequent action of the Town Budget Committee.

Economic conditions for Carroll County remained stable while not robust for the year ended December 31, 2013. The average unemployment rate for the year was 5.2 % for the Wolfeboro NH LMA; lower than the national average of 6.7%. The yearly Northeast Consumer Price Index totaled 1.3%.

**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, 2013**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 6,578,704	\$ 4,736,066	\$ 11,314,770
Investments	2,643,516	-	2,643,516
Intergovernmental receivable	177,879	493,324	671,203
Other receivables, net of allowance for uncollectibles	1,950,135	1,838,464	3,788,599
Interfund receivable	1,850,065	(1,850,065)	-
Inventory	-	319,087	319,087
Prepaid items	48,218	15,494	63,712
Tax deeded property	11,972	-	11,972
Capital assets, not being depreciated:			
Land	6,622,075	1,115,005	7,737,080
Construction in progress	1,431,388	426,859	1,858,247
Capital assets, net of accumulated depreciation:			
Buildings and building improvements	1,972,235	3,384,052	5,356,287
Machinery, vehicles and equipment	1,242,297	6,799,717	8,042,014
Infrastructure	16,334,605	20,169,873	36,504,478
Other improvements	875,403	-	875,403
Total assets	<u>41,738,492</u>	<u>37,447,876</u>	<u>79,186,368</u>
<b>LIABILITIES</b>			
Accounts payable	465,696	222,780	688,476
Accrued payroll and benefits	148,628	22,819	171,447
Accrued interest payable	55,613	305,256	360,869
Intergovernmental payable	7,101,225	-	7,101,225
Performance and escrow deposits	6,871	43,569	50,440
Bond anticipation notes	499,400	400,000	899,400
Noncurrent obligations:			
Due within one year:			
Bonds payable	403,982	1,432,639	1,836,621
Unamortized bond premium	11,066	91,458	102,524
Capital leases payable	11,123	-	11,123
Accrued landfill postclosure care costs	5,500	-	5,500
Due in more than one year:			
Bonds payable	3,846,281	15,729,245	19,575,526
Unamortized bond premium	106,907	882,020	988,927
State revolving loan drawdowns	-	313,164	313,164
Capital leases payable	9,796	-	9,796
Compensated absences	462,028	83,813	545,841
Other post-employment benefits payable	455,022	70,029	525,051
Accrued landfill postclosure care costs	77,000	-	77,000
Total liabilities	<u>13,666,138</u>	<u>19,596,792</u>	<u>33,262,930</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unearned revenue	<u>21,702</u>	<u>63,213</u>	<u>84,915</u>
<b>NET POSITION</b>			
Net investment in capital assets	24,088,845	13,822,597	37,911,442
Restricted for:			
Endowments:			
Nonexpendable	504,991	-	504,991
Expendable	382,085	-	382,085
Other purposes	372,338	-	372,338
Unrestricted	<u>2,702,393</u>	<u>3,965,274</u>	<u>6,667,667</u>
Total net position	<u>\$ 28,050,652</u>	<u>\$ 17,787,871</u>	<u>\$ 45,838,523</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, 2013**

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental activities:</b>							
General government	\$ 2,316,978	\$ -	\$ 331,790	\$ -	\$ (1,985,188)	\$ -	\$ (1,985,188)
Public safety	3,923,746	71,223	80,932	-	(3,771,591)	-	(3,771,591)
Highways and streets	2,449,509	209,790	216,932	-	(2,022,787)	-	(2,022,787)
Sanitation	693,354	222,896	7,566	-	(462,892)	-	(462,892)
Health	136,349	-	-	-	(136,349)	-	(136,349)
Welfare	164,506	-	-	-	(164,506)	-	(164,506)
Culture and recreation	1,399,908	162,336	-	-	(1,237,572)	-	(1,237,572)
Conservation	64,313	7,390	-	-	(56,923)	-	(56,923)
Economic development	10,952	-	-	-	(10,952)	-	(10,952)
Interest on long-term debt	159,238	-	-	-	(159,238)	-	(159,238)
Capital outlay	62,488	-	-	75,909	13,421	-	13,421
Total governmental activities	<u>11,381,341</u>	<u>673,635</u>	<u>637,220</u>	<u>75,909</u>	<u>(9,994,577)</u>	<u>-</u>	<u>(9,994,577)</u>
<b>Business-type activities:</b>							
Electric department	9,976,906	10,957,056	-	-	-	980,150	980,150
Water department	1,497,466	1,674,864	-	-	-	177,398	177,398
Sewer department	2,201,823	955,959	-	-	-	(1,245,864)	(1,245,864)
Pop Whalen Ice Arena	277,272	288,679	-	-	-	11,407	11,407
Total business-type activities	<u>13,953,467</u>	<u>13,876,558</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(76,909)</u>	<u>(76,909)</u>
Total primary government	<u>\$ 25,334,808</u>	<u>\$ 14,550,193</u>	<u>\$ 637,220</u>	<u>\$ 75,909</u>	<u>(9,994,577)</u>	<u>(76,909)</u>	<u>(10,071,486)</u>
<b>General revenues:</b>							
Property taxes					8,854,762	-	8,854,762
Other taxes					208,218	-	208,218
Licenses and permits					1,380,346	-	1,380,346
Grants and contributions not restricted to specific programs					322,075	-	322,075
Miscellaneous					1,082,588	20,152	1,102,740
Total general revenues					<u>11,847,989</u>	<u>20,152</u>	<u>11,868,141</u>
Transfers					(819,970)	819,970	-
Change in net position					1,033,442	763,213	1,796,655
Net position, beginning					27,017,210	17,024,658	44,041,868
Net position, ending					<u>\$ 28,050,652</u>	<u>\$ 17,787,871</u>	<u>\$ 45,838,523</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, 2013**

	General	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 6,051,276	\$ 527,428	\$ 6,578,704
Investments	1,684,690	958,826	2,643,516
Receivables, net of allowance for uncollectibles:			
Taxes	1,833,514	-	1,833,514
Accounts	92,145	24,476	116,621
Intergovernmental	33,067	144,812	177,879
Interfund receivable	1,868,268	110,773	1,979,041
Prepaid items	48,218	-	48,218
Tax dedeed property held for resale	11,972	-	11,972
Total assets	<u>\$ 11,623,150</u>	<u>\$ 1,766,315</u>	<u>\$ 13,389,465</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 359,027	\$ 106,669	\$ 465,696
Accrued salaries and benefits	148,628	-	148,628
Intergovernmental payable	7,101,225	-	7,101,225
Interfund payable	110,773	18,203	128,976
Escrow and performance deposits	6,871	-	6,871
Bond anticipation note payable	-	499,400	499,400
Total liabilities	<u>7,726,524</u>	<u>624,272</u>	<u>8,350,796</u>
Deferred inflows of resources:			
Deferred revenue	<u>1,016,875</u>	<u>13,824</u>	<u>1,030,699</u>
Fund balances:			
Nonspendable	60,190	504,991	565,181
Restricted	372,338	486,523	858,861
Committed	1,081,413	327,585	1,408,998
Assigned	460,477	-	460,477
Unassigned	905,333	(190,880)	714,453
Total fund balances	<u>2,879,751</u>	<u>1,128,219</u>	<u>4,007,970</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 11,623,150</u>	<u>\$ 1,766,315</u>	<u>\$ 13,389,465</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, 2013**

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Total fund balances of governmental funds (Exhibit 3)		\$ 4,007,970
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	\$ 41,981,400	
Less accumulated depreciation	<u>(13,503,397)</u>	28,478,003
Interfund receivables and payables between governmental funds are eliminated on the statement of net position.		
Receivables	\$ (128,976)	
Payables	<u>128,976</u>	-
Long-term revenues are not available to pay for current period expenditures and, therefore, are deferred in the funds.		
Deferred tax revenue		1,008,997
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(55,613)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Bonds outstanding	\$ 4,250,263	
Unamortized bond premium	117,973	
Capital leases outstanding	20,919	
Compensated absences payable	462,028	
Other post-employment benefits payable	455,022	
Accrued landfill postclosure care costs	<u>82,500</u>	<u>(5,388,705)</u>
Total net position of governmental activities (Exhibit 1)		<u>\$ 28,050,652</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, 2013**

	General	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>			
Taxes	\$ 9,196,240	\$ 71,969	\$ 9,268,209
Licenses, permits and fees	1,380,346	-	1,380,346
Intergovernmental	546,573	423,734	970,307
Charges for services	585,029	88,606	673,635
Miscellaneous	993,334	154,151	1,147,485
Total revenues	<u>12,701,522</u>	<u>738,460</u>	<u>13,439,982</u>
<b>Expenditures:</b>			
<b>Current:</b>			
General government	1,942,500	313,710	2,256,210
Public safety	3,684,925	99,189	3,784,114
Highways and streets	2,090,182	-	2,090,182
Sanitation	759,106	-	759,106
Health	136,349	-	136,349
Welfare	164,443	-	164,443
Culture and recreation	1,249,714	73,549	1,323,263
Conservation	8,405	55,908	64,313
Economic development	10,952	-	10,952
<b>Debt service:</b>			
Principal	316,123	-	316,123
Interest	176,838	-	176,838
Capital outlay	1,865,385	471,028	2,336,413
Total expenditures	<u>12,404,922</u>	<u>1,013,384</u>	<u>13,418,306</u>
Excess (deficiency) of revenues over (under) expenditures	<u>296,600</u>	<u>(274,924)</u>	<u>21,676</u>
<b>Other financing sources (uses):</b>			
Transfers in	4,814	102,638	107,452
Transfers out	(922,608)	(4,814)	(927,422)
Inception of capital lease	13,440	-	13,440
Total other financing sources and uses	<u>(904,354)</u>	<u>97,824</u>	<u>(806,530)</u>
Net change in fund balances	(607,754)	(177,100)	(784,854)
Fund balances, beginning, as restated, see Note III.D.	3,487,505	1,305,319	4,792,824
Fund balances, ending	<u>\$ 2,879,751</u>	<u>\$ 1,128,219</u>	<u>\$ 4,007,970</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, 2013**

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Net change in fund balances of governmental funds (Exhibit 5)		\$ (784,854)
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	\$ 2,490,486	
Depreciation expense	<u>(826,998)</u>	1,663,488
Transfers in and out between governmental funds are eliminated on the operating statement.		
Transfers in	\$ (107,452)	
Transfers out	<u>107,452</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		(205,229)
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.		
Inception of capital lease	\$ (13,440)	
Repayment of bond principal	316,123	
Amortization of bond premium amortization	11,066	
Repayment of capital lease principal	<u>9,416</u>	323,165
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	\$ 6,534	
Increase in compensated absences payable	(38,597)	
Increase in other post-employment benefits payable	(10,565)	
Decrease in accrued landfill postclosure care costs	<u>79,500</u>	<u>36,872</u>
Change in net position of governmental activities (Exhibit 2)		<u>\$ 1,033,442</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, 2013**

	Business-type Activities - Enterprise Funds				Total
	Electric Department	Water Department	Sewer Department	Pop Whalen Ice Arena	
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 3,466,050	\$ 1,220,517	\$ -	\$ 49,499	\$ 4,736,066
Accounts receivable	1,226,249	336,433	246,407	29,375	1,838,464
Intergovernmental receivable	-	493,324	-	-	493,324
Inventory	319,087	-	-	-	319,087
Prepaid items	7,288	4,147	3,233	826	15,494
Noncurrent assets:					
Capital assets:					
Land	46,733	12,772	1,055,500	-	1,115,005
Construction in progress	5,896	411,878	9,085	-	426,859
Buildings and building improvements	315,091	3,749,315	254,865	839,188	5,158,459
Machinery, vehicles and equipment	11,078,815	750,985	1,628,336	1,006,322	14,464,458
Infrastructure	-	14,163,730	12,336,650	-	26,500,380
Less accumulated depreciation	<u>(5,620,598)</u>	<u>(5,776,793)</u>	<u>(3,663,891)</u>	<u>(708,373)</u>	<u>(15,769,655)</u>
Total capital assets	<u>5,825,937</u>	<u>13,311,887</u>	<u>11,620,545</u>	<u>1,137,137</u>	<u>31,895,506</u>
Total assets	<u>10,844,611</u>	<u>15,366,308</u>	<u>11,870,185</u>	<u>1,216,837</u>	<u>39,297,941</u>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	174,307	5,518	37,875	5,080	222,780
Accrued salaries and benefits	7,005	11,448	2,078	2,288	22,819
Interfund payable	-	-	1,850,065	-	1,850,065
Bond anticipation note payable	-	-	400,000	-	400,000
Accrued interest payable	15,518	106,708	174,175	8,855	305,256
Customer deposits	43,369	200	-	-	43,569
Noncurrent obligations:					
Due within one year:					
Bonds payable	330,000	537,040	521,309	44,290	1,432,639
Unamortized bond premium	5,880	23,891	59,440	2,247	91,458
Due in more than one year:					
Bonds payable	2,855,000	5,617,203	6,850,652	406,390	15,729,245
Unamortized bond premium	44,100	267,208	553,829	16,883	882,020
State revolving fund drawdowns	-	313,164	-	-	313,164
Compensated absences	37,689	35,210	10,914	-	83,813
Other postemployment benefits payable	25,643	35,382	9,004	-	70,029
Total liabilities	<u>3,538,511</u>	<u>6,952,972</u>	<u>10,469,341</u>	<u>486,033</u>	<u>21,446,857</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unearned revenue	<u>52,851</u>	<u>8,200</u>	<u>2,162</u>	<u>-</u>	<u>63,213</u>
<b>NET POSITION</b>					
Net investment in capital assets	2,590,958	6,866,545	3,635,312	729,782	13,822,597
Unrestricted	<u>4,662,291</u>	<u>1,538,591</u>	<u>(2,236,630)</u>	<u>1,022</u>	<u>3,965,274</u>
Total net position	<u>\$ 7,253,249</u>	<u>\$ 8,405,136</u>	<u>\$ 1,398,682</u>	<u>\$ 730,804</u>	<u>\$ 17,787,871</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 Net Position**  
**Proprietary Funds**  
**For the Year Ended December 31, 2013**

	Business-type Activities - Enterprise Funds				Total
	Electric Department	Water Department	Sewer Department	Pop Whalen Ice Arena	
Operating revenues:					
Charges for services	\$ 10,957,056	\$ 1,668,631	\$ 955,959	\$ 288,679	\$ 13,870,325
Miscellaneous	-	6,233	-	-	6,233
Total operating revenues	<u>10,957,056</u>	<u>1,674,864</u>	<u>955,959</u>	<u>288,679</u>	<u>13,876,558</u>
Operating expenses:					
Cost of operations	1,889,715	850,082	1,614,737	205,292	4,559,826
Cost of power	7,651,306	-	-	-	7,651,306
Depreciation expense	315,902	396,935	341,426	55,700	1,109,963
Total operating expenses	<u>9,856,923</u>	<u>1,247,017</u>	<u>1,956,163</u>	<u>260,992</u>	<u>13,321,095</u>
Operating income (loss)	<u>1,100,133</u>	<u>427,847</u>	<u>(1,000,204)</u>	<u>27,687</u>	<u>555,463</u>
Non-operating revenue (expense):					
Interest income	-	431	18	-	449
Interest expense	(119,983)	(250,449)	(245,660)	(16,280)	(632,372)
Sale of municipal property	-	-	-	19,703	19,703
Transfer from other funds	-	-	819,970	-	819,970
Total nonoperating income (expense)	<u>(119,983)</u>	<u>(250,018)</u>	<u>574,328</u>	<u>3,423</u>	<u>207,750</u>
Net change in net position	980,150	177,829	(425,876)	31,110	763,213
Net position, beginning	6,273,099	8,227,307	1,824,558	699,694	17,024,658
Net position, ending	<u>\$ 7,253,249</u>	<u>\$ 8,405,136</u>	<u>\$ 1,398,682</u>	<u>\$ 730,804</u>	<u>\$ 17,787,871</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, 2013**

	Business-type Activities - Enterprise Funds				Total
	Electric Department	Water Department	Sewer Department	Pop Whalen Ice Arena	
<b>Cash flows from operating activities:</b>					
Receipts from customers and users	\$ 10,583,792	\$ 1,698,998	\$ 976,061	\$ 301,233	\$ 13,560,084
Payments to suppliers and employees	(9,519,829)	(857,078)	(1,613,051)	(219,291)	(12,209,249)
Net cash provided (used) by operating activities	<u>1,063,963</u>	<u>841,920</u>	<u>(636,990)</u>	<u>81,942</u>	<u>1,350,835</u>
<b>Cash flows from non-capital financing activities:</b>					
Transfers from other funds	-	-	819,970	-	819,970
<b>Cash flows from capital and related financing activities:</b>					
Purchase of capital assets	(75,646)	(505,685)	(126,005)	-	(707,336)
Proceeds from federal grants	-	313,164	-	-	313,164
Proceeds from state grants	-	37,204	-	-	37,204
Proceeds from bond anticipation note	-	-	400,000	-	400,000
Principal paid on bonds	(326,200)	(557,685)	(495,599)	(45,375)	(1,424,859)
Interest paid on bonds	(118,881)	(273,406)	(300,983)	(21,401)	(714,671)
Proceeds from sales of capital assets	-	-	-	24,387	24,387
Net cash used in capital and related financing activities	<u>(520,727)</u>	<u>(986,408)</u>	<u>(522,587)</u>	<u>(42,389)</u>	<u>(2,072,111)</u>
<b>Cash flows from investing activities:</b>					
Interest received	-	431	18	-	449
Increase (decrease) in cash	543,236	(144,057)	(339,589)	39,553	99,143
Cash and cash equivalents, beginning	2,922,814	1,364,574	(1,510,476)	9,946	2,786,858
Cash and cash equivalents, ending	<u>\$ 3,466,050</u>	<u>\$ 1,220,517</u>	<u>\$ (1,850,065)</u>	<u>\$ 49,499</u>	<u>\$ 2,886,001</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>					
Operating income (loss)	\$ 1,100,133	\$ 427,847	\$ (1,000,204)	\$ 27,687	\$ 555,463
<b>Adjustments to reconcile operating loss to net cash provided by operating activities:</b>					
Depreciation expense	315,902	396,935	341,426	55,700	1,109,963
(Increase) decrease in accounts receivable	(378,015)	23,907	20,551	12,554	(321,003)
Increase in inventory	(36,422)	-	-	-	(36,422)
Increase in prepaid items	(477)	(272)	(213)	(49)	(1,011)
Increase (decrease) in accounts payable	55,170	(19,114)	1	(14,694)	21,363
Increase (decrease) in accrued salaries and benefits	904	2,561	(121)	744	4,088
Increase in accrued interest	2,017	9,829	2,019	-	13,865
Decrease in customer deposits	(1,352)	-	-	-	(1,352)
Increase (decrease) in unearned revenue	6,103	227	(449)	-	5,881
Total adjustments	<u>(36,170)</u>	<u>414,073</u>	<u>363,214</u>	<u>54,255</u>	<u>795,372</u>
Net cash provided (used) by operating activities	<u>\$ 1,063,963</u>	<u>\$ 841,920</u>	<u>\$ (636,990)</u>	<u>\$ 81,942</u>	<u>\$ 1,350,835</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, 2013**

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	<u>Private Purpose Trust</u>	<u>Agency</u>
Assets:		
Cash and cash equivalents	\$ 15,924	\$ 478,928
Investments	361,907	1,028,443
Total assets	<u>377,831</u>	<u>1,507,371</u>
Liabilities:		
Due to other governmental units	-	1,047,203
Due to developers	-	460,168
Total liabilities	<u>-</u>	<u>1,507,371</u>
Net position:		
Held in trust for specific purposes	<u>\$ 377,831</u>	<u>\$ -</u>

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, 2013**

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	Private Purpose Trust
Additions:	
Investment earnings:	
Interest	\$ 19,249
Net change in fair value of investments	41,741
Total additions	<u>60,990</u>
Deductions:	
Trust distributions	<u>8,778</u>
Change in net position	52,212
Net position, beginning	<u>325,619</u>
Net position, ending	<u><u>\$ 377,831</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, 2013**

**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, 2013.

**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; (2) operating grants and contributions, which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which finance the acquisition, construction, or rehabilitation of capital assets. 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.

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*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, and defers any not received by that date. When calculating fund balance used to set the tax rate, unavailable tax revenues are not deferred in accordance with guidance from the New Hampshire Department of Revenue Administration. 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 fund:

*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.

The Town also reports seven 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 Position 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. *Inventory and Prepaid Items***

Inventory is 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
Other improvements	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 endowments, nonexpendable, which consists of the principal balance of the permanent funds that must be permanently invested for Town purposes.
- Restricted for endowments, expendable, which consists of the balance of the permanent funds income that is allowed to be expended for Town purposes.

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- Restricted for other purposes, which consists of the balance of the library fund resources, whose use is restricted by law.
- 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 and the library fund, 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, and the deficit balances in the capital project and miscellaneous grants funds.

*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 was adopted for the Capital Projects Fund. Unless encumbered, all appropriations lapse at year-end. The Town is allowed to use beginning fund balance to balance the budget. In 2013, \$850,000 of the General Fund fund balance from 2012 was used.

Encumbrance accounting is employed by the governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as assignments of fund balances and do not constitute expenditures or liabilities because they 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, 2013, \$282,358 of the Town of Wolfeboro's bank balances of \$11,951,500 was exposed to custodial credit risk as uninsured and uncollateralized.

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**III.A.2. Investments**

As of December 31, 2013, the Town’s reporting entity had the following investments:

Certificates of Deposit	\$ 2,434,626
Mutual Funds	1,599,240
	\$ 4,033,866

The investments appear in the financial statements as follow:

Fund reporting level:	
Governmental funds - balance sheet (Exhibit 3)	\$ 2,643,516
Fiduciary funds - statement of fiduciary net position (Exhibit 10)	1,390,350
Total	\$ 4,033,866

*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.

**Concentration of Credit Risk** is the risk of loss attributed to the magnitude of the Town’s investment in a single issuer. The Town does not have an investment policy that addresses concentration of credit risk. As of December 31, 2013, the Town had \$399,972 invested in the American Funds Income Fund of America, \$366,504 invested in the American Funds Capital Income Builder Fund, and \$277,853 invested in the Vanguard Wellington Fund Investor Shares, representing 9.92%, 9.09%, and 6.89%, respectively, of its total investments.

**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 \$4,033,866 of investments, \$1,924,596 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

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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 liened 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 2012 property taxes on April 26<sup>th</sup>.

The property taxes levied and collected by the Town include amounts for the State of New Hampshire, the Governor Wentworth Regional School District, Belknap County, and the Lower Beech Pond Precinct. 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, 2013, upon which the 2013 property tax levy was based was:

For the New Hampshire education tax	\$2,033,423,425
For all other taxes	\$2,033,528,925

The tax rates and amounts assessed for the year ended December 31, 2013 were as follow:

	<u>Per \$1,000 of Assessed Valuation</u>	
Municipal portion	\$4.73	\$ 9,614,862
School portion:		
State of New Hampshire	\$2.46	5,001,474
Local	\$4.53	9,218,673
County portion	\$1.11	2,254,908
Precinct portion:		
Lower Beech Pond	\$0.67	3,799
Total property taxes assessed		<u>\$ 26,093,716</u>

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The following details the taxes receivable at year-end:

Property:	
Levy of 2013	\$ 1,576,998
Unredeemed (under tax lien):	
Levy of 2012	208,817
Levy of 2011	124,793
Levy of 2010	70,368
Levies of 2009 and prior	98,431
Land use change	3,500
Timber	607
Less: allowance for estimated uncollectible taxes	(250,000)
Net taxes receivable	<u>\$ 1,833,514</u>

*Other Receivables*

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

*Deferred Revenue*

Deferred revenue in the General Fund of \$1,016,875 at December 31, 2013 represents \$1,008,997 of 2013 property taxes and \$7,645 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 \$233 in miscellaneous items. Deferred revenue of \$13,824 in the Nonmajor Funds represents State and Federal grant revenues that were not collected within 60 days of year-end.

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**III.A.4. Capital Assets**

*Changes in Capital Assets*

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

	<u>Balance, beginning</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance, ending</u>
<u>Governmental activities:</u>				
At cost:				
Not being depreciated:				
Land	\$ 6,621,601	\$ 474	\$ -	\$ 6,622,075
Construction in progress	775,604	1,142,337	(486,553)	1,431,388
Total capital assets not being depreciated	<u>7,397,205</u>	<u>1,142,811</u>	<u>(486,553)</u>	<u>8,053,463</u>
Being depreciated:				
Buildings and building improvements	2,662,131	451,978	-	3,114,109
Machinery, vehicles and equipment	5,063,237	461,904	(167,375)	5,357,766
Infrastructure	22,617,397	874,314	-	23,491,711
Other improvements	1,918,319	46,032	-	1,964,351
Total capital assets being depreciated	<u>32,261,084</u>	<u>1,834,228</u>	<u>(167,375)</u>	<u>33,927,937</u>
Total all capital assets	<u>39,658,289</u>	<u>2,977,039</u>	<u>(653,928)</u>	<u>41,981,400</u>
Less accumulated depreciation:				
Buildings and building improvements	(1,020,792)	(121,082)	-	(1,141,874)
Machinery, vehicles and equipment	(4,078,036)	(204,808)	167,375	(4,115,469)
Infrastructure	(6,716,527)	(440,579)	-	(7,157,106)
Other improvements	(1,028,419)	(60,529)	-	(1,088,948)
Total accumulated depreciation	<u>(12,843,774)</u>	<u>(826,998)</u>	<u>167,375</u>	<u>(13,503,397)</u>
Net book value, capital assets being depreciated	<u>19,417,310</u>	<u>1,007,230</u>	<u>-</u>	<u>20,424,540</u>
Net book value, all capital assets	<u>\$ 26,814,515</u>	<u>\$ 2,150,041</u>	<u>\$ (486,553)</u>	<u>\$ 28,478,003</u>

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	Balance, beginning	Additions	Deletions	Balance, ending
<u>Business type activities:</u>				
At cost:				
Not being depreciated:				
Land	\$ 1,115,005	\$ -	\$ -	\$ 1,115,005
Construction in progress	261,920	395,908	(230,969)	426,859
Total capital assets not being depreciated	<u>1,376,925</u>	<u>395,908</u>	<u>(230,969)</u>	<u>1,541,864</u>
Being depreciated:				
Buildings and building improvements	5,086,449	99,642	(27,632)	5,158,459
Machinery, vehicles and equipment	14,409,906	85,780	(31,228)	14,464,458
Infrastructure	26,115,772	384,608	-	26,500,380
Total capital assets being depreciated	<u>45,612,127</u>	<u>570,030</u>	<u>(58,860)</u>	<u>46,123,297</u>
Total all capital assets	<u>46,989,052</u>	<u>965,938</u>	<u>(289,829)</u>	<u>47,665,161</u>
Less accumulated depreciation:				
Buildings and building improvements	(1,656,664)	(122,191)	4,448	(1,774,407)
Machinery, vehicles and equipment	(7,268,067)	(439,218)	42,544	(7,664,741)
Infrastructure	(5,761,505)	(548,554)	(20,448)	(6,330,507)
Total accumulated depreciation	<u>(14,686,236)</u>	<u>(1,109,963)</u>	<u>26,544</u>	<u>(15,769,655)</u>
Net book value, capital assets being depreciated	<u>30,925,891</u>	<u>(539,933)</u>	<u>(32,316)</u>	<u>30,353,642</u>
Net book value, all capital assets	<u>\$ 32,302,816</u>	<u>\$ (144,025)</u>	<u>\$ (263,285)</u>	<u>\$ 31,895,506</u>

*Depreciation Expense*

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

Governmental activities:	
General government	\$ 47,608
Public safety	139,583
Highways and streets	560,707
Sanitation	12,589
Culture and recreation	66,511
Total depreciation expense	<u>\$ 826,998</u>
Business-type activities:	
Electric distribution	\$ 315,902
Water distribution and treatment	396,935
Sewage collection and disposal	341,426
Culture and recreation	55,700
Total depreciation expense	<u>\$ 1,109,963</u>

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**III.B. Liabilities**

**III.B.1 Intergovernmental Payable**

The amount due to other governments at December 31, 2013 consists of \$7,097,080 due to the Governor Wentworth Regional School District for the balance of the 2013-2014 district assessment, and \$4,145 in fees collected on behalf of the State of New Hampshire.

**III.B.2 Short-Term Borrowing**

*Bond Anticipation Note*

On July 10, 2013, the Town issued \$899,400 in a bond anticipation note to finance various capital improvement projects approved by the 2013 Town Meeting, which is reported as \$400,000 in the General Fund and \$499,000 in the Capital Project Fund. The note had an interest rate of 1.08%, and originally was set to mature on February 7, 2014. Subsequent to December 31, 2013, the Town extended the maturity date with the bank to July 17, 2014.

*Tax Anticipation Note*

On November 6, 2013, the Town issued \$1,500,000 in a tax anticipation note. The note had an interest rate of 1.5%, and had a maturity date of February 6, 2014. The Town paid the note on December 30, 2013. The Town also paid \$2,527 in interest costs on this note.

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**III.B.3 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 12/31/2013	Current Portion
General obligation bonds payable:						
Landfill closure	\$ 600,000	1997	2017	5.8	\$ 120,000	\$ 30,000
Public improvements	578,500	2000	2020	5.125-5.5	200,005	28,572
Sewall/Friend St water system	396,514	2006	2026	4.0-4.3	234,438	23,250
General projects	1,292,315	2007	2027	4.0-5.0	915,000	60,000
Town hall renovations	485,920	2008	2028	4.0-5.25	370,680	24,290
ADA restrooms compliance	301,800	2008	2028	4.0-5.25	230,680	14,290
Land purchase	131,500	2008	2028	4.0-5.25	90,680	9,290
Sidewalks	97,530	2008	2028	4.0-5.25	80,680	4,290
Repair/Renovate railroad station	141,225	2009	2019	3.02-4.02	80,000	15,000
Parking lot purchase	243,325	2009	2019	3.02-4.02	145,000	25,000
Center Street drainage	566,000	2010	2020	3.0-5.0	390,000	60,000
Smith River streambank improvements	166,500	2010	2020	3.0-5.0	110,000	20,000
Pop Whalen ADA improvements	54,750	2010	2020	3.0-5.0	35,000	5,000
Public safety building repair	121,000	2012	2023	2.1-5.1	121,000	15,000
255 Main Street parking lot	144,000	2012	2023	2.1-5.1	144,000	15,000
Downtown street upgrades	717,500	2012	2033	2.1-5.1	717,500	40,000
Glendon street parking lot	256,600	2012	2033	2.1-5.1	265,600	15,000
					<u>4,250,263</u>	<u>403,982</u>
Unamortized bond premium					<u>117,973</u>	<u>11,066</u>
Capital leases payable:						
Server and equipment	\$ 26,003	2012	2014	5.17	8,660	8,660
Telephone system	13,440	2013	2018	5.62	12,259	2,463
					<u>20,919</u>	<u>11,123</u>
Compensated absences payable:						
Accrued leave					462,028	-
Other post-employment benefits payable					455,022	-
Accrued landfill post closure care costs					82,500	5,500
					<u>\$ 5,388,705</u>	<u>\$ 431,671</u>



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

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at 12/31/2013	Current Portion
General obligation bonds payable:						
Water system improvements	\$ 450,000	1996	2021	4.5	\$ 174,000	\$ 21,000
Water treatment facility	3,000,000	1996	2026	4.5	1,104,000	97,000
Water system improvements	550,000	1997	2025	4.5	206,000	18,000
Infiltration/inflow project	535,000	2000	2020	5.125-5.50	184,993	26,428
Electric distribution upgrade	5,281,000	2003	2023	2.25-4.25	2,630,000	265,000
Water system improvements	1,183,080	2004	2033	4.25	729,000	40,000
Sewall/Friend Street water system	1,650,011	2006	2026	4.0-4.30	975,563	96,750
Water projects	2,816,295	2007	2027	4.0-5.0	1,955,000	145,000
Sewer infiltration/inflow project	592,990	2007	2027	4.0-5.0	420,000	30,000
Water system improvements	640,735	2008	2028	4.0-5.25	470,680	34,290
Sewer infiltration/inflow project	797,605	2008	2028	4.0-5.25	605,920	39,260
Pop Whalen rink	321,755	2008	2028	4.0-5.25	230,680	14,290
Water line replacement	253,010	2009	2019	3.02-4.02	150,000	25,000
Wastewater treatment facility upgrade	5,820,364	2009	2029	2.352	4,656,292	291,018
Sewer bond	793,000	2009	2020	3.0-4.0	555,000	80,000
Water line replacement	566,000	2010	2020	3.0-5.0	390,000	60,000
Pop Whalen ADA improvements	54,750	2010	2020	3.0-5.0	35,000	5,000
Pop Whalen fire protection project	206,800	2011	2022	3.0-5.0	185,000	25,000
Pleasant Vally Road MED upgrade	616,200	2011	2022	3.0-5.0	555,000	65,000
Wastewater treatment facility upgrade	592,063	2012	2031	1.104	532,856	29,603
Wastewater faciility upgrades	170,400	2012	2033	2.1-5.1	170,400	10,000
Wastewater faciility upgrades	246,500	2012	2033	2.1-5.1	246,500	15,000
					<u>17,161,884</u>	<u>1,432,639</u>
Unamortized bond premium					973,478	91,458
State revolving loan					313,164	-
Compensated absences payable:						
Accrued leave					83,813	-
Other post-employment benefits payable					<u>70,029</u>	<u>-</u>
					<u>\$ 18,602,368</u>	<u>\$ 1,524,097</u>

**TOWN OF WOLFEBORO, NEW HAMPSHIRE**  
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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, 2013:

	General Obligation Bonds	Unamortized Bond Premium	Capital Leases Payable	Compensated Absences Payable	OPEB Liability	Accrued Landfill Postclosure Care Costs	Total
Balance, beginning	\$ 4,566,386	\$ 129,039	\$ 16,895	\$ 423,431	\$ 444,457	\$ 162,000	\$ 5,742,208
Additions	-	-	13,440	38,597	10,565	-	62,602
Reductions	(316,123)	(11,066)	(9,416)	-	-	(79,500)	(416,105)
Balance, ending	<u>\$ 4,250,263</u>	<u>\$ 117,973</u>	<u>\$ 20,919</u>	<u>\$ 462,028</u>	<u>\$ 455,022</u>	<u>\$ 82,500</u>	<u>\$ 5,388,705</u>

The following is a summary of changes in long-term liabilities in the business-type activities for the year ended December 31, 2013:

	General Obligation Bonds	Unamortized Bond Premium	State Revolving Loan	Compensated Absences Payable	OPEB Liability	Total
Balance, beginning	\$ 18,586,743	\$ 1,024,745	\$ -	\$ 73,369	\$ 66,607	\$ 19,751,464
Additions	-	-	313,164	10,444	3,422	327,030
Reductions	(1,424,859)	(51,267)	-	-	-	(1,476,126)
Balance, ending	<u>\$ 17,161,884</u>	<u>\$ 973,478</u>	<u>\$ 313,164</u>	<u>\$ 83,813</u>	<u>\$ 70,029</u>	<u>\$ 18,602,368</u>

*Debt Service Requirements to Maturity*

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

Fiscal Year Ending December 31,	Governmental Activities		
	Principal	Interest	Total
2014	\$ 403,982	\$ 173,601	\$ 577,583
2015	393,982	158,620	552,602
2016	391,822	142,058	533,880
2017	387,881	125,293	513,174
2018	347,881	108,932	456,813
2019-2023	1,283,688	336,371	1,620,059
2024-2028	822,927	111,272	934,199
2029-2033	218,100	14,619	232,719
Totals	<u>\$ 4,250,263</u>	<u>\$ 1,170,766</u>	<u>\$ 5,421,029</u>

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Fiscal Year Ending December 31,	Business-type Activities		
	Principal	Interest	Total
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	1,383,740	449,170	1,832,910
2019-2023	6,106,419	1,438,498	7,544,917
2024-2028	3,393,181	461,462	3,854,643
2029-2033	621,727	43,135	664,862
Totals	<u>\$ 17,161,884</u>	<u>\$ 4,740,662</u>	<u>\$ 21,902,546</u>

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

Fiscal Year Ending December 31,	Principal	Interest	Total
2014	\$ 11,123	\$ 1,124	\$ 12,247
2015	2,605	484	3,089
2016	2,756	334	3,090
2017	2,915	175	3,090
2018	1,520	25	1,545
Totals	<u>\$ 20,919</u>	<u>\$ 2,142</u>	<u>\$ 23,061</u>

*Accrued 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 postclosure care costs that will be incurred. The estimated liability for landfill postclosure care costs has a balance of \$82,500 as of December 31, 2013. The estimated total current cost of the landfill postclosure 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, 2013. However, the actual costs of postclosure care may be higher or lower due to inflation, changes in technology, or changes in landfill laws and regulations.

**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.”

**TOWN OF WOLFEBORO, NEW HAMPSHIRE  
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The following schedule reports interfund receivables and payables within the reporting entity at year-end:

Receivable Fund	Payable Fund	Amount
General	Sewer department - enterprise fund	\$ 1,850,065
General	Nonmajor	18,203
Nonmajor	General	110,773
		\$ 1,979,041

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:

	Transfers In:			
	Governmental Funds		Enterprise Fund	Total
	General Fund	Nonmajor Funds	Sewer Department	
Transfers out:				
General fund	\$ -	\$ 102,638	\$ 819,970	\$ 922,608
Nonmajor funds	4,814	-	-	4,814
	\$ 4,814	\$ 102,638	\$ 819,970	\$ 927,422

The amount transferred to the sewer department enterprise fund from the general fund represents voted appropriations. The amount transferred from the general fund to the capital projects fund represents the capital reserve portion of the public works garage project. The amount transferred to the general fund from the nonmajor funds represents income earned on permanent funds for cemetery maintenance and culture and recreation.

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**III.D. Restatement of Beginning Equity**

Equity at January 1, 2013 was restated to reflect the following adjustments:

	Nonmajor Funds
To record conservation commission revenue as earned in the prior year	\$ 29,057
To add Capital Project Fund to nonmajor for 2013	104,604
Fund balance, as previously reported	<u>1,171,658</u>
Fund balance, as restated	<u><u>\$ 1,305,319</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	Nonmajor Funds
Nonspendable:		
Endowments	\$ -	\$ 504,991
Prepaid items	48,218	-
Tax deeded property	<u>11,972</u>	-
Total nonspendable	<u>60,190</u>	<u>504,991</u>
Restricted:		
General government	-	486,523
Culture and recreation	<u>372,338</u>	-
Total restricted	<u>372,338</u>	<u>486,523</u>
Committed:		
General government	6,295	-
Public safety	-	28,069
Culture and recreation	-	-
Conservation	-	299,516
Capital outlay	<u>1,075,118</u>	-
Total committed	<u>1,081,413</u>	<u>327,585</u>
Assigned:		
Capital outlay	460,477	-
Unassigned	<u>905,333</u>	<u>(190,880)</u>
Total fund balance	<u><u>\$ 2,879,751</u></u>	<u><u>\$ 1,128,219</u></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

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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 2013 to be recorded as an insurance expenditure/expense totaled \$111,891 for property/liability and \$86,855 for workers' compensation. There were no unpaid contributions for the year ended December 31, 2013. The Town was owed a refund of \$77,316 at December 31, 2013 for prior years' contributions. 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 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 between January 1 and June 30 from the Town were 19.95% for police, 22.89% for fire personnel, and 8.80% for other employees. The rates of contribution for pension and the medical subsidy effective July 1 from the Town were 25.30% for police, 27.74% for fire personnel, and 10.77% for other employees. Employer contributions from the Town during the years 2011, 2012 and 2013 were \$484,454, \$505,637 and \$593,619, respectively. The amounts are paid on a monthly basis as due.

#### **IV.C. Contingent Liabilities**

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.

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**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.

*Annual OPEB Cost and Net OPEB Obligation*

The Town's 2013 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, 2013 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)	\$ 77,021
Interest on net OPEB Obligation	20,443
Adjustment of ARC	<u>(20,151)</u>
Annual OPEB cost	77,313
Contributions made	<u>(63,325)</u>
Increase in net OPEB Obligation	13,988
Net OPEB Obligation - beginning of year	511,064
Net OPEB Obligation - end of year	<u><u>\$ 525,052</u></u>

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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, 2011, 2012, and 2013 are as follow:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2011	\$ 228,102	28.4%	\$ 492,826
December 31, 2012	79,986	77.2%	511,064
December 31, 2013	77,313	81.9%	525,052

*Funded Status and Funding Progress for OPEB*

The most recent actuarial valuation date was January 1, 2012, and included roll forward calculations for the subsequent two periods. The funded status of the plan as of December 31, 2013 is as follows:

Actuarial Accrued Liability (AAL)	\$ 1,980,441
Actuarial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability	<u>\$ 1,980,441</u>
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0%
Covered Payroll	\$ 4,056,487
UAAL as a percentage of covered payroll	40.1%

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



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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, 2013**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 9,036,336	\$ 9,036,336	\$ 9,112,385	\$ 76,049
Licenses, permits and fees	1,304,507	1,304,507	1,380,346	75,839
Intergovernmental	542,202	542,202	546,573	4,371
Charges for services	557,401	557,401	585,029	27,628
Miscellaneous	787,600	787,600	874,459	86,859
Total revenues	<u>12,228,046</u>	<u>12,228,046</u>	<u>12,498,792</u>	<u>270,746</u>
<b>EXPENDITURES</b>				
Current:				
General government	2,237,185	2,237,185	1,931,500	305,685
Public safety	3,754,303	3,754,303	3,684,925	69,378
Highways and streets	2,807,821	2,057,921	2,071,084	(13,163)
Sanitation	782,492	782,492	759,106	23,386
Health	137,417	137,417	136,349	1,068
Welfare	153,090	153,090	164,443	(11,353)
Culture and recreation	1,268,876	1,268,876	1,223,412	45,464
Conservation	9,467	9,467	8,405	1,062
Economic development	12,170	12,170	10,952	1,218
Debt service:				
Principal	316,122	316,122	316,123	(1)
Interest on long-term debt	174,310	174,310	174,311	(1)
Interest on tax anticipation note	5,000	5,000	2,527	2,473
Capital outlay	153,398	903,298	957,662	(54,364)
Total expenditures	<u>11,811,651</u>	<u>11,811,651</u>	<u>11,440,799</u>	<u>370,852</u>
Excess of revenues over expenditures	<u>416,395</u>	<u>416,395</u>	<u>1,057,993</u>	<u>641,598</u>
Other financing sources (uses):				
Transfers in	4,825	4,825	3,385	(1,440)
Transfers out	(1,271,220)	(1,271,220)	(1,271,220)	-
Total other financing sources and uses	<u>(1,266,395)</u>	<u>(1,266,395)</u>	<u>(1,267,835)</u>	<u>(1,440)</u>
Net change in fund balance	<u>\$ (850,000)</u>	<u>\$ (850,000)</u>	(209,842)	<u>\$ 640,158</u>
Increase in nonspendable fund balance			(4,566)	
Unassigned fund balance, beginning			<u>2,128,737</u>	
Unassigned fund balance, ending			<u>\$ 1,914,329</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)	\$ 12,502,177
Adjustments:	
Basis difference:	
Capital lease inception	13,440
Tax revenue deferred in the prior year	1,092,852
Tax revenue deferred in the current year	(1,008,997)
Perspective difference:	
Revenue from expendable trust funds	52,315
Revenue from library fund	56,560
Revenue from Josiah Brown fund	10,000
Transfer from permanent fund	1,429
Per Exhibit 5 (GAAP basis)	<u>\$ 12,719,776</u>
Expenditures and other financing uses:	
Per Exhibit 12 (budgetary basis)	\$ 12,712,019
Adjustments:	
Basis difference:	
Encumbrances, beginning	612,515
Encumbrances, ending	(460,477)
Capital lease inception	13,440
Perspective difference:	
Expenditures from expendable trust funds	761,343
Expenditures from library fund	26,302
Expenditures from Josiah Brown fund	11,000
Transfer to expendable trust funds	(451,250)
Transfer to capital project fund	102,638
Per Exhibit 5 (GAAP basis)	<u>\$ 13,327,530</u>
Fund balances:	
Per Exhibit 12 (budgetary basis)	\$ 1,914,329
Adjustments:	
Basis difference:	
Deferred tax revenue, GAAP basis	(1,008,997)
Rounding	1
Per Exhibit 3 (GAAP basis)	<u>\$ 905,333</u>

**EXHIBIT 13**  
**TOWN OF WOLFEBORO, NEW HAMPSHIRE**  
**Other Post-Employment Benefits**  
**Schedule of Funding Progress**  
**For the Year Ended December 31, 2013**

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, 2013**

	Special Revenue Funds					Capital Projects Fund	Permanent Fund	Total
	Police Detail	Recreation Revolving	Conservation Commission	Miscellaneous Grants	CDBG			
<b>ASSETS</b>								
Cash and cash equivalents	\$ 27,733	\$ 4,695	\$ 291,666	\$ -	\$ -	\$ 167,261	\$ 36,073	\$ 527,428
Investments	-	-	-	-	-	-	958,826	958,826
Receivables:								
Accounts	336	1,164	-	22,976	-	-	-	24,476
Intergovernmental	-	-	-	-	100,810	44,002	-	144,812
Interfund receivable	-	-	7,850	-	-	102,923	-	110,773
Total assets	<u>\$ 28,069</u>	<u>\$ 5,859</u>	<u>\$ 299,516</u>	<u>\$ 22,976</u>	<u>\$ 100,810</u>	<u>\$ 314,186</u>	<u>\$ 994,899</u>	<u>\$ 1,766,315</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>								
Liabilities:								
Accounts payable	\$ -	\$ 5,859	\$ -	\$ -	\$ 100,810	\$ -	\$ -	\$ 106,669
Interfund payable	-	-	-	14,818	-	-	3,385	18,203
Bond anticipation note payable	-	-	-	-	-	499,400	-	499,400
Total liabilities	<u>-</u>	<u>5,859</u>	<u>-</u>	<u>14,818</u>	<u>100,810</u>	<u>499,400</u>	<u>3,385</u>	<u>624,272</u>
Deferred inflows of resources:								
Deferred revenue	-	-	-	13,824	-	-	-	13,824
Fund balances:								
Nonspendable	-	-	-	-	-	-	504,991	504,991
Restricted	-	-	-	-	-	-	486,523	486,523
Committed	28,069	-	299,516	-	-	-	-	327,585
Unassigned	-	-	-	(5,666)	-	(185,214)	-	(190,880)
Total fund balances	<u>28,069</u>	<u>-</u>	<u>299,516</u>	<u>(5,666)</u>	<u>-</u>	<u>(185,214)</u>	<u>991,514</u>	<u>1,128,219</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 28,069</u>	<u>\$ 5,859</u>	<u>\$ 299,516</u>	<u>\$ 22,976</u>	<u>\$ 100,810</u>	<u>\$ 314,186</u>	<u>\$ 994,899</u>	<u>\$ 1,766,315</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, 2013**

	Special Revenue Funds					Capital Projects Fund	Permanent Fund	Total
	Police Detail	Recreation Revolving	Conservation Commission	Miscellaneous Grants	CDBG			
<b>REVENUES</b>								
Taxes	\$ -	\$ -	\$ 71,969	\$ -	\$ -	\$ -	\$ -	\$ 71,969
Intergovernmental	-	-	-	94,749	284,984	44,001	-	423,734
Charges for services	22,609	65,997	-	-	-	-	-	88,606
Miscellaneous	-	-	419	31,907	-	-	121,825	154,151
Total revenues	<u>22,609</u>	<u>65,997</u>	<u>72,388</u>	<u>126,656</u>	<u>284,984</u>	<u>44,001</u>	<u>121,825</u>	<u>738,460</u>
<b>EXPENDITURES</b>								
Current:								
General government	-	-	-	17,153	284,984	-	11,573	313,710
Public safety	18,591	-	-	80,598	-	-	-	99,189
Culture and recreation	-	72,549	-	-	-	-	1,000	73,549
Conservation	-	-	55,908	-	-	-	-	55,908
Capital outlay	-	-	-	34,571	-	436,457	-	471,028
Total expenditures	<u>18,591</u>	<u>72,549</u>	<u>55,908</u>	<u>132,322</u>	<u>284,984</u>	<u>436,457</u>	<u>12,573</u>	<u>1,013,384</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,018</u>	<u>(6,552)</u>	<u>16,480</u>	<u>(5,666)</u>	<u>-</u>	<u>(392,456)</u>	<u>109,252</u>	<u>(274,924)</u>
Other financing sources (uses):								
Transfers in	-	-	-	-	-	102,638	-	102,638
Transfers out	-	-	-	-	-	-	(4,814)	(4,814)
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>102,638</u>	<u>(4,814)</u>	<u>97,824</u>
Net change in fund balances	4,018	(6,552)	16,480	(5,666)	-	(289,818)	104,438	(177,100)
Fund balances, beginning, as restated, see Note III.D.	24,051	6,552	283,036	-	-	104,604	887,076	1,305,319
Fund balances, ending	<u>\$ 28,069</u>	<u>\$ -</u>	<u>\$ 299,516</u>	<u>\$ (5,666)</u>	<u>\$ -</u>	<u>\$ (185,214)</u>	<u>\$ 991,514</u>	<u>\$ 1,128,219</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, 2013**

	Estimated	Actual	Variance Positive (Negative)
<b>Taxes:</b>			
Property	\$ 8,884,232	\$ 8,917,767	\$ 33,535
Boat	-	20,857	20,857
Timber	16,000	14,329	(1,671)
Payments in lieu of taxes	15,104	15,114	10
Interest and penalties on delinquent taxes	121,000	144,318	23,318
<b>Total taxes</b>	<b>9,036,336</b>	<b>9,112,385</b>	<b>76,049</b>
<b>Licenses, permits and fees:</b>			
Business licenses and permits	26,405	3,200	(23,205)
Motor vehicle permits	1,100,000	1,170,610	70,610
Building permits	46,000	66,808	20,808
Other	132,102	139,728	7,626
<b>Total licenses, permits and fees</b>	<b>1,304,507</b>	<b>1,380,346</b>	<b>75,839</b>
<b>Intergovernmental:</b>			
State sources:			
Meals and rooms distributions	276,485	276,485	-
Highway block grant	149,904	149,510	(394)
State and federal forest land	47	72	25
Retirement System	15,766	13,415	(2,351)
Landfill grant	-	7,566	7,566
Bridge aid	-	18,725	18,725
Federal sources:			
FEMA	-	35,282	35,282
Other government sources:			
PILOT	100,000	45,518	(54,482)
<b>Total intergovernmental</b>	<b>542,202</b>	<b>546,573</b>	<b>4,371</b>
<b>Charges for services:</b>			
Income from departments	557,401	585,029	27,628
<b>Miscellaneous:</b>			
Interest on investments	4,000	3,876	(124)
Rents	-	106,094	106,094
Fines and forfeits	-	7,829	7,829
Insurance dividends and reimbursements	-	103,204	103,204
Contributions and donations	-	19,216	19,216
Other	783,600	634,240	(149,360)
<b>Total miscellaneous</b>	<b>787,600</b>	<b>874,459</b>	<b>86,859</b>
<b>Other financing sources:</b>			
Transfers in:			
Nonmajor funds	4,825	3,385	(1,440)
<b>Total revenues and other financing sources</b>	<b>12,232,871</b>	<b>\$ 12,502,177</b>	<b>\$ 269,306</b>
Use of fund balance to reduce taxes	850,000		
<b>Total revenues, other financing sources and use of fund balance</b>	<b>\$ 13,082,871</b>		

**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, 2013**

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
<b>Current:</b>					
<b>General government:</b>					
Executive	\$ -	\$ 606,002	\$ 573,517	\$ -	\$ 32,485
Election and registration	-	223,602	208,138	-	15,464
Financial administration	-	779,878	740,340	-	39,538
Planning and zoning	-	197,416	152,539	-	44,877
General government buildings	-	179,974	72,081	-	107,893
Cemeteries	-	8,690	6,503	-	2,187
Other	-	241,623	178,382	-	63,241
Total general government	-	<u>2,237,185</u>	<u>1,931,500</u>	-	<u>305,685</u>
<b>Public safety:</b>					
Police	-	1,520,600	1,531,759	-	(11,159)
Fire	-	1,638,061	1,559,964	-	78,097
Building inspection	-	125,723	114,418	-	11,305
Emergency management	-	4,408	3,665	-	743
Other	-	465,511	475,119	-	(9,608)
Total public safety	-	<u>3,754,303</u>	<u>3,684,925</u>	-	<u>69,378</u>
<b>Highways and streets:</b>					
Administration	4,886	208,418	204,722	-	8,582
Highways and streets	13,700	1,338,312	1,407,628	-	(55,616)
Other	512	511,191	477,832	-	33,871
Total highways and streets	<u>19,098</u>	<u>2,057,921</u>	<u>2,090,182</u>	-	<u>(13,163)</u>
<b>Sanitation:</b>					
Solid waste disposal	-	776,492	759,106	-	17,386
Sewage collection and disposal	-	6,000	-	-	6,000
Total sanitation	-	<u>782,492</u>	<u>759,106</u>	-	<u>23,386</u>
<b>Health:</b>					
Administration	-	5,916	5,676	-	240
Pest control	-	20,805	19,977	-	828
Health agencies and hospitals	-	110,696	110,696	-	-
Total health	-	<u>137,417</u>	<u>136,349</u>	-	<u>1,068</u>
Welfare	-	<u>153,090</u>	<u>164,443</u>	-	<u>(11,353)</u>

*(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, 2013**

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
<b>Culture and recreation:</b>					
Parks and recreation	-	745,228	750,560	-	(5,332)
Public library	-	450,400	414,453	-	35,947
Patriotic purposes	-	16,435	16,435	-	-
Other	-	56,813	41,964	-	14,849
<b>Total culture and recreation</b>	<b>-</b>	<b>1,268,876</b>	<b>1,223,412</b>	<b>-</b>	<b>45,464</b>
Conservation	-	9,467	8,405	-	1,062
Economic development	-	12,170	10,952	-	1,218
<b>Debt service:</b>					
Principal	-	316,122	316,123	-	(1)
Interest on long-term debt	-	174,310	174,311	-	(1)
Interest on tax anticipation note	-	5,000	2,527	-	2,473
<b>Total debt service</b>	<b>-</b>	<b>495,432</b>	<b>492,961</b>	<b>-</b>	<b>2,471</b>
<b>Capital outlay:</b>					
Land	-	40,150	474	42,199	(2,523)
Machinery, vehicles and equipment	108,102	54,038	95,145	-	66,995
Buildings	122,183	29,710	209,741	118,809	(176,657)
Improvements other than buildings	363,132	779,400	785,242	299,469	57,821
<b>Total capital outlay</b>	<b>593,417</b>	<b>903,298</b>	<b>1,090,602</b>	<b>460,477</b>	<b>(54,364)</b>
<b>Other financing uses:</b>					
<b>Transfers out:</b>					
Expendable trust funds	-	451,250	451,250	-	-
Nonmajor funds	-	819,970	819,970	-	-
<b>Total other financing uses</b>	<b>-</b>	<b>1,271,220</b>	<b>1,271,220</b>	<b>-</b>	<b>-</b>
<b>Total encumbrances, appropriations, expenditures and other financing uses</b>	<b>\$ 612,515</b>	<b>\$ 13,082,871</b>	<b>\$ 12,864,057</b>	<b>\$ 460,477</b>	<b>\$ 370,852</b>

**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, 2013**

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Unassigned fund balance, beginning		\$ 2,128,737
Changes:		
Unassigned fund balance used to reduce tax rate		(850,000)
Budget summary:		
Revenue surplus (Exhibit 16)	\$ 269,306	
Unexpended balance of appropriations (Exhibit 17)	370,852	
Budget surplus		640,158
Increase in nonspendable fund balance		(4,566)
Unassigned fund balance, ending		\$ 1,914,329



# Roberts & Greene, PLLC

## INDEPENDENT AUDITOR'S LETTER TO MANAGEMENT

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, 2013, 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.

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

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. 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 7, 2014

*Roberts & Greene, PLLC*