

TOWN OF FRANCESTOWN, NEW HAMPSHIRE

ANNUAL FINANCIAL REPORT

AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2010

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TABLE OF CONTENTS

	<u>PAGES</u>
INDEPENDENT AUDITOR’S REPORT	1
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements:	
Statement of Net Assets (Exhibit 1)	2
Statement of Activities (Exhibit 2)	3
Fund Financial Statements:	
Balance Sheet – Governmental Funds (Exhibit 3)	4
Reconciliation of Total Fund Balances of Governmental Funds to the Statement of Net Assets (Exhibit 4)	5
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds (Exhibit 5)	6
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities (Exhibit 6)	7
NOTES TO THE FINANCIAL STATEMENTS	8
REQUIRED SUPPLEMENTARY INFORMATION	
General Fund - Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) (Exhibit 7)	21
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION	22
COMBINING NONMAJOR AND INDIVIDUAL GENERAL FUND SCHEDULES	
Nonmajor Governmental Funds	
Combining Balance Sheet (Exhibit 8)	23
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Exhibit 9)	24
Major General Fund	
Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis) (Exhibit 10)	25
Schedule of Appropriations, Expenditures and Encumbrances (Non-GAAP Budgetary Basis) (Exhibit 11)	26
Schedule of Changes in Unreserved – Undesignated Fund Balance (Non-GAAP Budgetary Basis) (Exhibit 12)	28
INDEPENDENT AUDITOR’S COMMUNICATION OF CERTAIN MATTERS	29



Roberts, Greene & Drolet, PLLC

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Francestown, New Hampshire as of and for the year ended December 31, 2010, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Francestown's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Francestown as of December 31, 2010, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison information on page 21 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. The Town of Francestown has not presented a management's discussion and analysis. Accounting principles generally accepted in the United States of America have determined that the management's discussion and analysis is necessary to supplement, but is not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Francestown's basic financial statements. The combining nonmajor and individual general fund schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. They have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

August 31, 2011

Roberts, Greene & Drolet, PLLC

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BASIC FINANCIAL STATEMENTS

EXHIBIT 1
TOWN OF FRANCESTOWN, NEW HAMPSHIRE
Statement of Net Assets
December 31, 2010

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 1,807,307
Investments	569,299
Intergovernmental receivable	71,462
Other receivables, net of allowance for uncollectibles	598,782
Capital assets, not being depreciated:	
Land	3,386,858
Construction in progress	13,041
Capital assets, net of accumulated depreciation:	
Land improvements	27,192
Buildings and building improvements	1,483,640
Machinery, vehicles and equipment	1,057,493
Infrastructure	532,656
Total assets	9,547,730
LIABILITIES	
Accounts payable	23,364
Accrued payroll and benefits	10,672
Contract payable	12,091
Accrued interest payable	13,998
Intergovernmental payable	1,316,126
Performance and escrow deposits	7,465
Noncurrent obligations:	
Due within one year:	
Bond payable	50,000
Unamortized bond premium	713
Accrued landfill postclosure care costs	750
Due in more than one year:	
Bond payable	735,000
Unamortized bond premium	10,690
Compensated absences	5,764
Accrued landfill postclosure care costs	9,000
Total liabilities	2,195,633
NET ASSETS	
Invested in capital assets, net of related debt	5,703,789
Restricted for:	
Perpetual care	39,668
Other purposes	10,485
Unrestricted	1,598,155
Total net assets	\$ 7,352,097

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

EXHIBIT 2
TOWN OF FRANCESTOWN, NEW HAMPSHIRE
Statement of Activities
For the Year Ended December 31, 2010

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
Governmental activities:				
General government	\$ 400,943	\$ 8,750	\$ 172	\$ (392,021)
Public safety	302,887	3,235	2,677	(296,975)
Highways and streets	560,197	-	106,100	(454,097)
Sanitation	91,830	16,201	-	(75,629)
Health	3,592	-	-	(3,592)
Welfare	34,205	-	-	(34,205)
Culture and recreation	128,361	7,244	37	(121,080)
Conservation	2,733	-	48,000	45,267
Interest on long-term debt	37,730	-	-	(37,730)
Total governmental activities	<u>\$ 1,562,478</u>	<u>\$ 35,430</u>	<u>\$ 156,986</u>	<u>(1,370,062)</u>
General revenues:				
Property taxes				1,300,892
Other taxes				64,669
Licenses and permits				259,611
Grants and contributions not restricted to specific programs				74,342
Miscellaneous				72,462
Total general revenues				<u>1,771,976</u>
Change in net assets				401,914
Net assets, beginning, as restated, see Note III.D.				6,950,183
Net assets, ending				<u>\$ 7,352,097</u>

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

EXHIBIT 3
TOWN OF FRANCESTOWN, NEW HAMPSHIRE
Balance Sheet
Governmental Funds
December 31, 2010

	General	Expendable Trust	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 1,120,630	\$ 447,546	\$ 239,131	\$ 1,807,307
Investments	5,899	430,123	133,277	569,299
Receivables (net of allowance for uncollectibles):				
Taxes	596,641	-	-	596,641
Accounts	2,141	-	-	2,141
Intergovernmental	71,462	-	-	71,462
Interfund receivable	-	2,505	8,821	11,326
Total assets	<u>\$ 1,796,773</u>	<u>\$ 880,174</u>	<u>\$ 381,229</u>	<u>\$ 3,058,176</u>
LIABILITIES				
Accounts payable	\$ 23,364	\$ -	\$ -	\$ 23,364
Accrued salaries and benefits	10,672	-	-	10,672
Intergovernmental payable	1,316,126	-	-	1,316,126
Interfund payable	8,821	-	2,505	11,326
Deferred revenue	134,000	-	-	134,000
Escrow and performance deposits	7,465	-	-	7,465
Total liabilities	<u>1,500,448</u>	<u>-</u>	<u>14,596</u>	<u>1,515,044</u>
FUND BALANCES				
Reserved for encumbrances	15,436	-	-	15,436
Reserved for endowments	-	-	44,599	44,599
Reserved for special purposes	-	-	5,554	5,554
Unreserved, undesignated, reported in:				
General fund	280,889	-	-	280,889
Capital project fund	-	-	186,959	186,959
Special revenue funds	-	880,174	129,521	1,009,695
Total fund balances	<u>296,325</u>	<u>880,174</u>	<u>366,633</u>	<u>1,543,132</u>
Total liabilities and fund balances	<u>\$ 1,796,773</u>	<u>\$ 880,174</u>	<u>\$ 381,229</u>	<u>\$ 3,058,176</u>

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

EXHIBIT 4
TOWN OF FRANCESTOWN, NEW HAMPSHIRE
Reconciliation of Total Fund Balances of Governmental Funds to the Statement of Net Assets
December 31, 2010

Total fund balances of governmental funds (Exhibit 3)		\$ 1,543,132
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Cost	\$ 8,196,218	
Less accumulated depreciation	<u>(1,695,338)</u>	
		6,500,880
Interfund receivables and payables between governmental funds are eliminated on the statement of net assets.		
Receivables	\$ (11,326)	
Payables	<u>11,326</u>	
		-
Long-term revenues are not available to pay for current period expenditures and, therefore, are deferred in the funds.		
Deferred tax revenue		134,000
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(13,998)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Bond outstanding	\$ 785,000	
Unamortized bond premium	11,403	
Compensated absences payable	5,764	
Accrued landfill postclosure care costs	<u>9,750</u>	
		<u>(811,917)</u>
Total net assets of governmental activities (Exhibit 1)		<u>\$ 7,352,097</u>

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

EXHIBIT 5
TOWN OF FRANCESTOWN, NEW HAMPSHIRE
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2010

	General	Expendable Trust	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 1,450,561	\$ -	\$ -	\$ 1,450,561
Licenses, permits and fees	259,611	-	-	259,611
Intergovernmental	183,119	-	48,000	231,119
Charges for services	28,186	-	7,244	35,430
Miscellaneous	30,882	7,531	14,258	52,671
Total revenues	<u>1,952,359</u>	<u>7,531</u>	<u>69,502</u>	<u>2,029,392</u>
Expenditures:				
Current:				
General government	378,134	2,300	3,283	383,717
Public safety	233,311	-	-	233,311
Highways and streets	468,272	-	-	468,272
Sanitation	112,637	-	-	112,637
Health	3,592	-	-	3,592
Welfare	33,292	913	-	34,205
Culture and recreation	89,739	-	14,273	104,012
Conservation	818	-	1,915	2,733
Debt service:				
Principal	50,000	-	-	50,000
Interest	39,328	-	-	39,328
Capital outlay	425,885	-	162,609	588,494
Total expenditures	<u>1,835,008</u>	<u>3,213</u>	<u>182,080</u>	<u>2,020,301</u>
Excess (deficiency) of revenues over (under) expenditures	<u>117,351</u>	<u>4,318</u>	<u>(112,578)</u>	<u>9,091</u>
Other financing sources (uses):				
Transfers in	341,321	507,400	30,013	878,734
Transfers out	<u>(537,400)</u>	<u>(341,321)</u>	<u>(13)</u>	<u>(878,734)</u>
Total other financing sources and uses	<u>(196,079)</u>	<u>166,079</u>	<u>30,000</u>	<u>-</u>
Net change in fund balances	(78,728)	170,397	(82,578)	9,091
Fund balances, beginning, as restated, see Note III.D.	375,053	709,777	449,211	1,534,041
Fund balances, ending	<u>\$ 296,325</u>	<u>\$ 880,174</u>	<u>\$ 366,633</u>	<u>\$ 1,543,132</u>

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

EXHIBIT 6
TOWN OF FRANCESTOWN, NEW HAMPSHIRE
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund
Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2010

Net change in fund balances of governmental funds (Exhibit 5)		\$	9,091
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		\$ 608,494	
Depreciation expense		<u>(198,307)</u>	
			410,187
Transfers in and out between governmental funds are eliminated on the operating statement.			
Transfers in		\$ (878,734)	
Transfers out		<u>878,734</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			(85,000)
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds, but has no effect on net assets.			
Repayment of bond principal		\$ 50,000	
Bond premium amortization		<u>713</u>	
			50,713
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		\$ 885	
Increase in compensated absences payable		(5,764)	
Decrease in accrued landfill postclosure care costs		<u>21,802</u>	
			<u>16,923</u>
Change in net assets of governmental activities (Exhibit 2)		\$	<u><u>401,914</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS

**TOWN OF FRANCESTOWN, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2010**

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 Frankestown (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, 2010.

I.B. Financial Reporting Entity – Basis of Presentation

I.B.1. *Entity Defined*

The Town of Frankestown is a municipal corporation governed by a board of selectmen consisting of three members elected by the voters. 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 assets and the statement of activities. These statements report financial information for the Town as a whole, excluding fiduciary activities. Individual funds are not displayed.

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

**TOWN OF FRANCESTOWN, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2010**

Fund Financial Statements

Fund financial statements are provided for governmental and fiduciary funds. Major individual, governmental 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 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. Fiduciary fund financial statements also report using this same basis of accounting, although internal activity is not eliminated in these statements. 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.

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, with the exception of property taxes which are recognized if expected to be collected in time to pay the liability to the school district that is due over the next six months. 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.

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.

I.B.4. *Fund Types and Major Funds*

Governmental Funds

The Town reports the following major governmental funds:

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

**TOWN OF FRANCESTOWN, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2010**

Expendable Trust Fund – Reports as a special revenue fund and used to account for the financial resources of funds in the custody of the trustees of trust funds where both principal and income can be used to support Town purposes.

The Town also reports six nonmajor governmental funds.

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

I.C.1. *Cash and Investments*

The laws of the State of New Hampshire require that the Town's treasurer have custody of all monies belonging to the Town, other than those held by the trustees of trust funds and library trustees, and pay out the same only upon orders of the Board of Selectmen. 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. *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 \$5,000 or more as purchase and construction outlays occur. 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

**TOWN OF FRANCESTOWN, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2010**

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:

	<u>Years</u>
Land improvements	10
Buildings and building improvements	20-30
Machinery, vehicles and equipment	5-20
Infrastructure	40

I.C.3. 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.4. Compensated Absences

Full-time employees are granted vacation benefits in varying amounts to specified maximums based on the number of years in employment. Employees are entitled to their vacation 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.5. Fund Equity

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

- Invested in capital assets, net of related debt, which is computed as the total capital assets less accumulated depreciation, net of outstanding debt used to acquire those assets.
- Restricted for perpetual care, which consists of the balance of the permanent funds where the principal must be permanently invested and the income is allowed to be used only for cemetery care.
- Restricted for other purposes, which consists of the balance of the permanent funds where the principal must be permanently invested and the income is allowed to be used for town purposes other than cemetery care.
- Unrestricted, which consists of the remaining balance of net assets.

**TOWN OF FRANCESTOWN, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2010**

The governmental funds report the following reservations of fund balance:

- Reserve for encumbrances, which consists of the balance of unexpended appropriations for specific purposes to be carried forward to supplement the appropriations of the subsequent year.
- Reserve for endowments, which consists of the principal balance of permanent funds that can only be used for specific purposes.
- Reserve for special purposes, which consists of the income balance of permanent funds that can only be used for specific purposes.

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.

II. Stewardship, Compliance and Accountability

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund. Unless encumbered, all appropriations lapse at year-end. The Town is allowed to use beginning fund balance to balance the budget. In 2010, \$247,400 of the unreserved fund balance from 2009 was used.

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

Revenues are budgeted by source. Expenditures are budgeted by functions as follow: general government, public safety, highways and streets, sanitation, health, welfare, culture and recreation, conservation, 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.

**TOWN OF FRANCESTOWN, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2010**

Other Post-Employment Benefits

GASB Statement 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions* requires governments to account for other post-employment benefits (OPEB), primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis. Because the Town does not provide OPEB, the difference between the accrual basis and the pay-as-you-go basis is immaterial to the financial statements.

III. Detailed Notes on Funds and Government-Wide Statements

III.A. Assets

III.A.1. Cash and Investments

Custodial Credit Risk 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 deposit policy for custodial credit risk. As of December 31, 2010, \$1,143,941 of the Town of Frankestown's bank balances of \$1,840,905 was exposed to custodial credit risk as uninsured and uncollateralized.

As of December 31, 2010, the Town's reporting entity had the following investments:

Certificates of Deposit	\$ 507,057
Mutual Funds	43,952
Common Stock	18,290
	<u>\$ 569,299</u>

Investment Risks

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

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

**TOWN OF FRANCESTOWN, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2010**

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.

III.A.2. *Receivables and Deferred Revenue*

Property Taxes Receivable and Property Tax Calendar

Property taxes are levied and collected by the Town on a semi-annual basis. Tax bills are due on or around July 1 and December 1, with interest of 12% per annum on all taxes not received by the due date. The first billing is an estimate only based on half of the previous year's billing. The final billing is levied based on an inventory taken in April of each year (the tax year runs from April 1 to March 31), and is assessed after the tax rate has been calculated and set by the New Hampshire Department of Revenue Administration. A lien is executed on any unpaid property taxes in the following year and this lien takes priority over any others. Interest of 18% per annum is charged upon redemption of 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 2009 property taxes on April 14.

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

(Continued on the following page)

**TOWN OF FRANCESTOWN, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2010**

The net assessed valuation as of April 1, 2010, upon which the 2010 property tax levy was based was:

For the New Hampshire education tax	\$ 207,472,339
For all other taxes	\$ 210,344,339

The tax rates and amounts assessed for the year ended December 31, 2010 were as follow:

	<u>Per \$1,000 of Assessed Valuation</u>	
Municipal portion	\$6.70	\$ 1,409,892
School portion:		
State of New Hampshire	\$2.21	457,545
Local	\$11.92	2,507,843
County portion	\$1.16	243,845
Total property taxes assessed		<u>\$ 4,619,125</u>

The following details the taxes receivable at year-end:

Property:		
Levy of 2010		\$ 395,821
Unredeemed (under tax lien):		
Levy of 2009		179,033
Levy of 2008		30,339
Levy of 2007		437
Timber		1,011
Less: allowance for estimated uncollectible taxes		(10,000)
Net taxes receivable		<u>\$ 596,641</u>

Deferred Revenue

Deferred revenue of \$134,000 at December 31, 2010 represents 2010 property taxes that are not expected to be collected in time to pay the school tax liability due by June 30, 2011, and therefore, are deferred in accordance with generally accepted accounting principles.

TOWN OF FRANCESTOWN, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2010

III.A.3. 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>
Governmental activities:				
At cost:				
Not being depreciated:				
Land	\$ 3,237,290	\$ 149,568	\$ -	\$ 3,386,858
Construction in progress	-	13,041	-	13,041
Total capital assets not being depreciated	<u>3,237,290</u>	<u>162,609</u>	<u>-</u>	<u>3,399,899</u>
Being depreciated:				
Land improvements	45,830	-	-	45,830
Buildings and building improvements	2,116,378	-	-	2,116,378
Machinery, vehicles and equipment	1,949,453	261,321	(126,616)	2,084,158
Infrastructure	365,389	184,564	-	549,953
Total capital assets being depreciated	<u>4,477,050</u>	<u>445,885</u>	<u>(126,616)</u>	<u>4,796,319</u>
Total all capital assets	<u>7,714,340</u>	<u>608,494</u>	<u>(126,616)</u>	<u>8,196,218</u>
Less accumulated depreciation:				
Land improvements	(14,055)	(4,583)	-	(18,638)
Buildings and building improvements	(561,831)	(70,907)	-	(632,738)
Machinery, vehicles and equipment	(1,039,599)	(113,682)	126,616	(1,026,665)
Infrastructure	(8,162)	(9,135)	-	(17,297)
Total accumulated depreciation	<u>(1,623,647)</u>	<u>(198,307)</u>	<u>126,616</u>	<u>(1,695,338)</u>
Net book value, capital assets being depreciated	<u>2,853,403</u>	<u>247,578</u>	<u>-</u>	<u>3,100,981</u>
Net book value, all capital assets	<u>\$ 6,090,693</u>	<u>\$ 410,187</u>	<u>\$ -</u>	<u>\$ 6,500,880</u>

Depreciation Expense

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

Governmental activities:	
General government	\$ 17,226
Public safety	69,399
Highways and streets	86,338
Sanitation	995
Culture and recreation	24,349
Total depreciation expense	<u>\$ 198,307</u>

**TOWN OF FRANCESTOWN, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2010**

III.A.4. Restricted Net Assets

The government-wide statement of net assets includes restricted net assets of \$50,153 for public trusts reported as restricted for perpetual care or other purposes.

III.B. Liabilities

III.B.1 Intergovernmental Payables

The amount due to other governments at December 31, 2010 consists of the balance of the 2010-2011 district assessment due to the Contoocook Valley Regional School District in the amount of \$1,316,126.

III.B.2 Long-Term Debt

Long-term debt currently outstanding is as follows:

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at 12/31/2010	Current Portion
General obligation bonds payable:						
Land purchase	\$ 785,000	2007	2026	4.56	\$ 785,000	\$ 50,000
Unamortized bond premium					11,403	713
Compensated absences payable:						
Accrued vacation leave					5,764	-
Accrued landfill postclosure care costs					9,750	750
					<u>\$ 811,917</u>	<u>\$ 51,463</u>

Changes in Long-Term Liabilities

The following is a summary of changes in long-term liabilities for the year ended December 31, 2010:

	General Obligation Bonds Payable	Unamortized Bond Premium	Compensated Absences Payable	Accrued Landfill Postclosure Care Costs	Total
Balance, beginning	\$ 835,000	\$ 12,116	\$ -	\$ 31,552	\$ 878,668
Additions	-	-	5,764	-	5,764
Reductions	(50,000)	(713)	-	(21,802)	(72,515)
Balance, ending	<u>\$ 785,000</u>	<u>\$ 11,403</u>	<u>\$ 5,764</u>	<u>\$ 9,750</u>	<u>\$ 811,917</u>

**TOWN OF FRANCESTOWN, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2010**

Debt Service Requirements to Maturity

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

<u>Fiscal Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 50,000	\$ 37,327	\$ 87,327
2012	50,000	35,327	85,327
2013	50,000	32,827	82,827
2014	50,000	30,928	80,928
2015	50,000	27,827	77,827
2016-2020	250,000	102,323	352,323
2021-2025	240,000	43,896	283,896
2026	45,000	2,137	47,137
Totals	<u>\$ 785,000</u>	<u>\$ 312,592</u>	<u>\$ 1,097,592</u>

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

III.C.1. *Receivables and Payables*

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

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

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
Expendable trust	Nonmajor	\$ 2,505
Nonmajor	General	8,821
		<u>\$ 11,326</u>

The amount due to the Expendable Trust Fund from the nonmajor Permanent Fund of \$2,505 represents a reimbursement of expenses paid for perpetual care in a prior year, and the amount due to the nonmajor funds from the General Fund of \$8,821 represents land use change tax to be remitted to the Conservation Commission Fund.

**TOWN OF FRANCESTOWN, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2010**

III.C.2. Transfers

Transfers within the reporting entity are for the purposes of transfers voted by the annual Town Meeting, and distributing trust income 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:			Total
	General Fund	Expendable Trust Fund	Nonmajor Funds	
Transfers out:				
General fund	\$ -	\$ 507,400	\$ 30,000	\$ 537,400
Expendable trust fund	341,321	-	-	341,321
Nonmajor funds	-	-	13	13
	<u>\$ 341,321</u>	<u>\$ 507,400</u>	<u>\$ 30,013</u>	<u>\$ 878,734</u>

III.D. Restatement

Net assets/fund balances at January 1, 2010 were restated to reflect the following adjustments:

	Governmental Activities	General Fund	Expendable Trust Funds	Nonmajor Funds
To record deferred tax revenue	\$ -	\$ (219,000)	\$ -	\$ -
To report bridge capital project	-	(200,000)	-	200,000
To remove duplicate payable	5,362	5,362	-	-
To combine expendable funds	-	-	9,165	(9,165)
To record interfund	-	(7,721)	2,505	5,216
To record miscellaneous adjustments	13,934	-	-	8,403
Net assets/fund balances, as previously reported	6,930,887	796,412	698,107	244,757
Net assets/fund balances, as restated	<u>\$ 6,950,183</u>	<u>\$ 375,053</u>	<u>\$ 709,777</u>	<u>\$ 449,211</u>

IV. Other Information

IV.A. Risk Management

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

TOWN OF FRANCESTOWN, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2010

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 2010 to be recorded as an insurance expenditure/expense totaled \$23,431 for property/liability and \$10,933 for workers' compensation. There were no unpaid contributions for the year ended December 31, 2010. The trust agreements permit 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 employees 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 rate of contribution for police officers is 9.3% of gross earnings. The rate of contribution for other employees is 5% of gross earnings. For the period of January 1 to June 30, the rate of contribution for pension and the medical subsidy from the Town was 13.66% for police, which consisted of 70% of the total employer cost. For the period of July 1 to December 31, the rate of contribution for pension and the medical subsidy was 14.63% for police, which consisted of 75% of the total employer cost. The rate for other employees was 9.16% for the year, which was 100% of the total employer cost. The balance of the employer cost for the police was paid by the State of New Hampshire. Employer contributions from the Town during the years 2008, 2009 and 2010 were \$25,779, \$18,766 and \$20,950, respectively. The amounts are paid on a monthly basis as due. The amount paid by the State for 2010 was \$2,677. This amount has been reported as an expenditure/expense and revenue on the government-wide statement of activities and on the governmental funds statement of revenues, expenditures and changes in fund balances.

IV.C Contingent Liabilities

The Town has received federal and state grants for specific purposes that are subject to review and possible audit by the grantor or pass-through agencies. Any such audit may result in a requirement to reimburse the grantor agency for costs disallowed. The Town does not feel the chance of disallowance is likely, and if it should occur, the amount would not be material.

REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT 7
TOWN OF FRANCESTOWN, 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, 2010

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Taxes	\$ 1,397,641	\$ 1,450,561	\$ 52,920
Licenses, permits and fees	217,000	259,611	42,611
Intergovernmental	164,177	180,442	16,265
Charges for services	12,000	28,186	16,186
Miscellaneous	20,000	30,882	10,882
Total revenues	<u>1,810,818</u>	<u>1,949,682</u>	<u>138,864</u>
EXPENDITURES			
Current:			
General government	375,649	378,134	(2,485)
Public safety	212,647	230,634	(17,987)
Highways and streets	467,075	468,272	(1,197)
Sanitation	120,921	112,637	8,284
Health	6,592	3,592	3,000
Welfare	17,126	33,292	(16,166)
Culture and recreation	101,104	89,739	11,365
Conservation	10,375	818	9,557
Debt service:			
Principal	50,000	50,000	-
Interest	39,328	39,328	-
Interest on TAN	1	-	1
Capital outlay	462,000	441,321	20,679
Total expenditures	<u>1,862,818</u>	<u>1,847,767</u>	<u>15,051</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(52,000)</u>	<u>101,915</u>	<u>153,915</u>
Other financing sources (uses)			
Transfers in	342,000	341,321	(679)
Transfers out	(537,400)	(537,400)	-
Total other financing sources and uses	<u>(195,400)</u>	<u>(196,079)</u>	<u>(679)</u>
Net change in fund balance	<u>\$ (247,400)</u>	<u>(94,164)</u>	<u>\$ 153,236</u>
Unreserved fund balance, beginning, as restated, see Note III.D.		375,053	
Unreserved fund balance, ending		<u>\$ 280,889</u>	

The note to the required supplementary information is an integral part of this statement.

**TOWN OF FRANCESTOWN, NEW HAMPSHIRE
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED
DECEMBER 31, 2010**

Reconciliation of Budgetary Basis to GAAP

General Fund:

Revenues and other financing sources:	
Per Exhibit 7 (budgetary basis)	\$ 2,291,003
Adjustment:	
Basis difference:	
On-behalf retirement contribution payments made by the State of New Hampshire recognized as revenue on the GAAP basis, but not on the budgetary basis	2,677
Per Exhibit 5 (GAAP basis)	<u>\$ 2,293,680</u>
Expenditures and other financing uses:	
Per Exhibit 7 (budgetary basis)	\$ 2,385,167
Adjustments:	
Basis difference:	
Encumbrances, ending	(15,436)
On-behalf retirement contribution payments made by the State of New Hampshire recognized as an expenditure on the GAAP basis, but not on the budgetary basis	2,677
Per Exhibit 5 (GAAP basis)	<u>\$ 2,372,408</u>

The major Expendable Trust Fund is not budgeted.

COMBINING NONMAJOR FUND AND INDIVIDUAL GENERAL FUND SCHEDULES

EXHIBIT 8
TOWN OF FRANCESTOWN, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2010

	Special Revenue Funds				Capital	Permanent	Total
	George Bixby Memorial Library	Heritage Commission	Recreation	Conservation Commission	Project Fund Bridge		
ASSETS							
Cash and cash equivalents	\$ 19,258	\$ 2,723	\$ 10,041	\$ -	\$ 199,050	\$ 8,059	\$ 239,131
Investments	47,790	-	-	40,888	-	44,599	133,277
Interfund receivable	-	-	-	8,821	-	-	8,821
Total assets	<u>\$ 67,048</u>	<u>\$ 2,723</u>	<u>\$ 10,041</u>	<u>\$ 49,709</u>	<u>\$ 199,050</u>	<u>\$ 52,658</u>	<u>\$ 381,229</u>
LIABILITIES							
Contracts payable	\$ -	\$ -	\$ -	\$ -	\$ 12,091	\$ -	\$ 12,091
Interfund payable	-	-	-	-	-	2,505	2,505
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,091</u>	<u>2,505</u>	<u>14,596</u>
FUND BALANCES							
Reserved for endowments	-	-	-	-	-	44,599	44,599
Reserved for special purposes	-	-	-	-	-	5,554	5,554
Unreserved, undesignated	67,048	2,723	10,041	49,709	186,959	-	316,480
Total fund balances	<u>67,048</u>	<u>2,723</u>	<u>10,041</u>	<u>49,709</u>	<u>186,959</u>	<u>50,153</u>	<u>366,633</u>
Total liabilities and fund balances	<u>\$ 67,048</u>	<u>\$ 2,723</u>	<u>\$ 10,041</u>	<u>\$ 49,709</u>	<u>\$ 199,050</u>	<u>\$ 52,658</u>	<u>\$ 381,229</u>

EXHIBIT 9
TOWN OF FRANCESTOWN, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended December 31, 2010

	Special Revenue Funds				Capital	Permanent	Total
	George Bixby Memorial Library	Heritage Commission	Recreation	Conservation Commission	Project Fund Bridge		
REVENUES							
Intergovernmental	\$ -	\$ -	\$ -	\$ 48,000	\$ -	\$ -	\$ 48,000
Charges for services	-	-	7,244	-	-	-	7,244
Miscellaneous	7,778	4,002	22	2,247	-	209	14,258
Total revenues	<u>7,778</u>	<u>4,002</u>	<u>7,266</u>	<u>50,247</u>	<u>-</u>	<u>209</u>	<u>69,502</u>
EXPENDITURES							
Current:							
General government	-	1,279	-	-	-	2,004	3,283
Culture and recreation	7,932	-	6,323	-	-	18	14,273
Conservation	-	-	-	1,915	-	-	1,915
Capital outlay	-	-	-	149,568	13,041	-	162,609
Total expenditures	<u>7,932</u>	<u>1,279</u>	<u>6,323</u>	<u>151,483</u>	<u>13,041</u>	<u>2,022</u>	<u>182,080</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(154)</u>	<u>2,723</u>	<u>943</u>	<u>(101,236)</u>	<u>(13,041)</u>	<u>(1,813)</u>	<u>(112,578)</u>
Other financing sources (uses):							
Transfers in	13	-	-	30,000	-	-	30,013
Transfers out	-	-	-	-	-	(13)	(13)
Total other financing sources and uses	<u>13</u>	<u>-</u>	<u>-</u>	<u>30,000</u>	<u>-</u>	<u>(13)</u>	<u>30,000</u>
Net change in fund balances	(141)	2,723	943	(71,236)	(13,041)	(1,826)	(82,578)
Fund balance, beginning, as restated, see Note III.D.	67,189	-	9,098	120,945	200,000	51,979	449,211
Fund balances, ending	<u>\$ 67,048</u>	<u>\$ 2,723</u>	<u>\$ 10,041</u>	<u>\$ 49,709</u>	<u>\$ 186,959</u>	<u>\$ 50,153</u>	<u>\$ 366,633</u>

EXHIBIT 10
TOWN OF FRANCESTOWN, NEW HAMPSHIRE
General Fund
Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)
For the Year Ended December 31, 2010

	Estimated	Actual	Variance Positive (Negative)
Taxes:			
Property	\$ 1,351,141	\$ 1,385,892	\$ 34,751
Timber	16,500	17,004	504
Excavation	-	13	13
Interest and penalties on delinquent taxes	30,000	47,652	17,652
Total taxes	<u>1,397,641</u>	<u>1,450,561</u>	<u>52,920</u>
Licenses, permits and fees:			
Motor vehicle permits	210,000	239,855	29,855
Building permits	2,000	2,623	623
Other	5,000	17,133	12,133
Total licenses, permits and fees	<u>217,000</u>	<u>259,611</u>	<u>42,611</u>
Intergovernmental:			
State sources:			
Meals and rooms distributions	70,222	70,222	-
Highway block grant	89,455	89,455	-
Milfoil	4,500	4,120	(380)
FEMA	-	16,645	16,645
Total intergovernmental	<u>164,177</u>	<u>180,442</u>	<u>16,265</u>
Charges for services:			
Income from departments	<u>12,000</u>	<u>28,186</u>	<u>16,186</u>
Miscellaneous:			
Interest on investments	-	1,435	1,435
Rents	-	3,400	3,400
Fines and forfeits	-	25	25
Contributions and donations	-	2,000	2,000
Other	20,000	24,022	4,022
Total miscellaneous	<u>20,000</u>	<u>30,882</u>	<u>10,882</u>
Other financing sources:			
Transfers in:			
Expendable trust fund	<u>342,000</u>	<u>341,321</u>	<u>(679)</u>
Total revenues and other financing sources	2,152,818	<u>\$ 2,291,003</u>	<u>\$ 138,185</u>
Use of fund balance to reduce taxes	247,400		
Total revenues, other financing sources and use of fund balance	<u>\$ 2,400,218</u>		

EXHIBIT 11
TOWN OF FRANCESTOWN, NEW HAMPSHIRE
General Fund
Schedule of Appropriations, Expenditures and Encumbrances (Non-GAAP Budgetary Basis)
For the Year Ended December 31, 2010

	<u>Appropriations</u>	<u>Expenditures</u>	<u>Encumbered to Subsequent Year</u>	<u>Variance Positive (Negative)</u>
Current:				
General government:				
Executive	\$ 52,242	\$ 54,636	\$ -	\$ (2,394)
Election and registration	41,667	38,031	-	3,636
Financial administration	35,447	35,700	-	(253)
Revaluation of property	7,900	7,975	-	(75)
Legal	12,000	20,191	-	(8,191)
Personnel administration	140,044	133,609	-	6,435
Planning and zoning	8,182	5,401	-	2,781
General government buildings	39,721	44,734	-	(5,013)
Cemeteries	13,513	12,954	-	559
Insurance, not otherwise allocated	23,649	23,649	-	-
Advertising and regional associations	1,284	1,254	-	30
Total general government	<u>375,649</u>	<u>378,134</u>	<u>-</u>	<u>(2,485)</u>
Public safety:				
Police	136,420	131,208	-	5,212
Ambulance	19,118	19,118	-	-
Fire	53,109	58,628	-	(5,519)
Building inspection	3,500	3,070	-	430
Emergency management	500	-	-	500
FEMA	-	18,610	-	(18,610)
Total public safety	<u>212,647</u>	<u>230,634</u>	<u>-</u>	<u>(17,987)</u>
Highways and streets:				
Administration	279,645	268,336	-	11,309
Highways and streets	86,430	109,628	-	(23,198)
Bridges	7,000	-	-	7,000
Street lighting	3,000	2,850	-	150
Other	91,000	87,458	-	3,542
Total highways and streets	<u>467,075</u>	<u>468,272</u>	<u>-</u>	<u>(1,197)</u>
Sanitation:				
Solid waste disposal	118,907	111,155	-	7,752
Solid waste clean-up	2,014	1,482	-	532
Total sanitation	<u>120,921</u>	<u>112,637</u>	<u>-</u>	<u>8,284</u>
Health	<u>6,592</u>	<u>3,592</u>	<u>-</u>	<u>3,000</u>
Welfare	<u>17,126</u>	<u>33,292</u>	<u>-</u>	<u>(16,166)</u>

(continued)

EXHIBIT 11 (Continued)
TOWN OF FRANCESTOWN, NEW HAMPSHIRE
General Fund
Schedule of Appropriations, Expenditures and Encumbrances (Non-GAAP Budgetary Basis)
For the Year Ended December 31, 2010

	<u>Appropriations</u>	<u>Expenditures</u>	<u>Encumbered to Subsequent Year</u>	<u>Variance Positive (Negative)</u>
Culture and recreation:				
Parks and recreation	26,990	22,884	-	4,106
Public library	70,514	65,435	-	5,079
Patriotic purposes	1,100	1,030	-	70
Other	2,500	390	-	2,110
Total culture and recreation	<u>101,104</u>	<u>89,739</u>	<u>-</u>	<u>11,365</u>
Conservation:				
Purchase of natural resources	1,375	818	-	557
Other	9,000	-	-	9,000
Total conservation	<u>10,375</u>	<u>818</u>	<u>-</u>	<u>9,557</u>
Debt service:				
Principal	50,000	50,000	-	-
Interest	39,328	39,328	-	-
Interest on TAN	1	-	-	1
Total debt service	<u>89,329</u>	<u>89,328</u>	<u>-</u>	<u>1</u>
Capital outlay:				
Machinery, vehicles and equipment	262,000	241,321	-	20,679
Improvements other than buildings	200,000	184,564	15,436	-
Total capital outlay	<u>462,000</u>	<u>425,885</u>	<u>15,436</u>	<u>20,679</u>
Other financing uses:				
Transfers out:				
Expendable trust funds	507,400	507,400	-	-
Nonmajor funds	30,000	30,000	-	-
Total other financing uses	<u>537,400</u>	<u>537,400</u>	<u>-</u>	<u>-</u>
Total appropriations, expenditures, encumbrances and other financing uses	<u>\$ 2,400,218</u>	<u>\$ 2,369,731</u>	<u>\$ 15,436</u>	<u>\$ 15,051</u>

EXHIBIT 12
TOWN OF FRANCESTOWN, NEW HAMPSHIRE
General Fund
Schedule of Changes in Unreserved - Undesignated Fund Balance (Non-GAAP Budgetary Basis)
For the Year Ended December 31, 2010

Unreserved, undesignated fund balance, beginning, GAAP basis, as restated, see Note III.D.		\$ 375,053
Deferred tax revenue, GAAP basis, beginning		<u>219,000</u>
Unreserved, undesignated fund balance, beginning, for tax-rate setting purposes		594,053
Changes:		
Unreserved fund balance used to reduce tax rate		(247,400)
Budget summary:		
Revenue surplus (Exhibit 10)	\$ 138,185	
Unexpended balance of appropriations (Exhibit 11)	<u>15,051</u>	
Budget surplus		153,236
Decrease in deferred tax revenue, GAAP basis		(85,000)
Unreserved, undesignated fund balance, ending, for tax-rate setting purposes		<u>414,889</u>
Deferred tax revenue, GAAP basis, ending		(134,000)
Unreserved, undesignated fund balance, ending, GAAP basis		<u><u>\$ 280,889</u></u>



Roberts, Greene & Drolet, PLLC

INDEPENDENT AUDITOR'S COMMUNICATION OF CERTAIN MATTERS

To the Members of the Board of Selectmen
Town of Francestown, 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 Francestown as of and for the year ended December 31, 2010, 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 of Francestown's internal control.

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

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

However, we identified the following other matters that we consider important to communicate:

Treasurer's Records

The role of the Town Treasurer is an important internal control function in any Town. Included in those internal controls is the maintaining of a separate set of "books" by the Town Treasurer. We noted that the Town Treasurer for the Town of Francestown currently relies on the Town's accounting system for the tracking of general fund activity. We recommend that the Treasurer maintain a separate set of records that track the running balance of deposits and disbursements from the Town's general fund. On a monthly basis, the Treasurer's "book" balance should be reconciled to the bank, and reconciled to the Town's accounting system "book" balance. Any discrepancies between the Town's accounting system and the Treasurer's balance should be investigated and any necessary corrections made.

Investment Policy

The Board of Selectmen has not adopted an investment policy for the Town Treasurer to follow in accordance with RSA 41:9-IV, which states "The selectmen shall annually review and adopt an investment policy for the investment of public funds in conformance with applicable statutes and shall advise the treasurer of such policies." We recommend that the Board take steps to develop an investment policy and provide the policy to the Town Treasurer to follow. It was noted that the Board of Selectmen were working to develop such a policy at the time of our field work.

Missing Supporting Documentation

For two of 25 disbursements tested, the Town was not able to provide adequate supporting documentation. One item was a payroll disbursement, and the Town was not able to locate a timesheet or other record of time worked; and the other item was a vendor payment, and the Town was not able to provide an invoice or other supporting documentation. We recommend that the Board not allow any disbursements to be made without proper supporting documentation.

Also, we noted that the Town does not have W-4 or I-9 forms on file for its employees, as required. We recommend that the Town review its employee files, and obtain the proper documentation to complete the missing information.

Escrow and Donation Accounts

We noted a number of escrow and donation accounts that had balances going back a number of years. We recommend that the Town research the activity and purpose of the accounts, and determine if the escrow requirements have been met, and in the case of donation accounts, determine the purpose and intent of the donations so that they may be used as the donors intended.

This communication is intended solely for the information and use of 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.

August 31, 2011

Roberts, Greene & Drolet, PLLC