

# TOWN OF FRANCESTOWN, NEW HAMPSHIRE

FINANCIAL REPORT

AS OF AND FOR THE YEAR ENDED  
DECEMBER 31, 2014

**TOWN OF FRANCESTOWN, NEW HAMPSHIRE  
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# Roberts & Greene, PLLC

## INDEPENDENT AUDITOR'S REPORT

To the Members of the Board of Selectmen  
Town of Frankestown  
Frankestown, NH

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Frankestown, New Hampshire as of and for the year ended December 31, 2014, 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 from 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, each major fund, and the aggregate remaining fund information of the Town of Frankestown, New Hampshire, as of and for the year ended December 31, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

The Town of Frankestown 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.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Frankestown'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 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.

April 10, 2015

*Roberts & Greene, PLLC*

## **BASIC FINANCIAL STATEMENTS**

**EXHIBIT 1**  
**TOWN OF FRANCESTOWN, NEW HAMPSHIRE**  
**Statement of Net Position**  
**December 31, 2014**

	Governmental Activities
<b>ASSETS</b>	
Cash and cash equivalents	\$ 2,556,037
Investments	693,484
Intergovernmental receivable	5,000
Other receivables, net of allowance for uncollectibles	493,148
Tax deeded property held for resale	5,167
Capital assets, not being depreciated:	
Land	3,386,858
Construction in progress	126,663
Capital assets, net of accumulated depreciation:	
Land improvements	14,320
Buildings and building improvements	1,389,294
Machinery, vehicles and equipment	1,094,817
Infrastructure	2,654,867
Total assets	12,419,655
<b>LIABILITIES</b>	
Accounts payable	43,224
Accrued payroll and benefits	6,210
Accrued interest payable	10,435
Intergovernmental payable	1,476,031
Performance and escrow deposits	4,015
Noncurrent obligations:	
Due within one year:	
Bonds payable	50,000
Unamortized bond premium	713
Accrued landfill postclosure care costs	1,890
Due in more than one year:	
Bonds payable	535,000
Unamortized bond premium	7,838
Compensated absences	10,686
Accrued landfill postclosure care costs	15,120
Total liabilities	2,161,162
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Unearned revenue	767
<b>NET POSITION</b>	
Net investment in capital assets	8,073,268
Restricted for:	
Endowments:	
Nonexpendable	44,949
Expendable	11,936
Other purposes	65,092
Unrestricted	2,062,481
Total net position	\$ 10,257,726

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, 2014**

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental activities:				
General government	\$ 538,813	\$ 930	\$ 4,073	\$ (533,810)
Public safety	285,840	2,784	-	(283,056)
Highways and streets	675,005	-	82,118	(592,887)
Sanitation	112,190	19,619	-	(92,571)
Health	8,190	-	-	(8,190)
Welfare	6,149	-	-	(6,149)
Culture and recreation	143,615	1,971	3,000	(138,644)
Conservation	50,673	-	22,828	(27,845)
Interest on long-term debt	34,264	-	-	(34,264)
Capital outlay	55,349	-	682,309	626,960
Total governmental activities	<u>\$ 1,910,088</u>	<u>\$ 25,304</u>	<u>\$ 794,328</u>	<u>(1,090,456)</u>
General revenues:				
Property taxes				1,505,201
Other taxes				62,911
Licenses and permits				298,562
Grants and contributions not restricted to specific programs				75,402
Miscellaneous				90,071
Total general revenues				<u>2,032,147</u>
Change in net position				941,691
Net position, beginning				<u>9,316,035</u>
Net position, ending				<u>\$ 10,257,726</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, 2014**

	General	Expendable Trust	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 2,091,616	\$ 366,745	\$ 97,676	\$ 2,556,037
Investments	-	597,894	95,590	693,484
Receivables, net of allowance for uncollectibles:				
Taxes	485,545	-	-	485,545
Accounts	7,603	-	-	7,603
Intergovernmental	5,000	-	-	5,000
Interfund receivable	2,907	-	15,296	18,203
Tax deeded property held for resale	5,167	-	-	5,167
Total assets	<u>\$ 2,597,838</u>	<u>\$ 964,639</u>	<u>\$ 208,562</u>	<u>\$ 3,771,039</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 33,449	\$ -	\$ 9,775	\$ 43,224
Accrued salaries and benefits	6,210	-	-	6,210
Intergovernmental payable	1,476,031	-	-	1,476,031
Interfund payable	3,880	12,682	1,641	18,203
Escrow and performance deposits	4,015	-	-	4,015
Total liabilities	<u>1,523,585</u>	<u>12,682</u>	<u>11,416</u>	<u>1,547,683</u>
Deferred inflows of resources:				
Deferred revenue	<u>378,266</u>	<u>-</u>	<u>-</u>	<u>378,266</u>
Fund balances:				
Nonspendable	5,167	-	44,949	50,116
Restricted	-	-	77,028	77,028
Committed	-	951,957	75,169	1,027,126
Assigned	13,677	-	-	13,677
Unassigned	677,143	-	-	677,143
Total fund balances	<u>695,987</u>	<u>951,957</u>	<u>197,146</u>	<u>1,845,090</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,597,838</u>	<u>\$ 964,639</u>	<u>\$ 208,562</u>	<u>\$ 3,771,039</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 Position**  
**December 31, 2014**

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Total fund balances of governmental funds (Exhibit 3)		\$ 1,845,090
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	\$ 10,958,106	
Less accumulated depreciation	<u>(2,291,287)</u>	8,666,819
Interfund receivables and payables between governmental funds are eliminated on the statement of net position.		
Receivables	\$ (18,203)	
Payables	<u>18,203</u>	-
Long-term revenues are not available to pay for current period expenditures and, therefore, are deferred in the funds.		
Deferred tax revenue	\$ 370,000	
Deferred other revenue	<u>7,499</u>	377,499
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(10,435)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Bonds outstanding	\$ 585,000	
Unamortized bond premium	8,551	
Compensated absences payable	10,686	
Accrued landfill postclosure care costs	<u>17,010</u>	<u>(621,247)</u>
Total net position of governmental activities (Exhibit 1)		<u>\$ 10,257,726</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, 2014**

	General	Expendable Trust	2012 Bridge Project	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Taxes	\$ 1,598,112	\$ -	\$ -	\$ -	\$ 1,598,112
Licenses, permits and fees	298,562	-	-	-	298,562
Intergovernmental	174,949	-	682,309	8,399	865,657
Charges for services	25,304	-	-	-	25,304
Miscellaneous	46,194	6,415	-	38,422	91,031
Total revenues	<u>2,143,121</u>	<u>6,415</u>	<u>682,309</u>	<u>46,821</u>	<u>2,878,666</u>
<b>Expenditures:</b>					
<b>Current:</b>					
General government	506,835	1,277	-	2,924	511,036
Public safety	214,961	-	-	-	214,961
Highways and streets	483,635	-	-	-	483,635
Sanitation	112,205	-	-	-	112,205
Health	8,190	-	-	-	8,190
Welfare	6,149	-	-	-	6,149
Culture and recreation	103,566	814	-	14,687	119,067
Conservation	19,459	-	-	31,214	50,673
<b>Debt service:</b>					
Principal	50,000	-	-	-	50,000
Interest	35,922	-	-	-	35,922
Capital outlay	278,404	-	780,405	121,225	1,180,034
Total expenditures	<u>1,819,326</u>	<u>2,091</u>	<u>780,405</u>	<u>170,050</u>	<u>2,771,872</u>
Excess (deficiency) of revenues over (under) expenditures	<u>323,795</u>	<u>4,324</u>	<u>(98,096)</u>	<u>(123,229)</u>	<u>106,794</u>
<b>Other financing sources (uses):</b>					
Transfers in	220,553	489,400	98,096	122,125	930,174
Transfers out	(489,400)	(440,774)	-	-	(930,174)
Total other financing sources and uses	<u>(268,847)</u>	<u>48,626</u>	<u>98,096</u>	<u>122,125</u>	<u>-</u>
Net change in fund balances	54,948	52,950	-	(1,104)	106,794
Fund balances, beginning	641,039	899,007	-	198,250	1,738,296
Fund balances, ending	<u>\$ 695,987</u>	<u>\$ 951,957</u>	<u>\$ -</u>	<u>\$ 197,146</u>	<u>\$ 1,845,090</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, 2014**

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Net change in fund balances of governmental funds (Exhibit 5)		\$ 106,794
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	\$ 1,200,168	
Depreciation expense	<u>(313,079)</u>	887,089
The net effect of various miscellaneous transactions involving capital assets (sales and trade-ins) is to decrease net position.		(79,869)
Transfers in and out between governmental funds are eliminated on the operating statement.		
Transfers in	\$ (930,174)	
Transfers out	<u>930,174</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	\$ (30,000)	
Change in other deferred revenue	<u>7,499</u>	(22,501)
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds, but has no effect on net position.		
Repayment of bond principal	\$ 50,000	
Amortization of bond premium	<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	\$ 945	
Increase in compensated absences payable	(3,270)	
Decrease in accrued landfill postclosure care costs	<u>1,790</u>	(535)
Change in net position of governmental activities (Exhibit 2)		<u><u>\$ 941,691</u></u>

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

**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, 2014**

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Taxes	\$ 1,484,676	\$ 1,568,112	\$ 83,436
Licenses, permits and fees	263,000	298,562	35,562
Intergovernmental	165,834	174,949	9,115
Charges for services	22,000	25,304	3,304
Miscellaneous	5,000	46,194	41,194
Total revenues	<u>1,940,510</u>	<u>2,113,121</u>	<u>172,611</u>
<b>EXPENDITURES</b>			
Current:			
General government	549,495	506,835	42,660
Public safety	222,150	214,961	7,189
Highways and streets	507,400	483,635	23,765
Sanitation	108,550	112,205	(3,655)
Health	8,270	8,190	80
Welfare	26,200	6,149	20,051
Culture and recreation	106,955	103,566	3,389
Conservation	20,840	19,459	1,381
Debt service:			
Principal	50,000	50,000	-
Interest on long-term debt	30,329	30,328	1
Interest on tax anticipation note	7,001	5,594	1,407
Capital outlay	316,600	292,081	24,519
Total expenditures	<u>1,953,790</u>	<u>1,833,003</u>	<u>120,787</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(13,280)</u>	<u>280,118</u>	<u>293,398</u>
Other financing sources (uses):			
Transfers in	243,000	220,553	(22,447)
Transfers out	(489,400)	(489,400)	-
Total other financing sources and uses	<u>(246,400)</u>	<u>(268,847)</u>	<u>(22,447)</u>
Net change in fund balance	<u>\$ (259,680)</u>	11,271	<u>\$ 270,951</u>
Unassigned fund balance, beginning		1,035,872	
Unassigned fund balance, ending		<u>\$ 1,047,143</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, 2014**

**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, 2014.

**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 position and the statement of activities. These statements report financial information for the Town as a whole. 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  
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*Fund Financial Statements*

Fund financial statements are provided for the governmental funds. Major individual 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. 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, and defers any not received by then. When calculating fund balance used to set the tax rate, tax revenues are not deferred in accordance with the direction of 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.

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  
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*Expendable Trust Fund* – Reports as a capital projects fund and used to account for the financial resources of funds in the custody of the trustees of trust funds, which were established by Town Meeting for future capital outlay purposes.

*2012 Bridge Project Fund* – Reports as a capital project fund. The Town adopted a 2-year project with a budget of \$1,200,000 for the replacement of Town bridges on the State’s red list. The Town received State Bridge Aid of 80% (\$682,309) of the total project cost and the remaining \$170,578 was paid out of the Expendable Trust Fund.

The Town also reports five nonmajor governmental funds.

**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. 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

**TOWN OF FRANCESTOWN, NEW HAMPSHIRE  
NOTES TO THE FINANCIAL STATEMENTS  
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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 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
Land improvements	10
Buildings and building improvements	20-100
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. 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 of endowments in the permanent funds that must be permanently invested.
- Restricted for endowments, expendable, which consists of the income earned on nonexpendable endowments of the permanent funds.
- Restricted for other purposes, which consists of the Library Fund balance.
- Unrestricted, which consists of the remaining net position.

**TOWN OF FRANCESTOWN, NEW HAMPSHIRE  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED  
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The governmental funds report the following components of fund balance:

- Nonspendable, which consists of endowments in the permanent funds, which are legally required to be maintained intact, and the tax deeded property held for resale, which represents resources that are not currently in spendable form.
- Restricted, which represents the expendable portion of permanent funds and the library fund, whose use is limited by law.
- Committed, which consists of balances for which the intended use has been established by the highest decision making level of authority, Town Meeting.
- Assigned, which consists of balances for which the intended use is established by the Board of Selectmen in the form of encumbrances.
- Unassigned, which represents the total fund balance in the general fund, less any amounts categorized above.

**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. Project length budgets are adopted for the Capital Projects Funds. Unless encumbered, all appropriations lapse at year-end. The Town is allowed to use beginning fund balance to balance the budget. In 2014, \$259,680 of the General Fund's unassigned fund balance from 2013 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, health, welfare, culture and recreation, conservation, debt service and capital outlay. Management can transfer appropriations among budget

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line items as necessary, but the total expenditures cannot legally exceed the total appropriations unless permission is received from the Commissioner of Revenue Administration.

**Reconciliation of Budgetary Basis to GAAP**

General Fund:

Revenues and other financing sources:	
Per Exhibit 7 (budgetary basis)	\$ 2,333,674
Adjustments:	
Basis difference:	
Tax revenue deferred in the prior year	400,000
Tax revenue deferred in the current year	(370,000)
Per Exhibit 5 (GAAP basis)	<u>\$ 2,363,674</u>
 Expenditures and other financing uses:	
Per Exhibit 7 (budgetary basis)	\$ 2,322,403
Adjustment:	
Basis difference:	
Encumbrances, ending	(13,677)
Per Exhibit 5 (GAAP basis)	<u>\$ 2,308,726</u>
 Unassigned fund balance:	
Per Exhibit 7 (budgetary basis)	\$ 1,047,143
Adjustment:	
Basis difference:	
Deferred tax revenue, GAAP basis	(370,000)
Per Exhibit 3 (GAAP basis)	<u>\$ 677,143</u>

The major Expendable Trust Fund is not budgeted. The 2012 Bridge Project was completed during 2014, and had an unspent balance of \$347,114 of the appropriation from 2012 of \$1,200,000.

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**III. Detailed Notes on Funds and Government-Wide Statements**

**III.A. Assets**

**III.A.1. Investments**

As of December 31, 2014, the Town had the following investments:

Certificates of Deposit	\$ 576,498
Mutual Funds	91,716
Common Stock	25,270
	\$ 693,484

*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.

**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 lien 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 2013 property taxes on April 9<sup>th</sup>.

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

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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, 2014, upon which the 2014 property tax levy was based was:

For the New Hampshire education tax	\$ 186,960,346
For all other taxes	\$ 190,613,846

The tax rates and amounts assessed for the year ended December 31, 2014 were as follow:

	<u>Per \$1,000 of Assessed Valuation</u>	
Municipal portion	\$8.14	\$ 1,549,940
School portion:		
State of New Hampshire	\$2.45	457,922
Local	\$13.25	2,526,575
County portion	\$1.22	233,395
Total property taxes assessed		<u>\$ 4,767,832</u>

The following details the taxes receivable at year-end:

Property:		
Levy of 2014		\$ 323,666
Unredeemed (under tax lien):		
Levy of 2013		98,009
Levy of 2012		63,870
Total		<u>\$ 485,545</u>

*Other Receivables and Uncollectible Accounts*

Significant receivables include a court settlement, liens, and reimbursements. These funds report accounts receivable net of any allowance for uncollectible amounts and revenues net of uncollectibles. The allowance amount consists of the balance of the liens, for which collection is in doubt.

Accounts	\$ 7,603
Intergovernmental	5,000
Liens	2,858
Less: allowance for uncollectible amounts	<u>(2,858)</u>
Net total receivables	<u>\$ 12,603</u>

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*Deferred Revenue*

Deferred revenue of \$378,266 at December 31, 2014 represents \$370,000 of property taxes and \$7,499 from a court settlement that are not expected to be collected within 60 days from year-end, and therefore, are deferred in accordance with generally accepted accounting principles, and \$767 from prepayments of property taxes to be applied to the 2015 tax levy.

**III.A.3. Capital Assets**

*Changes in Capital Assets*

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

	Balance, beginning	Additions	Deletions	Balance, ending
Governmental activities:				
At cost:				
Not being depreciated:				
Land	\$ 3,386,858	\$ -	\$ -	\$ 3,386,858
Construction in progress	72,483	126,663	(72,483)	126,663
Total capital assets not being depreciated	<u>3,459,341</u>	<u>126,663</u>	<u>(72,483)</u>	<u>3,513,521</u>
Being depreciated:				
Land improvements	53,630	-	-	53,630
Buildings and building improvements	2,259,834	12,675	-	2,272,509
Machinery, vehicles and equipment	2,231,538	102,841	(72,675)	2,261,704
Infrastructure	1,898,783	957,989	(30)	2,856,742
Total capital assets being depreciated	<u>6,443,785</u>	<u>1,073,505</u>	<u>(72,705)</u>	<u>7,444,585</u>
Total all capital assets	<u>9,903,126</u>	<u>1,200,168</u>	<u>(145,188)</u>	<u>10,958,106</u>
Less accumulated depreciation:				
Land improvements	(33,947)	(5,363)	-	(39,310)
Buildings and building improvements	(804,492)	(78,723)	-	(883,215)
Machinery, vehicles and equipment	(1,070,652)	(161,554)	65,319	(1,166,887)
Infrastructure	(134,436)	(67,439)	-	(201,875)
Total accumulated depreciation	<u>(2,043,527)</u>	<u>(313,079)</u>	<u>65,319</u>	<u>(2,291,287)</u>
Net book value, capital assets being depreciated	<u>4,400,258</u>	<u>760,426</u>	<u>(7,386)</u>	<u>5,153,298</u>
Net book value, all capital assets	<u>\$ 7,859,599</u>	<u>\$ 887,089</u>	<u>\$ (79,869)</u>	<u>\$ 8,666,819</u>

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*Depreciation Expense*

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

Governmental activities:	
General government	\$ 26,819
Public safety	70,370
Highways and streets	189,567
Sanitation	1,775
Culture and recreation	24,548
Total depreciation expense	<u>\$ 313,079</u>

**III.B. Liabilities**

**III.B.1 Intergovernmental Payables**

The amount due to other governments at December 31, 2014 consists of the balance of the 2014-2015 district assessment due to the Contoocook Valley Regional School District in the amount of \$1,475,702, and \$329 due to the State of New Hampshire for fees collected.

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

On June 20, 2014, the Town issued \$400,000 in a grant anticipation note to finance the capital improvement project approved by the 2014 Town meeting. The note had an interest rate of 1.59%, and had a maturity date of December 1, 2014. The Town paid the note on November 7, 2014. The Town also paid \$2,844 in interest costs on this note.

**III.B.3 Long-Term Debt**

Long-term debt currently outstanding is as follows:

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at 12/31/2014	Current Portion
General obligation bonds payable:						
Land purchase	\$ 985,745	2007	2026	4.56	\$ 585,000	\$ 50,000
Unamortized bond premium					8,551	713
Compensated absences payable:						
Accrued vacation leave					10,686	-
Accrued landfill postclosure care costs					17,010	1,890
					<u>\$ 621,247</u>	<u>\$ 52,603</u>

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*Changes in Long-Term Liabilities*

The following is a summary of changes in long-term liabilities for the year ended December 31, 2014:

	General Obligation Bonds Payable	Unamortized Bond Premium	Compensated Absences Payable	Accrued Landfill Postclosure Care Costs	Total
Balance, beginning	\$ 635,000	\$ 9,264	\$ 7,416	\$ 18,800	\$ 670,480
Additions	-	-	3,270	-	3,270
Reductions	(50,000)	(713)	-	(1,790)	(52,503)
Balance, ending	<u>\$ 585,000</u>	<u>\$ 8,551</u>	<u>\$ 10,686</u>	<u>\$ 17,010</u>	<u>\$ 621,247</u>

*Debt Service Requirements to Maturity*

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

Fiscal Year Ending December 31,	Principal	Interest	Total
2015	\$ 50,000	\$ 27,827	\$ 77,827
2016	50,000	25,327	75,327
2017	50,000	22,827	72,827
2018	50,000	20,327	70,327
2019	50,000	18,077	68,077
2020-2024	245,000	55,386	300,386
2025-2026	90,000	6,412	96,412
Totals	<u>\$ 585,000</u>	<u>\$ 176,183</u>	<u>\$ 761,183</u>

Bonds and notes authorized and unissued as of December 31, 2014 were as follow:

Per Town Meeting Vote of	Purpose	Unissued Amount
March 15, 2014	Town Hall Restoration	\$ 350,000

**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

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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>
General	Expendable trust	\$ 1,266
General	Nonmajor	1,641
Nonmajor	General	3,880
Nonmajor	Expendable trust	11,416
		<u>\$ 18,203</u>

The amount due to the General Fund from the Expendable Trust Fund of \$1,266 represents a repayment made from the Master Plan Capital Reserve, and the amount due to the General Fund from the Nonmajor 2013 Bridge Capital Project of \$1,641 represents repayment for expenditures made on behalf of the bridge replacement. The amount due to the nonmajor funds from the General Fund of \$3,880 represents land use change tax due to the Conservation Commission Fund, and the amount due from the Expendable Trust Fund to the nonmajor 2013 Bridge Capital Project Fund of \$11,416 represents reimbursement of payments made for the bridge replacement.

**III.C.2. Transfers**

Transfers within the reporting entity are for the purposes of moving monies voted by 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:

	<u>Transfers In:</u>				<u>Total</u>
	<u>General Fund</u>	<u>Expendable Trust Fund</u>	<u>2012 Bridge Project Fund</u>	<u>Nonmajor Funds</u>	
Transfers out:					
General fund	\$ -	\$ 489,400	\$ -	\$ -	\$ 489,400
Expendable trust fund	220,553	-	98,096	122,125	440,774
	<u>\$ 220,553</u>	<u>\$ 489,400</u>	<u>\$ 98,096</u>	<u>\$ 122,125</u>	<u>\$ 930,174</u>

The amount transferred to the Expendable Trust Fund from the General Fund, and the amount from the Expendable Trust Fund to the General Fund represent voted appropriations. The amount transferred from the Expendable Trust Fund to the major 2012 Bridge Capital Project Fund and to the nonmajor 2013 Bridge Capital Project Fund also represent voted amounts. The amount transferred from the Expendable Trust Fund to the nonmajor Conservation Commission represents reimbursement of conservation expenditures.

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**III.D. Fund Equity**

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

	General Fund	Expendable Trust Fund	Nonmajor Funds
Nonspendable:			
Endowments	\$ -	\$ -	\$ 44,949
Tax deeded property	5,167	-	-
Total nonspendable	<u>5,167</u>	<u>-</u>	<u>44,949</u>
Restricted:			
General government	-	-	11,936
Culture and recreation	-	-	65,092
Total restricted	<u>-</u>	<u>-</u>	<u>77,028</u>
Committed:			
General government	-	-	56,299
Conservation	-	-	18,870
Capital outlay	-	951,957	-
Total committed	<u>-</u>	<u>951,957</u>	<u>75,169</u>
Assigned for Capital Outlay	<u>13,677</u>	<u>-</u>	<u>-</u>
Unassigned	<u>677,143</u>	<u>-</u>	<u>-</u>
Total fund balance	<u>\$ 695,987</u>	<u>\$ 951,957</u>	<u>\$ 197,146</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.

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 were provided from January 1 through December 31. Property and liability coverage are subject to the limits of NH RSA 507-B, and the workers' compensation coverage meets statutory requirements.

Contributions paid in 2014 to be recorded as an insurance expenditure/expense totaled \$28,545 for property/liability and \$11,412 for workers' compensation. There were no unpaid contributions for the year ended December 31, 2014. 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.

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**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 rates of contribution for police officers and other employees were 11.55% and 7%, respectively. The rates of contribution for pension and the medical subsidy by the Town were 25.30% for police, and 10.77% for other employees. Employer contributions from the Town during the years 2012, 2013, and 2014 were \$26,775, \$33,878, and \$35,467 respectively. The amounts are paid on a monthly basis as due.

**COMBINING NONMAJOR AND INDIVIDUAL GENERAL FUND SCHEDULES**

**EXHIBIT 8**  
**TOWN OF FRANCESTOWN, NEW HAMPSHIRE**  
**Nonmajor Governmental Funds**  
**Combining Balance Sheet**  
**December 31, 2014**

	Special Revenue Funds			Capital Project Fund	Permanent Fund	Total
	George Bixby Memorial Library	Heritage Commission	Conservation Commission	2013 Bridge Project		
<b>ASSETS</b>						
Cash and cash equivalents	\$ 16,824	\$ 56,299	\$ 14,990	\$ -	\$ 9,563	\$ 97,676
Investments	48,268	-	-	-	47,322	95,590
Interfund receivable	-	-	3,880	11,416	-	15,296
Total assets	\$ 65,092	\$ 56,299	\$ 18,870	\$ 11,416	\$ 56,885	\$ 208,562
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable	\$ -	\$ -	\$ -	\$ 9,775	\$ -	\$ 9,775
Interfund payable	-	-	-	1,641	-	1,641
Total liabilities	-	-	-	11,416	-	11,416
Fund balances:						
Nonspendable	-	-	-	-	44,949	44,949
Restricted	65,092	-	-	-	11,936	77,028
Committed	-	56,299	18,870	-	-	75,169
Total fund balances	65,092	56,299	18,870	-	56,885	197,146
Total liabilities and fund balances	\$ 65,092	\$ 56,299	\$ 18,870	\$ 11,416	\$ 56,885	\$ 208,562

**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, 2014**

	Special Revenue Funds			Capital Project Fund	Permanent Fund	Total
	George Bixby Memorial Library	Heritage Commission	Conservation Commission	2013 Bridge Project		
<b>REVENUES</b>						
Intergovernmental	\$ -	\$ 3,000	\$ 5,399	\$ -	\$ -	\$ 8,399
Miscellaneous	5,466	28,760	123	-	4,073	38,422
Total revenues	<u>5,466</u>	<u>31,760</u>	<u>5,522</u>	<u>-</u>	<u>4,073</u>	<u>46,821</u>
<b>EXPENDITURES</b>						
Current:						
General government	-	2,424	-	-	500	2,924
Culture and recreation	14,655	-	-	-	32	14,687
Conservation	-	-	31,214	-	-	31,214
Capital outlay	-	-	-	121,225	-	121,225
Total expenditures	<u>14,655</u>	<u>2,424</u>	<u>31,214</u>	<u>121,225</u>	<u>532</u>	<u>170,050</u>
Excess (deficiency) of revenues over (under) expenditures	(9,189)	29,336	(25,692)	(121,225)	3,541	(123,229)
Other financing sources:						
Transfers in	-	-	900	121,225	-	122,125
Net change in fund balances	(9,189)	29,336	(24,792)	-	3,541	(1,104)
Fund balances, beginning	74,281	26,963	43,662	-	53,344	198,250
Fund balances, ending	<u>\$ 65,092</u>	<u>\$ 56,299</u>	<u>\$ 18,870</u>	<u>\$ -</u>	<u>\$ 56,885</u>	<u>\$ 197,146</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, 2014**

	Estimated	Actual	Variance Positive (Negative)
<b>Taxes:</b>			
Property	\$ 1,444,676	\$ 1,505,201	\$ 60,525
Timber	10,000	9,700	(300)
Excavation	-	61	61
Interest and penalties on delinquent taxes	30,000	53,150	23,150
<b>Total taxes</b>	<b>1,484,676</b>	<b>1,568,112</b>	<b>83,436</b>
<b>Licenses, permits and fees:</b>			
Business licenses and permits	-	25	25
Motor vehicle permits	235,000	266,337	31,337
Building permits	4,000	7,334	3,334
Other	24,000	24,866	866
<b>Total licenses, permits and fees</b>	<b>263,000</b>	<b>298,562</b>	<b>35,562</b>
<b>Intergovernmental:</b>			
State sources:			
Meals and rooms distributions	75,402	75,402	-
Highway block grant	81,824	82,118	294
Mooseplate grant	8,608	10,000	1,392
Milfoil grant	-	6,579	6,579
Forest fire grant	-	850	850
<b>Total intergovernmental</b>	<b>165,834</b>	<b>174,949</b>	<b>8,265</b>
<b>Charges for services:</b>			
Income from departments	22,000	25,304	3,304
<b>Miscellaneous:</b>			
Sale of property	-	26,807	26,807
Interest on investments	-	1,470	1,470
Rent	5,000	3,900	(1,100)
Insurance dividends and reimbursements	-	15,336	15,336
Other	-	(1,319)	(1,319)
<b>Total miscellaneous</b>	<b>5,000</b>	<b>46,194</b>	<b>41,194</b>
<b>Other financing sources:</b>			
Transfers in:			
Expendable trust fund	243,000	220,553	(22,447)
<b>Total revenues and other financing sources</b>	<b>2,183,510</b>	<b>\$ 2,333,674</b>	<b>\$ 150,164</b>
Use of fund balance to reduce taxes	259,680		
<b>Total revenues, other financing sources and use of fund balance</b>	<b>\$ 2,443,190</b>		

**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, 2014**

	<u>Appropriations</u>	<u>Expenditures</u>	<u>Encumbered to Subsequent Year</u>	<u>Variance Positive (Negative)</u>
<b>Current:</b>				
<b>General government:</b>				
Executive	\$ 88,475	\$ 89,627	\$ -	\$ (1,152)
Election and registration	44,000	40,846	-	3,154
Financial administration	40,475	38,038	-	2,437
Revaluation of property	35,350	31,883	-	3,467
Legal	43,500	24,938	-	18,562
Personnel administration	176,750	168,248	-	8,502
Planning and zoning	6,500	3,346	-	3,154
General government buildings	70,500	67,391	-	3,109
Cemeteries	13,000	11,597	-	1,403
Insurance, not otherwise allocated	28,545	28,545	-	-
Advertising and regional associations	2,400	2,376	-	24
<b>Total general government</b>	<u>549,495</u>	<u>506,835</u>	<u>-</u>	<u>42,660</u>
<b>Public safety:</b>				
Police	145,800	138,928	-	6,872
Ambulance	13,500	13,436	-	64
Fire	57,650	57,279	-	371
Building inspection	4,700	5,134	-	(434)
Emergency management	500	184	-	316
<b>Total public safety</b>	<u>222,150</u>	<u>214,961</u>	<u>-</u>	<u>7,189</u>
<b>Highways and streets:</b>				
Highways and streets	420,500	399,221	-	21,279
Bridges	8,500	6,397	-	2,103
Street lighting	3,400	3,436	-	(36)
Other	75,000	74,581	-	419
<b>Total highways and streets</b>	<u>507,400</u>	<u>483,635</u>	<u>-</u>	<u>23,765</u>
<b>Sanitation:</b>				
Solid waste disposal	106,050	110,723	-	(4,673)
Solid waste clean-up	2,500	1,482	-	1,018
<b>Total sanitation</b>	<u>108,550</u>	<u>112,205</u>	<u>-</u>	<u>(3,655)</u>
<b>Health:</b>				
Health agencies and hospitals	8,270	8,190	-	80
Welfare	26,200	6,149	-	20,051

(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, 2014**

	<u>Appropriations</u>	<u>Expenditures</u>	<u>Encumbered to Subsequent Year</u>	<u>Variance Positive (Negative)</u>
<b>Culture and recreation:</b>				
Parks and recreation	32,100	29,375	-	2,725
Public library	73,855	73,202	-	653
Patriotic purposes	1,000	989	-	11
Total culture and recreation	<u>106,955</u>	<u>103,566</u>	<u>-</u>	<u>3,389</u>
<b>Conservation:</b>				
Administration	1,320	537	-	783
Other	19,520	18,922	-	598
Total conservation	<u>20,840</u>	<u>19,459</u>	<u>-</u>	<u>1,381</u>
<b>Debt service:</b>				
Principal	50,000	50,000	-	-
Interest on long-term debt	30,329	30,328	-	1
Interest on tax anticipation note	7,001	5,594	-	1,407
Total debt service	<u>87,330</u>	<u>85,922</u>	<u>-</u>	<u>1,408</u>
<b>Capital outlay:</b>				
Machinery, vehicles and equipment	111,600	93,591	1,800	16,209
Buildings	95,000	79,711	11,877	3,412
Improvements other than buildings	110,000	105,102	-	4,898
Total capital outlay	<u>316,600</u>	<u>278,404</u>	<u>13,677</u>	<u>24,519</u>
<b>Other financing uses:</b>				
Transfers out:				
Expendable trust funds	489,400	489,400	-	-
<b>Total appropriations, expenditures, encumbrances and other financing uses</b>	<u>\$ 2,443,190</u>	<u>\$ 2,308,726</u>	<u>\$ 13,677</u>	<u>\$ 120,787</u>

**EXHIBIT 12**  
**TOWN OF FRANCESTOWN, NEW HAMPSHIRE**  
**General Fund**  
**Schedule of Changes in Unassigned Fund Balance (Non-GAAP Budgetary Basis)**  
**For the Year Ended December 31, 2014**

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Unassigned fund balance, beginning		\$	1,035,872
Changes:			
Unassigned fund balance used to reduce tax rate			(259,680)
Budget summary:			
Revenue surplus (Exhibit 10)	\$	150,164	
Unexpended balance of appropriations (Exhibit 11)		120,787	
Budget surplus			270,951
Unassigned fund balance, ending		\$	1,047,143



# Roberts & Greene, PLLC

## INDEPENDENT AUDITOR'S REPORT TO MANAGEMENT

To the Members of the Board of Selectmen  
Town of Frankestown  
Frankestown, 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 Frankestown as of and for the year ended December 31, 2014, 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 audit procedures that are appropriate in the circumstances 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

However, we would like to communicate the following matter:

The Town is currently reporting sixteen outstanding checks on its cash reconciliation that are over one year old. There are no procedures in place for the Treasurer and Town employees to follow regarding the proper disposition of these checks. We recommend that the Town implement a policy to address steps to take with stale dated checks. We recommend as part of the policy that the Town clear up any checks that are stale dated, on an annual basis as part of year-end procedures. Steps should be taken to make sure that there are no existing liabilities to vendors related to outstanding vendor checks, and that efforts have been made to reissue payroll checks when necessary.

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

April 10, 2015

*Roberts & Greene, PLLC*