

TOWN OF FRANCESTOWN, NEW HAMPSHIRE

ANNUAL FINANCIAL REPORT

AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2012

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Roberts & Greene, PLLC

INDEPENDENT AUDITOR'S REPORT

To the Members of the Board of Selectmen
Town of Frankestown
Frankestown, 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 Frankestown, New Hampshire as of and for the year ended December 31, 2012, which collectively comprise the Town's basic financial statements as listed in the table of contents, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, 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, 2012, 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

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 23 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational and economic context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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.

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 financial schedules, are presented for purposes of additional analysis and are not a required part of the financial statements. The combining nonmajor and individual general fund financial schedules 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 1, 2013

Roberts & Aceme, PLLC

BASIC FINANCIAL STATEMENTS

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

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 2,360,687
Investments	745,838
Receivables, net of allowance for uncollectibles	418,987
Tax deeded property	10,908
Capital assets, not being depreciated:	
Land	3,386,858
Construction in progress	31,346
Capital assets, net of accumulated depreciation:	
Land improvements	25,046
Buildings and building improvements	1,434,454
Machinery, vehicles and equipment	984,133
Infrastructure	1,627,865
Total assets	11,026,122
LIABILITIES	
Accounts payable	71,173
Accrued payroll and benefits	1,649
Accrued interest payable	12,310
Intergovernmental payable	1,439,548
Retainage payable	2,950
Unearned revenue	8,137
Performance and escrow deposits	4,000
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	635,000
Unamortized bond premium	9,264
Compensated absences	5,891
Accrued landfill postclosure care costs	7,500
Total liabilities	2,248,885
NET POSITION	
Net investment in capital assets	6,794,725
Restricted for:	
Perpetual care:	
Nonexpendable	44,599
Expendable	9,228
Other purposes	64,298
Unrestricted	1,864,387
Total net position	\$ 8,777,237

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, 2012

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental activities:				
General government	\$ 464,338	\$ 916	\$ -	\$ (463,422)
Public safety	288,235	1,154	-	(287,081)
Highways and streets	606,755	-	84,355	(522,400)
Sanitation	111,351	22,358	-	(88,993)
Health	7,835	-	-	(7,835)
Welfare	19,142	-	-	(19,142)
Culture and recreation	128,077	2,211	-	(125,866)
Conservation	20,802	-	-	(20,802)
Interest on long-term debt	33,677	-	-	(33,677)
Capital outlay	14,739	-	-	(14,739)
Total governmental activities	<u>\$ 1,694,951</u>	<u>\$ 26,639</u>	<u>\$ 84,355</u>	<u>(1,583,957)</u>
General revenues:				
Property taxes				1,412,792
Other taxes				66,164
Licenses and permits				267,010
Grants and contributions not restricted to specific programs				86,721
Miscellaneous				101,849
Total general revenues				<u>1,934,536</u>
Change in net position				350,579
Net position, beginning, as restated, see Note III.E.				<u>8,426,658</u>
Net position, ending				<u>\$ 8,777,237</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, 2012

	General	Expendable Trust	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 1,811,753	\$ 505,478	\$ 43,456	\$ 2,360,687
Investments	5,918	589,281	150,639	745,838
Receivables, net of allowance for uncollectibles:				
Taxes	409,488	-	-	409,488
Accounts	9,499	-	-	9,499
Interfund receivable	19,603	-	23,108	42,711
Tax deeded property held for resale	10,908	-	-	10,908
Total assets	<u>\$ 2,267,169</u>	<u>\$ 1,094,759</u>	<u>\$ 217,203</u>	<u>\$ 3,579,131</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 68,873	\$ -	\$ 2,300	\$ 71,173
Accrued salaries and benefits	1,649	-	-	1,649
Intergovernmental payable	1,439,548	-	-	1,439,548
Retainage payable	2,950	-	-	2,950
Interfund payable	4,155	21,903	16,653	42,711
Deferred revenue	341,137	-	-	341,137
Escrow and performance deposits	4,000	-	-	4,000
Total liabilities	<u>1,862,312</u>	<u>21,903</u>	<u>18,953</u>	<u>1,903,168</u>
Fund balances:				
Nonspendable	10,908	-	44,599	55,507
Restricted	-	-	73,526	73,526
Committed	-	1,072,856	80,125	1,152,981
Assigned	48,400	-	-	48,400
Unassigned	345,549	-	-	345,549
Total fund balances	<u>404,857</u>	<u>1,072,856</u>	<u>198,250</u>	<u>1,675,963</u>
Total liabilities and fund balances	<u>\$ 2,267,169</u>	<u>\$ 1,094,759</u>	<u>\$ 217,203</u>	<u>\$ 3,579,131</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, 2012

Total fund balances of governmental funds (Exhibit 3)		\$ 1,675,963
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	\$ 9,324,875	
Less accumulated depreciation	<u>(1,835,173)</u>	7,489,702
Interfund receivables and payables between governmental funds are eliminated on the statement of net position.		
Receivables	\$ (42,711)	
Payables	<u>42,711</u>	-
Long-term revenues are not available to pay for current period expenditures and, therefore, are deferred in the funds.		
Deferred tax revenue		333,000
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(12,310)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Bond outstanding	\$ 685,000	
Unamortized bond premium	9,977	
Compensated absences payable	5,891	
Accrued landfill postclosure care costs	<u>8,250</u>	<u>(709,118)</u>
Total net position of governmental activities (Exhibit 1)		<u><u>\$ 8,777,237</u></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, 2012

	General	Expendable Trust	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 1,452,206	\$ -	\$ 7,750	\$ 1,459,956
Licenses, permits and fees	267,010	-	-	267,010
Intergovernmental	171,076	-	-	171,076
Charges for services	26,639	-	-	26,639
Miscellaneous	32,247	9,281	60,321	101,849
Total revenues	<u>1,949,178</u>	<u>9,281</u>	<u>68,071</u>	<u>2,026,530</u>
Expenditures:				
Current:				
General government	428,244	2,368	13,740	444,352
Public safety	220,498	-	-	220,498
Highways and streets	465,541	-	-	465,541
Sanitation	110,326	-	-	110,326
Health	7,835	-	-	7,835
Welfare	19,142	-	-	19,142
Culture and recreation	92,969	-	10,560	103,529
Conservation	905	-	19,897	20,802
Debt service:				
Principal	50,000	-	-	50,000
Interest	35,328	-	-	35,328
Capital outlay	251,105	-	31,346	282,451
Total expenditures	<u>1,681,893</u>	<u>2,368</u>	<u>75,543</u>	<u>1,759,804</u>
Excess (deficiency) of revenues over (under) expenditures	<u>267,285</u>	<u>6,913</u>	<u>(7,472)</u>	<u>266,726</u>
Other financing sources (uses):				
Transfers in	233,380	342,600	31,823	607,803
Transfers out	(342,600)	(265,203)	-	(607,803)
Total other financing sources and uses	<u>(109,220)</u>	<u>77,397</u>	<u>31,823</u>	<u>-</u>
Net change in fund balances	158,065	84,310	24,351	266,726
Fund balances, beginning, as restated, see Note III.E.	246,792	988,546	173,899	1,409,237
Fund balances, ending	<u>\$ 404,857</u>	<u>\$ 1,072,856</u>	<u>\$ 198,250</u>	<u>\$ 1,675,963</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, 2012

Net change in fund balances of governmental funds (Exhibit 5)		\$ 266,726
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	\$ 267,712	
Depreciation expense	<u>(257,721)</u>	9,991
Transfers in and out between governmental funds are eliminated on the operating statement.		
Transfers in	\$ (607,803)	
Transfers out	<u>607,803</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		19,000
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	\$ 938	
Decrease in compensated absences payable	2,461	
Decrease in accrued landfill postclosure care costs	<u>750</u>	4,149
Change in net position of governmental activities (Exhibit 2)		<u><u>\$ 350,579</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, 2012**

I. Summary of Significant Accounting Principles

I.A. Introduction

The accounting and reporting framework and the more significant accounting principles and practices of the Town of 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, 2012.

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 that date.

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.

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 where both principal and income can be used to support Town capital outlay purposes.

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The Town also reports five 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

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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. Fund Equity

The government-wide statement of net position reports net assets 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, nonexpendable, which consists of the principal of endowments in the permanent funds that must be permanently invested.
- Restricted, expendable, which consists of the income earned on nonexpendable endowments that is reported in the permanent funds.
- Unrestricted, which consists of the remaining net position.

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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 vote, or by the Board of Selectmen.
- Assigned, which consists of encumbrances for which the intended use is established by the Board of Selectmen.
- 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. Unless encumbered, all appropriations lapse at year-end. The Town is allowed to use beginning fund balance to balance the budget. In 2012, \$49,400 of the unassigned fund balance from 2011 was used.

Encumbrance accounting is employed by the governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as 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.

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 that addresses custodial credit risk. As of December 31, 2012, \$668,725 of the Town of Frankestown’s bank balances of \$2,390,252 was exposed to custodial credit risk as uninsured and uncollateralized.

As of December 31, 2012, the Town had the following investments:

Certificates of Deposit	\$ 671,700
Mutual Funds	53,148
Common Stock	20,990
	<u>\$ 745,838</u>

Investment Risks

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

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

Custodial Credit Risk is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities in the possession of an outside party. Of the Town’s \$745,838 of investments, \$68,219 had exposure to custodial credit risk because the related securities are uninsured and uncollateralized.

**TOWN OF FRANCESTOWN, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
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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 2011 property taxes on April 11th.

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.

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

For the New Hampshire education tax	\$ 208,447,504
For all other taxes	\$ 211,467,604

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

	Per \$1,000 of Assessed Valuation	
Municipal portion	\$6.84	\$ 1,447,328
School portion:		
State of New Hampshire	\$2.23	464,528
Local	\$11.47	2,424,741
County portion	\$1.07	226,482
Total property taxes assessed		\$ 4,563,079

**TOWN OF FRANCESTOWN, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
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The following details the taxes receivable at year-end:

Property:		
Levy of 2012	\$	323,071
Unredeemed (under tax lien):		
Levy of 2011		57,409
Levy of 2010		37,921
Land use change		8,000
Timber		3,087
Less: allowance for estimated uncollectible taxes		(20,000)
Net taxes receivable	<u>\$</u>	<u>409,488</u>

Deferred Revenue

Deferred revenue of \$341,137 at December 31, 2012 represents \$333,000 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 \$638 of prepayments on 2013 property taxes.

The notes continue on the following page.

TOWN OF FRANCESTOWN, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
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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>Balance, ending</u>
Governmental activities:			
At cost:			
Not being depreciated:			
Land	\$ 3,386,858	\$ -	\$ 3,386,858
Construction in progress	-	31,346	31,346
Total capital assets not being depreciated	<u>3,386,858</u>	<u>31,346</u>	<u>3,418,204</u>
Being depreciated:			
Land improvements	45,830	7,800	53,630
Buildings and building improvements	2,116,378	44,479	2,160,857
Machinery, vehicles and equipment	1,962,547	10,825	1,973,372
Infrastructure	1,545,550	173,262	1,718,812
Total capital assets being depreciated	<u>5,670,305</u>	<u>236,366</u>	<u>5,906,671</u>
Total all capital assets	<u>9,057,163</u>	<u>267,712</u>	<u>9,324,875</u>
Less accumulated depreciation:			
Land improvements	(23,221)	(5,363)	(28,584)
Buildings and building improvements	(653,263)	(73,140)	(726,403)
Machinery, vehicles and equipment	(849,012)	(140,227)	(989,239)
Infrastructure	(51,956)	(38,991)	(90,947)
Total accumulated depreciation	<u>(1,577,452)</u>	<u>(257,721)</u>	<u>(1,835,173)</u>
Net book value, capital assets being depreciated	<u>4,092,853</u>	<u>(21,355)</u>	<u>4,071,498</u>
Net book value, all capital assets	<u>\$ 7,479,711</u>	<u>\$ 9,991</u>	<u>\$ 7,489,702</u>

Depreciation Expense

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

General government	\$ 19,986
Public safety	68,535
Highways and streets	142,877
Sanitation	1,775
Culture and recreation	24,548
Total depreciation expense	<u>\$ 257,721</u>

TOWN OF FRANCESTOWN, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
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III.A.4. Restricted Net Assets

The government-wide statement of net position includes restricted net assets of \$114,125 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, 2012 consists of the balance of the 2012-2013 district assessment due to the Contoocook Valley Regional School District in the amount of \$1,439,032, and \$516 related to state fees.

III.B.2 Long-Term Debt

Long-term debt currently outstanding is as follows:

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at 12/31/2012	Current Portion
General obligation bonds payable:						
Land purchase	\$ 785,000	2007	2026	4.56	\$ 685,000	\$ 50,000
Unamortized bond premium					9,977	713
Compensated absences payable:						
Accrued vacation leave					5,891	-
Accrued landfill postclosure care costs					8,250	750
					<u>\$ 709,118</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, 2012:

	General Obligation Bonds Payable	Unamortized Bond Premium	Compensated Absences Payable	Accrued Landfill Postclosure Care Costs	Total
Balance, beginning	\$ 735,000	\$ 10,690	\$ 8,352	\$ 9,000	\$ 763,042
Reductions	(50,000)	(713)	(2,461)	(750)	(53,924)
Balance, ending	<u>\$ 685,000</u>	<u>\$ 9,977</u>	<u>\$ 5,891</u>	<u>\$ 8,250</u>	<u>\$ 709,118</u>

**TOWN OF FRANCESTOWN, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
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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>
2013	\$ 50,000	\$ 32,827	\$ 82,827
2014	50,000	30,928	80,928
2015	50,000	27,827	77,827
2016	50,000	25,327	75,327
2017	50,000	22,827	72,827
2018-2022	250,000	78,698	328,698
2023-2026	<u>185,000</u>	<u>21,504</u>	<u>206,504</u>
Totals	<u>\$ 685,000</u>	<u>\$ 239,938</u>	<u>\$ 924,938</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>
General	Expendable Trust	\$ 2,950
General	Nonmajor	16,653
Nonmajor	General	4,155
Nonmajor	Expendable Trust	18,953
		<u>\$ 42,711</u>

The amount due to the General Fund represents an overdraft of pooled cash and an amount from the Expendable Trust. The amount due from the Expendable Trust Fund to the nonmajor 2012 Bridge Capital Project Fund of \$18,593 represents reimbursement of payments made for the bridge replacement, and the amount due to the nonmajor funds from the General Fund of \$4,155 represents land use change tax to be remitted to the Conservation Commission Fund and a reimbursement to the Heritage Commission.

TOWN OF FRANCESTOWN, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
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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:

	Transfers In:			Total
	General Fund	Expendable Trust Fund	Nonmajor Funds	
Transfers out:				
General fund	\$ -	\$ 342,600	\$ -	\$ 342,600
Expendable trust fund	233,380	-	31,823	265,203
	<u>\$ 233,380</u>	<u>\$ 342,600</u>	<u>\$ 31,823</u>	<u>\$ 607,803</u>

The amount transferred to the Expendable Trust from the General Fund, and the amount from the Expendable Trust Funds to the General Fund represent voted appropriations. The amount transferred from the Expendable Trust Funds to the nonmajor Bridge Capital Project Fund also represents a voted amount.

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	Total
Nonspendable:				
Endowments	\$ -	\$ -	\$ 44,599	\$ 44,599
Tax deeded property	10,908	-	-	10,908
Total nonspendable	<u>10,908</u>	<u>-</u>	<u>44,599</u>	<u>55,507</u>
Restricted:				
Culture and recreation	-	-	73,526	73,526
Committed:				
General government	-	1,072,856	-	1,072,856
Culture and recreation	-	-	21,169	21,169
Conservation	-	-	58,956	58,956
Total committed	<u>-</u>	<u>1,072,856</u>	<u>80,125</u>	<u>1,152,981</u>
Assigned:				
General government	48,400	-	-	48,400
Unassigned	345,549	-	-	345,549
Total fund balance	<u>\$ 404,857</u>	<u>\$ 1,072,856</u>	<u>\$ 198,250</u>	<u>\$ 1,675,963</u>

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

III.E. Restatement

Net position/fund balances at January 1, 2012 were restated to reflect the following adjustments:

	Governmental Activities	Expendable Trust Fund	Nonmajor Funds
Adjustment to remove prior year's accounts receivable/payable	\$ -	\$ (2,505)	\$ 2,505
Adjustment to add beginning balance of library investment account	2,530	-	2,530
Net position/fund balance, as previously reported	8,424,128	991,051	168,864
Net position/fund balance, as restated	<u>\$ 8,426,658</u>	<u>\$ 988,546</u>	<u>\$ 173,899</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. Primex retained \$1,000,000 of each workers' compensation loss, \$500,000 of each liability loss, and \$200,000 of each property loss.

Contributions paid in 2012 to be recorded as an insurance expenditure/expense totaled \$24,933 for property/liability and \$9,784 for workers' compensation. There were no unpaid contributions for the year ended December 31, 2012. 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.

TOWN OF FRANCESTOWN, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
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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 and other employees was 11.55% and 7%, respectively. The rate of contribution for pension and the medical subsidy by the Town was 19.95% for police and 8.80% for other employees. Employer contributions from the Town during the years 2010, 2011, and 2012 were \$20,950, \$24,046, and \$26,775 respectively. The amounts are paid on a monthly basis as due.

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, 2012

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Taxes	\$ 1,396,881	\$ 1,396,881	\$ 1,471,206	\$ 74,325
Licenses, permits and fees	227,000	227,000	267,010	40,010
Intergovernmental	1,118,260	158,260	171,076	12,816
Charges for services	30,000	30,000	26,639	(3,361)
Miscellaneous	-	-	32,247	32,247
Total revenues	<u>2,772,141</u>	<u>1,812,141</u>	<u>1,968,178</u>	<u>156,037</u>
EXPENDITURES				
Current:				
General government	444,459	444,459	428,244	16,215
Public safety	217,814	217,814	220,498	(2,684)
Highways and streets	503,525	503,525	465,541	37,984
Sanitation	113,535	113,535	110,326	3,209
Health	7,835	7,835	7,835	-
Welfare	26,126	26,126	19,142	6,984
Culture and recreation	101,215	101,215	92,969	8,246
Conservation	1,375	1,375	905	470
Debt service:				
Principal of long-term debt	50,000	50,000	50,000	-
Interest on long-term debt	35,328	35,328	35,328	-
Interest on tax anticipation notes	1	1	-	1
Capital outlay	1,507,728	307,728	299,505	8,223
Total expenditures	<u>3,008,941</u>	<u>1,808,941</u>	<u>1,730,293</u>	<u>78,648</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(236,800)</u>	<u>3,200</u>	<u>237,885</u>	<u>234,685</u>
Other financing sources (uses):				
Transfers in	530,000	290,000	233,380	(56,620)
Transfers out	(342,600)	(342,600)	(342,600)	-
Total other financing sources and uses	<u>187,400</u>	<u>(52,600)</u>	<u>(109,220)</u>	<u>(56,620)</u>
Net change in fund balance	<u>\$ (49,400)</u>	<u>\$ (49,400)</u>	128,665	<u>\$ 178,065</u>
Increase in nonspendable fund balance			(5,741)	
Unassigned fund balance, beginning			555,625	
Unassigned fund balance, ending			<u>\$ 678,549</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, 2011**

Reconciliation of Budgetary Basis to GAAP

General Fund:

Revenues and other financing sources:	
Per Exhibit 7 (budgetary basis)	\$ 2,201,558
Adjustments:	
Basis difference:	
Tax revenue deferred in the prior year	314,000
Tax revenue deferred in the current year	<u>(333,000)</u>
Per Exhibit 5 (GAAP basis)	<u><u>\$ 2,182,558</u></u>
 Expenditures and other financing uses:	
Per Exhibit 7 (budgetary basis)	\$ 2,072,893
Adjustments:	
Basis difference:	
Encumbrances, ending	<u>(48,400)</u>
Per Exhibit 5 (GAAP basis)	<u><u>\$ 2,024,493</u></u>
 Fund balances:	
Per Exhibit 7 (budgetary basis)	\$ 678,549
Adjustments:	
Basis difference:	
Deferred tax revenue, GAAP basis	<u>(333,000)</u>
Per Exhibit 3 (GAAP basis)	<u><u>\$ 345,549</u></u>

The major Capital Project Fund (Expendable Trust) is not budgeted. A project length budget was adopted for the Bridge Capital Project. There is no difference between the budget and GAAP basis for this fund.

COMBINING NONMAJOR FUND AND INDIVIDUAL GENERAL FUND SCHEDULES

EXHIBIT 8
TOWN OF FRANCESTOWN, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2012

	Special Revenue Funds			Capital Project Fund	Permanent Funds	Total
	George Bixby Memorial Library	Heritage Commission	Conservation Commission	2012 Bridge Project		
ASSETS						
Cash and cash equivalents	\$ 13,214	\$ 21,014	\$ -	\$ -	\$ 9,228	\$ 43,456
Investments	51,084	-	54,956	-	44,599	150,639
Interfund receivable	-	155	4,000	18,953	-	23,108
Total assets	<u>\$ 64,298</u>	<u>\$ 21,169</u>	<u>\$ 58,956</u>	<u>\$ 18,953</u>	<u>\$ 53,827</u>	<u>\$ 217,203</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ -	\$ -	\$ -	\$ 2,300	\$ -	\$ 2,300
Interfund payable	-	-	-	16,653	-	16,653
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,953</u>	<u>-</u>	<u>18,953</u>
Fund balances:						
Nonspendable	-	-	-	-	44,599	44,599
Restricted	64,298	-	-	-	9,228	73,526
Committed	-	21,169	58,956	-	-	80,125
Total fund balances	<u>64,298</u>	<u>21,169</u>	<u>58,956</u>	<u>-</u>	<u>53,827</u>	<u>198,250</u>
Total liabilities and fund balances	<u>\$ 64,298</u>	<u>\$ 21,169</u>	<u>\$ 58,956</u>	<u>\$ 18,953</u>	<u>\$ 53,827</u>	<u>\$ 217,203</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, 2012

	Special Revenue Funds			Capital Project Fund	Permanent Funds	Total
	George Bixby Memorial Library	Heritage Commission	Conservation Commission	2012 Bridge Project		
REVENUES						
Taxes	\$ -	\$ -	\$ 7,750	\$ -	\$ -	\$ 7,750
Miscellaneous	5,235	34,113	20,628	-	345	60,321
Total revenues	<u>5,235</u>	<u>34,113</u>	<u>28,378</u>	<u>-</u>	<u>345</u>	<u>68,071</u>
EXPENDITURES						
Current:						
General government	-	13,740	-	-	-	13,740
Culture and recreation	10,522	-	-	-	38	10,560
Conservation	-	-	19,897	-	-	19,897
Capital outlay	-	-	-	31,346	-	31,346
Total expenditures	<u>10,522</u>	<u>13,740</u>	<u>19,897</u>	<u>31,346</u>	<u>38</u>	<u>75,543</u>
Excess (deficiency) of revenues over (under) expenditures	(5,287)	20,373	8,481	(31,346)	307	(7,472)
Other financing sources:						
Transfers in	-	-	-	31,346	477	31,823
Net change in fund balances	(5,287)	20,373	8,481	-	784	24,351
Fund balances, beginning, as restated, see Note III.E.	69,585	796	50,475	-	53,043	173,899
Fund balances, ending	<u>\$ 64,298</u>	<u>\$ 21,169</u>	<u>\$ 58,956</u>	<u>\$ -</u>	<u>\$ 53,827</u>	<u>\$ 198,250</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, 2012

	Estimated	Actual	Variance Positive (Negative)
Taxes:			
Property	\$ 1,363,881	\$ 1,412,792	\$ 48,911
Land use	-	7,750	7,750
Timber	5,000	10,569	5,569
Interest and penalties on delinquent taxes	28,000	40,095	12,095
Total taxes	1,396,881	1,471,206	74,325
Licenses, permits and fees:			
Motor vehicle permits	215,000	243,830	28,830
Building permits	2,000	8,934	6,934
Other	10,000	14,246	4,246
Total licenses, permits and fees	227,000	267,010	40,010
Intergovernmental:			
State sources:			
Meals and rooms distributions	69,691	69,680	(11)
Highway block grant	84,355	84,355	-
Public safety grants	4,214	8,290	4,076
Federal sources:			
FEMA	-	8,751	8,751
Total intergovernmental	158,260	171,076	12,816
Charges for services:			
Income from departments	30,000	26,639	(3,361)
Miscellaneous:			
Sale of property	-	11,031	11,031
Interest on investments	-	1,431	1,431
Rents	-	5,563	5,563
Other	-	14,222	14,222
Total miscellaneous	-	32,247	32,247
Other financing sources:			
Transfers in:			
Expendable trust fund	290,000	233,380	(56,620)
Total revenues and other financing sources	2,102,141	\$ 2,201,558	\$ 99,417
Use of fund balance to reduce taxes	49,400		
Total revenues, other financing sources and use of fund balance	\$ 2,151,541		

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, 2012

	<u>Appropriations</u>	<u>Expenditures</u>	<u>Encumbered to Subsequent Year</u>	<u>Variance Positive (Negative)</u>
Current:				
General government:				
Executive	\$ 82,828	\$ 97,159	\$ -	\$ (14,331)
Election and registration	30,975	30,851	-	124
Financial administration	37,906	39,261	-	(1,355)
Revaluation of property	17,700	11,331	-	6,369
Legal	17,000	11,173	-	5,827
Personnel administration	157,054	143,406	-	13,648
Planning and zoning	9,012	2,818	-	6,194
General government buildings	53,088	53,385	-	(297)
Cemeteries	12,613	12,690	-	(77)
Insurance, not otherwise allocated	24,933	24,933	-	-
Advertising and regional associations	1,350	1,237	-	113
Total general government	<u>444,459</u>	<u>428,244</u>	<u>-</u>	<u>16,215</u>
Public safety:				
Police	146,026	144,608	-	1,418
Ambulance	13,238	13,238	-	-
Fire	54,800	59,130	-	(4,330)
Building inspection	3,500	2,977	-	523
Emergency management	250	545	-	(295)
Total public safety	<u>217,814</u>	<u>220,498</u>	<u>-</u>	<u>(2,684)</u>
Highways and streets:				
Administration	293,395	269,321	-	24,074
Highways and streets	110,930	105,959	-	4,971
Bridges	5,000	4,382	-	618
Street lighting	3,200	2,967	-	233
Other	91,000	82,912	-	8,088
Total highways and streets	<u>503,525</u>	<u>465,541</u>	<u>-</u>	<u>37,984</u>
Sanitation:				
Solid waste disposal	110,535	108,727	-	1,808
Solid waste clean-up	3,000	1,599	-	1,401
Total sanitation	<u>113,535</u>	<u>110,326</u>	<u>-</u>	<u>3,209</u>
Health	<u>7,835</u>	<u>7,835</u>	<u>-</u>	<u>-</u>
Welfare	<u>26,126</u>	<u>19,142</u>	<u>-</u>	<u>6,984</u>
Culture and recreation:				
Parks and recreation	29,495	23,109	-	6,386
Public library	70,720	68,924	-	1,796
Patriotic purposes	1,000	936	-	64
Total culture and recreation	<u>101,215</u>	<u>92,969</u>	<u>-</u>	<u>8,246</u>

This statement is continued on the following page.

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, 2012

	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Conservation	1,375	905	-	470
Debt service:				
Principal of long-term debt	50,000	50,000	-	-
Interest on long-term debt	35,328	35,328	-	-
Interest on tax anticipation note	1	-	-	1
Total debt service	85,329	85,328	-	1
Capital outlay:				
Land	180,000	173,262	-	6,738
Machinery, vehicles and equipment	16,000	15,639	-	361
Buildings	101,800	52,279	48,400	1,121
Improvements other than buildings	9,928	9,925	-	3
Total capital outlay	307,728	251,105	48,400	8,223
Other financing uses:				
Transfers out:				
Expendable trust funds	342,600	342,600	-	-
Total appropriations, expenditures, encumbrances, and other financing uses	\$ 2,151,541	\$ 2,024,493	\$ 48,400	\$ 78,648

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, 2012

Unassigned fund balance, beginning		\$ 555,625
Changes:		
Unassigned fund balance used to reduce tax rate		(49,400)
Budget summary:		
Revenue surplus (Exhibit 10)	\$ 99,417	
Unexpended balance of appropriations (Exhibit 11)	<u>78,648</u>	
Budget surplus		178,065
Increase in nonspendable fund balance		<u>(5,741)</u>
Unassigned fund balance, ending		<u><u>\$ 678,549</u></u>



INDEPENDENT AUDITOR'S COMMUNICATION OF SIGNIFICANT DEFICIENCIES

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, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered the Town's internal control over financial reporting (internal control) as a basis for designing 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.

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 material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

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. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in the Town of Frankestown's internal control to be significant deficiencies:

George Bixby Memorial Library - Recordkeeping

We noted the following issues related to recordkeeping for the funds held by the library:

- None of the cash accounts were reconciled to ledgers on a monthly basis.
- Ledgers did not include all disbursements that were made. Neither purchases made with the Library's debit card, nor transfers between accounts, were recorded. Also, none of the purchases made in August were included.
- Deposits are not made on a timely basis.
- Several deposits listed on the "Cash Receipts 2012" ledger in July and August were not deposited in the bank at any time during the year. The total of the deposits was \$126.86.

We recommend that individual ledgers be maintained for each cash and investment account held by the Library Trustees. Monthly reconciliations should be performed between the bank and investment account statements and the running balance on the individual account ledgers. Deposits should be recorded at the date the deposit was made, and disbursements should be recorded when checks are issued and EFT/Debit purchases are made. At year-end, a summary of activity should be prepared that lists total receipts and disbursements by category, and the grand total should agree to the reconciled balance of all accounts held by the Library.

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.

April 1, 2013

Roberts & Auer, PLLC