

TOWN OF FREMONT, NEW HAMPSHIRE

FINANCIAL STATEMENTS
AND SUPPLEMENTAL SCHEDULES
With Independent Auditor's Reports Thereon

DECEMBER 31, 2010

TOWN OF FREMONT, NEW HAMPSHIRE

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The Mercier Group

a professional corporation

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

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

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

We conducted our audit in accordance with auditing standards that are 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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

The management discussion and analysis and budgetary comparison information in the section marked *Required Supplementary Information* are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and therefore express no opinion on it.

Our audit was performed for the purpose of forming opinions on the basic financial statements taken as a whole. The accompanying schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Paul J. Mercier Jr., CPA

The Mercier Group, *a professional corporation*

May 21, 2011



The Town of Fremont

Management's Discussion and Analysis

For the Year Ending December 31, 2010

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

for the

The Town of Fremont

Fiscal Year ended December 31, 2010

01 January 2011

To the Citizens of the Town of Fremont:

Presented herewith please find the Management Discussion & Analysis Report for the Town of Fremont, Fremont, New Hampshire for the fiscal year ending December 31, 2010, presented by the Board of Selectmen. This section of the Town of Fremont's (the Town) Annual Financial Report presents management's discussion and analysis of the Town's financial performance during the fiscal year January 1 to December 31, 2010. Please read it in conjunction with the Town's Financial Statements, which follow this section.

Responsibility for both the accuracy of the data, and the completeness and fairness of this presentation (including all disclosures) rests with management. To the best of our knowledge and belief, the data contained herein is accurate in all material respects. This data is reported in a manner designed to fairly present the Town's financial position, and the result of operations of the various funds and account groups of the Town. All disclosures necessary to enable the reader to gain an accurate understanding of the Town's financial activities have been included.

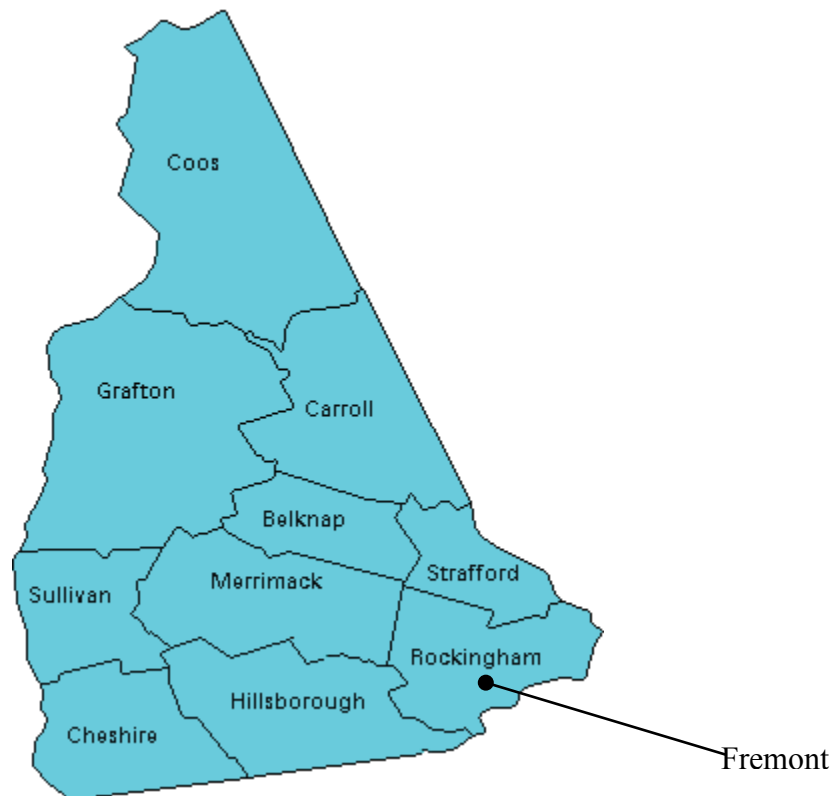
This Management Discussion & Analysis Report covers Town's financial performance for the twelve-month fiscal period, January 1, 2010 through December 31, 2010. The introductory section includes this transmittal letter, the Town's Organization Chart, a listing of principal officials, and a drawing that shows the location of the Town of Fremont within the State of New Hampshire. The financial section contains the General-Purpose Financial Statements and the combining and individual fund and account group financial statements and schedules, as well as the Auditor's Report on the financial report and schedules. This is followed by a discussion of selected financial and demographic information.

This report covers all funds and account groups of the Town of Fremont, that by law or other fiduciary obligation, the Town administers in connection with its responsibility in providing services. *It does not report on the funds of the Fremont School District, Fremont, New Hampshire. The Town governmental unit is independent of the Fremont School District and does not meet established criteria for inclusion in this Management Discussion & Analysis Report.*

THE COMMUNITY

The Town of Fremont – formerly known as Poplin, is located in southeastern New Hampshire near the geographical center of Rockingham County. According to 2010 Census, our community is home to an estimated 4,283 residents. Fremont consists of 11,004 acres, or 17.2 square miles. We currently have 3,055 registered voters.

Fremont is located 17 miles from the Atlantic Ocean; 10 miles from the New Hampshire- Massachusetts border; 24 miles from Concord, New Hampshire; and 16 miles from Manchester New Hampshire. The colonial woodland that is now Fremont was first settled in 1726/27. Poplin, now known as Fremont, was incorporated in 1764. It was a Mill town and now is primarily a bedroom community. Most of our residents commute to work outside of Fremont.



The slowed economy is evident in Fremont, as we see a reduction in the sales prices of homes, some foreclosures, and the housing stock remaining consistent, with few new developments being added. Work within existing developments continues, but at a slower pace. During 2010 we began to see minor improvements in the sales market.

TOWN OF FREMONT BOARD OF SELECTMEN

Town officials for the fiscal year 2010

Greta J St Germain	Term Expires 2011
Brett A Hunter	Term Expires 2012
Annmarie Scribner	Term Expires 2013

Fremont has a three member Board of Selectmen. Members are elected to alternating three-year terms.

The Selectmen are the Chief Municipal Administrators for the Town. They are elected by the Legislative Body, on an annual, rotating basis. The Town of Fremont uses the SB2 form of Town Meeting, holding election of all officers and voting on all Town balloting matters on the second Tuesday of March annually. This is preceded by a Deliberative Session generally the last Saturday in January or early February where discussion and any amendments to the articles takes place. From that meeting, the final form of each article is placed on the Official Ballot for consideration by voters on the second Tuesday in March.

The Selectmen are charged with management of all of the prudential affairs of the Town and are governed by NH Statutes in carrying out these duties.

ELECTED OFFICIALS

In accordance with NH Statute, there are several other Town Officials who are elected on an annual or multi-year basis. This currently includes the following positions and term lengths:

Library Trustee	3 years	3 member board
Trustee of Trust Funds	3 years	3 member board
Road Agent	1 year	
Tax Collector	3 years	
Town Clerk	3 years	
Treasurer	3 years	

By Statute, the Tax Collector, Town Clerk, and Treasurer each have a Deputy. The Selectmen at the recommendation of the Town Official, approve these deputies.

OTHER TOWN OFFICIALS

The Town employs other individuals to carry out the general daily business of the Town. The Board of Selectmen appoint these individuals. These positions include: the Town Administrator, Police Chief, Fire Chief, Health Officer, Deputy Health Officer, Emergency Management Director and Deputy Emergency Management Director.

TOWN EMPLOYEES

All Town Employees are hired by the Board of Selectmen. This includes a variety of other clerical and administrative staff, Parks & Recreation seasonal employees, cemetery caretakers, police officers, maintenance workers, and highway workers. The Library staff are hired by the Library Trustees in concert with the Board of Selectmen. The Trustees have agreed to follow the Town's Personnel Policies and Practices and work within the Town's payroll and accounting systems.

All of the Town's Fire and EMS emergency service personnel are considered Town employees, participating in a Points Compensation Plan and a Length of Service Award Program (LOSAP) on an annual basis. Fremont has a combined Fire Rescue Department as of March 2007 that includes all firefighters and EMS personnel.

VOLUNTEERS

The largest group of other town staffing is filled by a large range and variety of volunteers who are members of the Planning Board, Zoning Board of Adjustment, Conservation Commission, Open Space Advisory Committee, and Parks & Recreation Commission. Other boards and committees are organized as may be deemed advisable by the Legislative Body or the Board of Selectmen. Currently this includes also a Highway Study Committee. The Board of Selectmen will be addressing a need for a Cable Access Committee once an infrastructure is fully in place to support a local cable access channel.

FINANCIAL INFORMATION

The Board of Selectmen is responsible for establishing an accounting and internal control structure designed to ensure that the physical, informational, intellectual data and human resource assets of the Town are protected from loss, theft and misuse, and to ensure that adequate accounting information is maintained and reported in conformity with generally accepted accounting principles (GAAP). Additionally, management strives to ensure that these assets are put to good and effective use. The internal control structure is designed to provide reasonable, but not absolute, assurances that these objectives are attained. The concept of reasonable assurance recognizes that: (1) the cost of any control should not exceed the benefit likely to be derived; and (2) the valuation of cost and benefits requires judgments by management.

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$17,947,298 (net assets).
- The Town's total cash and equivalents, and investments totaled \$4,910,223 on December 31, 2010 representing a increase of \$804,084 from December 31, 2009.

- The Town had program revenues of \$428,082 (up \$10,228 from the prior year) and program expenses of \$2,486,533 (up \$450 from the prior year) for the year ended December 31, 2010.
- The General Fund (operating fund) represented on a modified accrual basis of accounting, reports a \$193,632 in fund balance (surplus).
- The gross appropriation for municipal purposes in 2010 was \$2,609,880.
- The Town returned approximately \$110,000 to the General Fund at year-end, in unexpended appropriations from the 2010 budget. Of this, \$87,500 is proposed to be converted to Capital Reserve Funds as part of the 2011 Warrant.

Overview of the Financial Statements

The discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements are comprised of the following components:

	REQUIRED STATEMENTS	PURPOSE & INFORMATION INCLUDED
Government-Wide	-Statement of Net Assets -State of Activities	Provides short and long-term information about our overall financial status, and how our net assets have changed. The statement of net assets includes all assets and liabilities, both operational and capital. The statement of activities accounts for all of the current year's revenue and expenses.
Fund Financials: Governmental Funds	-Balance Sheet -Statement of Revenues, Expenditures and Changes in Fund Balances	Provides detailed short-term information on revenues, expenses and fund balances for the current year. Focus is on revenue sources, expenditure categories, and on the balance left at year-end.
Fund Financials: Fiduciary Funds	-Statement of Fiduciary Net Assets -Statement of Changes in Fiduciary Net Assets	Provides information on funds for which the Town acts as a trustee, or fiduciary. The Town cannot use these assets to finance its own operations, but is responsible for ensuring that the assets reported here are used for their intended purposes.
Fund Financials: Business Enterprise Funds	-Statement of Net Assets -Statement of Changes in Net Assets	Provides information on funds for which the Water & Sewer Department are responsible and reports activities for which a fee is charged to external users for services. The Water & Sewer Department uses these assets to finance its own operation.

Notes to Financial Statements	Notes to Financial Statements	Provides additional required detailed information and explanations to all statements listed above.
Other Required Supplementary Information	-Budgetary Comparison Schedules	Provides additional information on budgeted vs. actual revenues and expenditures for the year.

Net Assets

Net assets may serve over time as a useful indicator of a governmental entity's financial position. The Town's assets exceeded liabilities by \$17,798,734 and \$17,947,298 at December 31, 2009 and December 31, 2010, respectively.

Capital Assets and Debt Administration

As of December 31, 2010, the Governmental Activities (Town) long-term liabilities were \$1,460,000 and the reduction in expenditures for principal payments on long-debt was \$135,000.

Fund Balance

The surplus from operations (fund balance) of the general fund is used in part, each year, to reduce the local property tax levy required to support the budget.

The financial community regarding the amount of modified accrual budgetary unreserved fund balance to retain has established general guidelines. It has, for years, been recommended annually by the New Hampshire Department of Revenue Administration Municipal Services Division, that the Town maintain a fund balance between 5% and 10% of the municipality's appropriations, plus the statewide enhanced education amount and the local school net tax commitment, plus the county appropriation. The Government Finance Officers Association now suggests that Town's retain between 8% and 17% of those amounts.

In setting the 2010 tax rate, the Town did not use any residual from the fund balance to reduce taxes, however \$62,500 was voted from surplus by the 2010 Annual Meeting, to be put into Capital Reserve Funds to support a Police Cruiser, Property Assessment, and Town Hall Renovations. In 2010 the 5% amount for Fremont was \$544,220 for retention. The unreserved fund balance on the MS-5 for 2009 was \$461,114, less the funds voted to Capital Reserve in 2010 of \$62,500 leaving a balance of \$398,614. With the balance below the minimum recommended of 5%, the Selectmen opted not to remove additional to reduce the tax rate further.

MANAGEMENT SYSTEMS AND CONTROLS

The Town of Fremont is committed to developing, maintaining, and improving effective management systems and controls. The Town makes conscientious efforts to employ highly qualified employees through active recruitment and thorough reference evaluations. Operations are reviewed regularly to assure they function effectively.

The Board of Selectmen spent considerable time and effort in 2010 working on improvements to policy and procedural documents related to the overall financial health of the community. A Purchasing Policy, Ethics Policy and Fraud Policy were all drafted and adopted during 2010.

The Board made considerable changes in planning for changes to the current municipal payroll and accounting programs. At year end, QuickBooks was purchased and installed. Full conversion to this system is underway as of 2011.

Budget Adoption

The budget process begins annually in August, since the implementation of SB2 (RSA 40:13) in 2008. The Department Heads and Town Administrator prepare a tentative budget, consistent with annual strategies and goals, to be reviewed by the Board of Selectmen and the Municipal Budget Committee in accordance with NH RSA 32. The Selectmen meet with Departments, Boards and Committees to review budgets and make decisions about modifications to the budget. The Selectmen make recommendations on the Department requests, and take all information to the Budget Committee, who then makes recommendations thereon.

The Town's Public Budget Hearing is scheduled for the second week of January, on a Tuesday night, in accordance with the statutory schedule.

At the Public Budget Hearing, the Budget Committee makes a presentation on the budgets as recommended to date. The Public is encouraged to attend and ask questions. The Selectmen, Town Administrator, and Department Heads are present to address these questions, comments, and concerns.

The Selectmen and Budget Committee then present the final recommended budget to the Town voters at the Deliberative Session. With the passage of SB2 for the Fremont School District in September 2010, the Town's Deliberative Session to a weeknight during the seven day calendar period prescribed by Statue.

The Town endeavors to get the information on budgets and warrants out to the public by using the monthly Town Newsletter, town website (www.Fremont.nh.gov); and postings in public buildings and other locations in town.

Risk Management

The Town maintains a risk management program that includes comprehensive property and casualty insurance specifically designed to meet the Town's needs, an active Safety Committee oriented to identification and avoidance of risk, and periodic review of contracts, incidents, and policies to assure regulatory compliance and adherence to legal constructs.

The Selectmen worked in 2010 with our insurance carriers to establish parameters and an appropriate procedure for protection of the subcontractor as well as the Town. A standard for all insurance coverage for outside vendors was established.

Independent Audit

The Town is required to undergo a yearly single audit in conformity with the provisions of Generally Accepted Accounting Principles (GAAP) and US Government Office of Management and Budget's Circular A-133, Audits of States and Local Government and Non-Profit Organizations. Information related to this single audit, including a schedule of expenditures of federal awards, findings and recommendations, and auditor's reports of the internal control structure and compliance with applicable laws and regulations, are available in the single audit report.

Economic Factors and Next Year's Budget

The following factors were considered in preparing the Town's budget for the 2011 fiscal year:

- The Town received its proposed budget in 2010 as it was down approximately \$100,000 from the 2009 default budget.
- Monetary warrant articles passed by voters in 2010 included \$76,000 to complete a cyclical reassessment (which was fully offset by Capital Reserve Savings); \$26,996 for a Police Cruiser purchase (also fully offset by Capital Reserve savings); and \$49,550 for Mosquito Control. Votes on town expenditures resulted in a net increase in the Town's share of the tax rate of \$0.14 per thousand.
- Due to increases in local property tax rates and reductions in state and local revenues, the Selectmen again took a very modest approach to the 2011 budget process. The Board worked diligently with Departments and the Budget Committee to be more fiscally conservative to assist the local property owner.
- Two positions were reduced from full-time to part-time; and a reduction in office hours was recommended in one other department.
- Wages have been at a constant level since the 2008 budget. A new matrix is proposed for Police Officers to help improve retention efforts.
- It is anticipated that there will be a modest increase of \$0.50 in the 2011 tax rate if every proposed item was to be approved by voters. Budgets were held close to the level of submissions for 2010.

- The 2011 budget proposal is approximately \$160,000 above the budget approved in 2010.
- The economic climate has caused local government to take extreme care in reviewing and presenting budgets. All residents are experiencing difficult economic times and increases in job losses.
- The Town was forced to accept tax deeds for several properties in 2010 after significant efforts to get taxes paid were unsuccessful.
- The Town continues to work closely with the Energy Committee to reduce our energy costs, usage, and carbon emissions. Education continues to be a large part of this initiative. Grant approval was received in 2010 for energy audits of the Town's Safety Complex; and the Ellis School (a Fremont School District) building. This work is nearing completion at the writing of this report in early 2011.
- The Town continues to look at energy conservation measures and received a grant award in 2010 for installation of an additional solar panel at the Fremont Safety Complex. These improvements are anticipated to lower energy consumption and cost.
- The current climate has also caused us to look carefully at our Direct Assistance, a place where other governmental cuts have forced greater expense to local government budgets.
- The Board of Selectmen is extremely conscious of the State of NH budget struggles, and looks ahead to be sure that decreasing State revenues does not adversely affect the Town of Fremont.
- The Town continues to include appropriation requests for its Capital Improvements Program, to adequately fund the capital reserve funds in order to meet the necessary requirements for major equipment purchases and improvements when the need arises for years into the future. The Town has some significant capital costs ahead, including fire truck replacement, and consideration for Highway Department infrastructure. Articles will be considered for both of these capital items in 2011.
- Preservation of open space is still an important tool to the Town, to help assist in managing the Town's growth. Bond funding was obtained in 2006 for \$1,000,000 for this purpose, but has not yet been issued. The Open Space Committee continues to work diligently on open space preservation measures as it is proven that these initiatives save municipal tax dollars in the long term. Some options are currently being investigated by the Open Space Committee.

Contacting the Town's Financial Management

The Financial Report is designed to provide a general overview of the Town's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Board of Selectmen of the Town of Fremont, PO Box 120, Fremont, New Hampshire 03044-0120; by calling 603 895 2226 x 10; or e-mailing Selectmen@fremont.nh.gov.

Additional information is also available on the Town's website at www.Fremont.nh.gov.

Basic Financial Statements

Exhibit A1
TOWN OF FREMONT, NEW HAMPSHIRE
Statement of Net Assets
December 31, 2010

All numbers are expressed in American Dollars

	Primary Government Governmental Activities
ASSETS	
Cash and cash equivalents	4,037,907
Investments	872,316
Taxes receivable	641,637
Capital assets:	
Land	1,860,200
Buildings and other structures	2,627,900
Equipment & furnishings	762,726
Infrastructure	25,000,000
Accumulated depreciation	(12,291,488)
	<u>23,511,198</u>
LIABILITIES	
Accounts payable and other current liabilities	208
Compensated absences payable	23,500
Intergovernmental payable	4,080,192
Long-term obligations:	
General obligation notes payable:	
Due within one year	135,000
Due beyond one year	1,325,000
	<u>5,563,900</u>
NET ASSETS	
Invested in capital assets, net of related debt	16,499,338
Restricted for:	
Special Revenues	229,147
Expendable trusts	500,128
Permanent Funds:	
Expendable	63,199
Nonexpendable	95,354
Enterprise fund purposes	
Unrestricted	<u>560,132</u>
	<u><u>17,947,298</u></u>

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

Exhibit A2
TOWN OF FREMONT, NEW HAMPSHIRE
Statement of Activities
For the Fiscal Year Ended December 31, 2010

All numbers are expressed in American Dollars.

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Changes in Net Assets</u>
		<u>Services</u>	<u>Grants and</u>	<u>Primary Government</u>
			<u>Contributions</u>	<u>Governmental</u>
				<u>Activities</u>
Primary government:				
<i>Governmental activities:</i>				
General Government	704,316	15,082	186,430	(502,804)
Public safety	671,193	61,338	33,226	(576,629)
Highways and streets	278,787	10,037	98,958	(169,792)
Sanitation	321,595	3,750		(317,845)
Health	57,498			(57,498)
Welfare	43,911			(43,911)
Culture and recreation	146,785	16,805		(129,980)
Conservation	15,710		2,456	(13,254)
Interest on long-term debt	78,726			(78,726)
Capital outlay	66,342			(66,342)
Depreciation-unallocated	101,670			(101,670)
	<u>2,486,533</u>	<u>107,012</u>	<u>321,070</u>	<u>(2,058,451)</u>
General revenues and transfers:				
Taxes:				
Property taxes, levied for general purposes				1,207,114
Property taxes, levied for debt services				256,726
Property taxes, levied for conservation purposes				8,700
Licenses and permits				666,085
Other local revenues				68,390
				<u>2,207,015</u>
Change in net assets				148,564
Net assets - beginning				<u>17,798,734</u>
Net assets - ending				<u><u>17,947,298</u></u>

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

Exhibit B1
TOWN OF FREMONT, NEW HAMPSHIRE
Balance Sheet
Governmental Funds
December 31, 2010

All numbers are expressed in American D

	General	Conservation Commission	Capital & Noncapital Reserves	Permanent Funds	Non-major Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	4,022,395	87		11,683	3,742	4,037,907
Investments		202,395	500,128	146,870	22,923	872,316
Receivables						
Taxes	641,637				-	641,637
	<u>4,664,032</u>	<u>202,482</u>	<u>500,128</u>	<u>158,553</u>	<u>26,665</u>	<u>5,551,860</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	208				-	208
Intergovernmental payable	4,080,192				-	4,080,192
Deferred revenue	390,000				-	390,000
	<u>4,470,400</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,470,400</u>
Fund balances:						
Reserved for:						
Special purposes, reported in:						
Special revenue funds		202,482			26,665	229,147
Capital & noncapital reserves			500,128		-	500,128
Permanent trust funds:						
Expendable				63,199	-	63,199
Nonexpendable				95,354	-	95,354
Unreserved	193,632				-	193,632
	<u>193,632</u>	<u>202,482</u>	<u>500,128</u>	<u>158,553</u>	<u>26,665</u>	<u>1,081,460</u>
	<u>4,664,032</u>	<u>202,482</u>	<u>500,128</u>	<u>158,553</u>	<u>26,665</u>	<u>5,551,860</u>

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

Exhibit B2
TOWN OF FREMONT, NEW HAMPSHIRE
*Reconciliation of Governmental Funds
Balance Sheet to the Statement of Net Assets
December 31, 2010*

All numbers are expressed in American Dollars

Total Fund Balance - Governmental Funds (Exhibit B1) 1,081,460

Amounts reported for governmental activities in the statement of
net assets are different because:

*Capital assets used in governmental activities are not financial resources
and therefore are not reported in the funds. These assets consist of:*

Land	1,860,200	
Buildings and other structures	2,627,900	
Equipment & furnishings	762,726	
Infrastructure	25,000,000	
Accumulated depreciation	<u>(12,291,488)</u>	
		17,959,338

*Receivables in the Balance Sheet that do not provide current financial resources
are deferred in the funds:*

Deferred Taxes		390,000
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*Some liabilities are not due and payable in the current period and
therefore are not reported in the funds. Those liabilities consist of:*

Notes payable	(1,460,000)	
Compensated absences (sick & vacation leave)	<u>(23,500)</u>	
		(1,483,500)

Net Assets of Governmental Activities (Exhibit A1)		<u><u>17,947,298</u></u>
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The notes to the financial statements are an integral part of this statement.

Exhibit B3
TOWN OF FREMONT, NEW HAMPSHIRE
Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds
 For the Fiscal Year Ended December 31, 2010

All numbers are expressed in American Dollars

	General	Conservation Commission	Capital & Noncapital Reserves	Permanent Funds	Non-major Governmental Funds	Total Governmental Funds
REVENUES						
Taxes	1,073,840	8,700			-	1,082,540
Licenses and permits	666,085				-	666,085
State support	317,248	2,456			1,366	321,070
Charges for services	107,012				-	107,012
Other local sources	61,926	406	1,068	1,212	3,778	68,390
	<u>2,226,111</u>	<u>11,562</u>	<u>1,068</u>	<u>1,212</u>	<u>5,144</u>	<u>2,245,097</u>
EXPENDITURES						
Current:						
General Government	701,987				-	701,987
Public safety	671,193				-	671,193
Highways and streets	278,787				-	278,787
Sanitation	321,595				-	321,595
Health	57,498				-	57,498
Welfare	43,911				-	43,911
Culture and recreation	144,160			32	2,593	146,785
Conservation	-	12,210			3,500	15,710
Debt service:						
Principal	135,000				-	135,000
Interest	78,726				-	78,726
Capital outlay	102,047				-	102,047
	<u>2,534,904</u>	<u>12,210</u>	<u>-</u>	<u>32</u>	<u>6,093</u>	<u>2,553,239</u>
Excess of revenues over(under) expenditures	<u>(308,793)</u>	<u>(648)</u>	<u>1,068</u>	<u>1,180</u>	<u>(949)</u>	<u>(308,142)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	98,435	824	62,500		-	161,759
Transfers out	(63,324)		(93,895)	(4,540)	-	(161,759)
	<u>35,111</u>	<u>824</u>	<u>(31,395)</u>	<u>(4,540)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(273,682)	176	(30,327)	(3,360)	(949)	(308,142)
Fund balances - beginning	467,314	202,306	530,455	161,913	27,614	1,389,602
Fund balances - ending	<u>193,632</u>	<u>202,482</u>	<u>500,128</u>	<u>158,553</u>	<u>26,665</u>	<u>1,081,460</u>

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

Exhibit B4
TOWN OF FREMONT, NEW HAMPSHIRE
*Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Fiscal Year Ended December 31, 2010*

All numbers are expressed in American Dollars

Net change in fund balances - total governmental funds (Exhibit B3) (308,142)

Amounts reported for governmental activities in the
statement of activities (Exhibit A2) are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Reduce expenditures for capital outlays increasing capital assets	35,705
Increase expenditures for depreciation charges	(101,670)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Deferred Taxes	390,000
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The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Reduction in expenditures for principal payments on debt	135,000
--	---------

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.

(Increase)decrease in compensated absences payable	<u>(2,329)</u>
--	----------------

Change in net assets of governmental activities (Exhibit A2)	<u><u>148,564</u></u>
---	-----------------------

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

Exhibit B5
TOWN OF FREMONT, NEW HAMPSHIRE
Statement of Fiduciary Net Assets
Fiduciary Funds
December 31, 2010

All numbers are expressed in American Dollars

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	37,934
Investments, at fair value	558,327
	<u>596,261</u>
LIABILITIES	
Agency deposits	596,261
	<u>596,261</u>

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

TOWN OF FREMONT, NEW HAMPSHIRE

Notes to Financial Statements

December 31, 2010

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Fremont is a New Hampshire Municipal Corporation governed by a Selectboard and other elected officials. The financial statements of the Town have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to the Governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Town's accounting policies and its conformity with such principles are disclosed below. These disclosures are an integral part of the Town's financial statements.

FINANCIAL REPORTING ENTITY

The accompanying financial statements present the Town and its component units. A component unit is defined by GASB as a legally separate organization for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with a primary government is such that the exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Blended component units, although legally separate entities, are, in substance, part of the Town's operations. Based on the foregoing criteria, no other organizations are included in the Town's financial reporting entity and the Town is not a component unit of any other primary government.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the activities of the Town. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities* normally are supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenue* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the Government-wide financial statements.

TOWN OF FREMONT, NEW HAMPSHIRE

Notes to Financial Statements

December 31, 2010

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The Government-wide **financial statements** are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when they occur and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Taxes (property and other taxes), grants, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. If any, only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Town.

The Town reports the following major governmental funds:

- The *General Fund* is the Town's main operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *Conservation Commission Fund* accounts for the activities of the elected conservation commission and the accumulation of Land Use Change monies set aside for conservation purposes.
- The *Capital and Noncapital Reserves Fund* accounts for the Town's capital and non-capital reserve funds which are restricted for specific purposes
- The *Permanent Fund* is used to account for resources legally held by Town's Trustees of Trust Funds in trust for various donor-restricted purposes. A portion of these trusts are accounted for as non-expendable which means that only income balances may be spent. The original principal of these trusts net of any capital gains or losses must be preserved as capital. All other resources of the fund, including any earnings on invested resources, may be used to support the Town's activities.

TOWN OF FREMONT, NEW HAMPSHIRE

Notes to Financial Statements

December 31, 2010

Additionally, the Town reports the following other fund types:

- The *Agency Fund* accounts for the assets held on behalf of developers and the Fremont School District.

As a general rule the effect of interfund activity has been eliminated from the Government-wide financial statements. Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

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

General Budget Policies – General governmental revenues and expenditures accounted for in budgetary funds are controlled by a formal integrated budgetary accounting system in accordance with various legal requirements that govern the Town's operations. The Town votes appropriations by official ballot in accordance with State Statutes. Appropriations are made on an annual basis for the General and all significant Special Revenue Funds. Project-length financial plans are adopted for all Capital Project Funds. Except as reconciled below, budgets are adopted on a basis generally consistent with the modified accrual basis of accounting. Management may transfer appropriations between operating categories as they deem necessary, but expenditures may not legally exceed budgeted appropriations in total. Unexpended balances of special articles for specific purposes may not be transferred. All annual appropriations lapse at year-end unless encumbered. In the case of emergency expenditures, over-expenditures are allowed under the provisions of the Municipal Budget Law (RSA Chapter 32) if prior approval is secured from the State Department of Revenue Administration. State statutes require balanced budgets, but provide for the use of beginning unreserved fund balance to achieve that end. In the fiscal year 2010, \$62,500 of the beginning General Fund balance was applied for this purpose.

Encumbrance accounting, under which purchase orders, contracts, and continuing appropriations (certain projects and specific items not fully expended at year-end) are recognized, is employed in the Governmental funds. Encumbrances are not the equivalent of expenditures and are therefore reported as part of the fund balance at December 31 and are carried forward to supplement appropriations of the subsequent year. Amounts recorded as budgetary expenditures in the *Budgetary Comparison Schedule (Exhibit C1)* are presented on the basis budgeted by the Town. The amounts differ from those reported in conformity with generally accepted accounting principles in the *Statement of Revenues, Expenditures and Changes in Fund Balances (Exhibit B3)* as follows:

TOWN OF FREMONT, NEW HAMPSHIRE

Notes to Financial Statements

December 31, 2010

Expenditures and Other Financing Uses ~ Budgetary Basis (<i>see Exhibit C1</i>)	\$ 2,592,028
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Adjustments:

Encumbrances - December 31, 2009	6,200
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Encumbrances - December 31, 2010	<u>-</u>
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Expenditures and Other Financing Sources ~ GAAP Basis (<i>see Exhibit B3</i>)	<u><u>\$ 2,598,228</u></u>
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ASSETS, LIABILITIES AND FUND EQUITY

Deposits and Investments. For financial reporting purposes, cash and equivalents include amounts in demand deposits and money market funds, as well as certificates of deposit and short-term investments with original maturities of 90 days or less. With the exception of Library and Trust Fund monies, which are held by separately elected trustees, the Town Treasurer is required by State statute to have custody of all monies belonging to the Town and shall pay out the same only upon orders of the Selectboard. The Town Treasurer shall deposit all such monies in solvent banks in the state or in participation units in the public deposit investment pool established pursuant to RSA 383:22. Monies may be deposited in banks outside the state if such banks pledge and deliver to the state treasurer as collateral security for such deposits in value at least equal to the amount of the deposit in each case.

Whenever the Town Treasurer has an excess of monies which are not immediately needed for the purpose of expenditure, State statutes require the Treasurer, with the approval of the Town Manager, to invest the same in obligations of the United States government, in savings bank deposits of banks incorporated under the laws of the State of New Hampshire or in certificates of deposits of banks incorporated under the laws of the State of New Hampshire or in national banks located within this state or the Commonwealth of Massachusetts. Any person who directly or indirectly receives any such monies or monies for deposit or for investment in securities of any kind shall, prior to acceptance of such monies, make available at the time of such deposit or investment an option to have such monies secured by collateral having a value at least equal to the amount of such monies. 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.

The Town Trustees are authorized by State statute to invest Trust monies, including Capital Reserve Monies, in obligations of political subdivisions and stocks, bonds that are legal for investment by New Hampshire savings banks except mutual monies unless the mutual monies are registered with the Securities and Exchange Commission, qualified for sale in the State of New Hampshire in accordance with the New Hampshire Uniform Securities Act of the New Hampshire Secretary of State's Office, and have in their prospectus a stated investment policy that is consistent with the investment policy adopted by the Trustees of Trust Monies in accordance with RSA 35:9. The Trustees may also invest trust monies in New Hampshire credit unions and in the public deposit investment pool established pursuant to RSA 383:22. Capital Reserve monies must be kept in separate accounts and not intermingled with other monies.

TOWN OF FREMONT, NEW HAMPSHIRE

Notes to Financial Statements

December 31, 2010

With the exception of investments in the New Hampshire Public Deposit Investment Pool (the Pool), investments are stated at fair value. Under the terms of GASB Statement #31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, the Pool is considered to be a **2a7-like pool** which means that it has a policy that it will, and does operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. This rule allows SEC-registered mutual funds to use amortized cost rather than market value to report net assets to compute share prices if certain conditions are met. Therefore, the Town reports its investments in the Pool at amortized cost, which equals the Pool's participation unit price.

Receivables and Revenues. Revenues for the most part are recorded when received, except for the following items for which receivables have been recorded: ***Tax revenue*** is recorded when a warrant for collection is committed to the Tax Collector. However, any taxes not liened or deeded within statutory time limits and 1.0% of the remaining uncollected balances have been reserved. The National Council on Governmental Accounting (NCGA), Interpretation 3, Revenue Recognition - Property Taxes, requires that if property taxes are not collected within 60 days after year end, the revenue is not considered an "available spendable resource" and should be deferred in the governmental funds. As prescribed by law, the Tax Collector places a lien on properties for all uncollected property taxes in the following year after taxes are due. The lien on these properties has priority over other liens and accrues interest at 18% per annum. If property is not redeemed within the 2-year redemption period, the property is tax-deeded to the Town. ***Interest on investments*** is recorded as revenue in the year earned. Certain ***grants*** received from other governments require that eligible expenditures be made in order to recognize the revenue. Revenue for these grants is recorded for the period in which eligible expenditures are made. Various ***service charges*** are recorded as revenue for the period when service was provided.

Interfund Receivables and Payables. During the course of normal operations, the Town has activity between funds, including expenditures and transfers of resources to provide services and fund capital outlay. Activity between funds that are representative of lending/borrowing arrangements and all other balances outstanding at the end of the fiscal year are presented as "due to/from other funds". The Town considers all receivables collectible and therefore makes no provision for bad debt in its financial statements.

Inventories and Prepaid Items. Inventory in the Governmental and Proprietary Funds consists of expendable supplies held for consumption. The cost thereof has been recorded as an expenditure at the time individual inventory items were purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets. Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the Government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$5,000 and an estimated useful life of more than one accounting period. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance

TOWN OF FREMONT, NEW HAMPSHIRE

Notes to Financial Statements

December 31, 2010

and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the Town are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and other structures	40
Machinery, vehicles & equipment	10
Public domain infrastructure	40

Deferred Revenue. Deferred revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenue also arises when the Town receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the governmental funds balance sheet and revenue is recognized.

Long-Term Obligations. In the Government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

Governmental funds financial statements recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Compensated Absences. It is the Town's policy to permit employees to accumulate earned but unused vacation benefits. All benefits are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Fund Equity. Governmental funds financial statements report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

TOWN OF FREMONT, NEW HAMPSHIRE

Notes to Financial Statements

December 31, 2010

ASSETS

CASH AND EQUIVALENTS

Deposits ~ As of December 31, 2010, all of the Town's cash deposits were insured or collateralized with securities held by the banking institution in the Town's name.

INVESTMENTS

The Town's investments during the year consisted of participation units of the *New Hampshire Public Deposit Investment Pool*. At this time, the Pool's investments are limited to short-term U.S. Treasury and U.S. Government Agency obligations, State of New Hampshire municipal obligations, certificates of deposit from AI/PI-rated banks, money market mutual funds (maximum of 20% of portfolio), overnight to 30-day repurchase agreements and reverse overnight repurchase agreements with primary dealers or dealer banks.

PROPERTY TAXES

The property tax year is from April 1 to March 31 and all property taxes are levied on the inventory taken in April of that year. The 2010 property tax levy was based on a net assessed valuation as of April 1, 2010 of \$358,837,557. State Education Taxes were based on a State-wide equalized valuation of \$353,001,057. In connection with the setting of the tax rate, Town Officials, with the approval of the New Hampshire Department of Revenue Administration, establish and raise through taxation an amount for abatements and refunds of property taxes, known as overlay. This amount is reported as a reduction in tax revenue and is adjusted by management for any tax reserves at year-end.

The tax rate for the year ended December 31, 2010, was as follows:

Municipal portion	\$	3.58
Local School Tax Assessment		19.42
State Education Tax Assessment		2.52
County Tax Assessment		1.03
	\$	<u>26.55</u>

Property taxes collected by the Town include taxes levied for other governmental entities as follows:

TOWN OF FREMONT, NEW HAMPSHIRE

Notes to Financial Statements

December 31, 2010

<u>State of New Hampshire</u>	
State Education Tax	\$ 887,877
<u>Fremont School District</u>	
Local School Tax Assessment	6,968,315
<u>County:</u>	
Local Tax Assessment	<u>369,736</u>
	<u>\$ 8,225,928</u>

The responsibility for the collection of taxes rests with the Town and tax amounts must be remitted to other municipal entities as requested. Any amounts due at year-end are reported in these financial statements as Intergovernmental payables.

Taxes are billed once a year in the fall after the State Department of Revenue Administration has calculated and approved the Town's tax rate for the fiscal year. As prescribed by law, within 18 months of the date assessed, the Tax Collector places a lien on properties for all uncollected property taxes in the following year after taxes are due. The lien on these properties has priority over other liens and accrues interest at 18% per annum. If property is not redeemed within the 2-year redemption period, the property is tax-deeded to the Town.

TAXES RECEIVABLE

Taxes receivable at December 31, 2010, are as follows:

<u>Uncollected Taxes (Current levies)</u>		
Property	\$ 405,129	
Current Use	<u>45,550</u>	
		\$ 450,679
<u>Unredeemed Taxes (under tax liens)</u>		
Levy of 2009	\$ 142,931	
Levy of 2008	94,701	
Levy of 2007	<u>13,326</u>	
		<u>250,958</u>
		701,637
Allowance for uncollectable taxes		<u>(60,000)</u>
		<u>\$ 641,637</u>

TOWN OF FREMONT, NEW HAMPSHIRE

Notes to Financial Statements

December 31, 2010

CAPITAL ASSETS

A summary of changes in fixed assets for the fiscal year ended December 31, 2010 is as follows:

	<i>Governmental Activities</i>			
	Balance January 1	Additions	Deductions	Balance December 31
Land	\$ 1,860,200	\$ -	\$ -	\$ 1,860,200
Buildings & Other Structures	2,627,900	-	-	2,627,900
Machinery, Vehicles & Equipment	727,021	35,705	-	762,726
Infrastructure	25,000,000	-	-	25,000,000
	30,215,121	35,705	-	30,250,826
Less: Accumulated Depreciation	(12,189,818)	(101,670)	-	(12,291,488)
	<u>\$ 18,025,303</u>	<u>\$ (65,965)</u>	<u>\$ -</u>	<u>\$ 17,959,338</u>

RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets, errors or omissions, injuries to employees, or acts of God. During 2010, the Town was a member of the ***Local Government Center Property-Liability Trust, LLC*** and the ***New Hampshire Public Risk Management Exchange (Primex³) Workers' Compensation program***. These entities are considered public entity risk pool, currently operating as a common risk management and insurance program for member towns, cities and other qualified political subdivisions of New Hampshire.

As a member of the ***Local Government Center Property-Liability Trust, Inc.*** the Town shares in contribution to the cost of and receiving benefits from a self-insured pooled risk management program. The membership and coverage run from July 1st to July 1st. The program includes a Self Insured Retention (SIR) from which is paid up to \$500,000 for each and every covered property, auto physical damage, and crime loss, subject to a \$1,000 deductible, and each and every covered General Liability and Public Officials Liability loss. The Trust maintains on behalf of its members several reinsurance policies that are shared by the membership.

- **Contributions** paid in 2010 for FY2011, ending June 30, 2011, to be recorded as an insurance expense/expenditure totaled \$36,527.29.
- **Additional contributions** paid in 2010 for FY2011, ending June 30, 2011, to be recorded as an insurance expense/expenditure totaled \$336.21.
- **A refund due to the Town** in 2010 for FY2011, ending June 30, 2011 totaled \$0.

The ***New Hampshire Public Risk Management Exchange (Primex³) Workers' Compensation*** is a pooled risk management program under RSA 5-B and RSA 281-A. The following is a summary of worker's compensation coverages provided from 1/1/10 – 12/31/10 by Primex³, which retained \$1,000,000 of each loss:

TOWN OF FREMONT, NEW HAMPSHIRE

Notes to Financial Statements

December 31, 2010

The Workers' Compensation and Employers' Liability policy includes:

Workers' Compensation:

Statutory Coverage

Employers' Liability:

Bodily injury by accident, \$2,000,000 each accident;

Bodily injury by disease – \$2,000,000 each employee

Estimated net contribution billed for the year ending January 1, 2011 was \$22,656.

Contributions due from(to) the town as of December 31, 2010 was \$0.

Member Participation Agreements permit each risk pool to make additional assessments to members should there be a deficiency in pooled assets to meet its liabilities. At this time, the neither entity foresees the likelihood of an additional assessment and claims have not exceeded insurance coverage for this or any prior year.

LIABILITIES

INTERGOVERNMENTAL PAYABLE

Payables due other governments at December 31, 2010 include:

General Fund

Fremont School District (balance of 2009-10 School District

Assessment due in monthly installments through June 30, 2011)

\$4,080,192

AGENCY FUNDS

Agency Deposits held for others at December 31, 2010 include the following:

Escrow & Performance Deposits \$ 562,958

School Impact Fees 3,762

Fremont School District -

Nonexpendable Trust Funds:

Lilian E. Frost School Fund \$ 12,347

R. Wadell Scholarship Fund 37,015

Carey Doucette Scholarship Fund 4,705

General Fund Trusts:

School Expendable Fund 65,718

119,785

\$ 686,505

TOWN OF FREMONT, NEW HAMPSHIRE

Notes to Financial Statements

December 31, 2010

DEFINED BENEFIT PENSION PLAN

Full-time employees participate in the State of New Hampshire Retirement System (the System), a multiple-employer contributory pension plan and trust established in 1967 by RSA 100-A:2 and is qualified as a tax-exempt organization under Sections 401(a) and 501(a) of the Internal Revenue Code. The plan is a contributory, defined benefit plan providing service, disability, death and vested retirement benefits to members and their beneficiaries. Substantially all full-time state employees, public school teachers and administrators, permanent firefighters and permanent police officers within the State of New Hampshire are eligible and required to participate in the System. Full-time employees of political subdivisions, including counties, municipalities and Towns, are also eligible to participate as a group if the governing body of the political subdivision has elected participation.

The New Hampshire Retirement System, a Public Employees Retirement System (PERS), is divided into two membership groups. State or local employees and teachers belong to *Group I*. Police officers and firefighters belong to *Group II*. All assets are held in a single trust and are available to pay retirement benefits to all members. Benefits available to each group, funding policies, vesting requirements, contribution requirements and plan assets available to pay benefits are disclosed in the System's annual report available from the New Hampshire Retirement System located at Regional Drive ~ Concord, NH 03301-8509.

The payroll for employees covered by the System for the year ended December 31, 2010, was \$178,405; the Town's total payroll was \$808,677. Contribution requirements for the year ended December 31, 2010, were as follows:

State of New Hampshire	\$ 9,515
Employer Contributions	25,291
Employee Contributions	<u>16,592</u>
	<u>\$ 51,398</u>

AGENCY FUNDS

Agency Deposits held for others at December 31, 2010 include the following:

Escrow and performance deposits	\$ 471,442	
School impact fees	3,762	
Fremont School District:		
<i>Permanent Funds:</i>		
Liliand E. Frost Fund	\$ 12,372	
R. Wadell Scholarship Fund	37,440	
Carey Doucette Scholarship Fund	5,390	
<i>Noncapital Reserve:</i>		
School Expendable Fund	<u>65,855</u>	
		<u>121,057</u>
		<u>\$ 596,261</u>

TOWN OF FREMONT, NEW HAMPSHIRE*Notes to Financial Statements*

December 31, 2010

LONG-TERM DEBT

Changes in General Long-Term Debt. The following is a summary of the Town's general obligation long-term debt transactions for the fiscal year ended December 31, 2010:

	Beginning of Year	Issued	Retired	End of Year	Due Within One Year
<i>Governmental Activities:</i>					
General Obligation Debt	\$ 1,595,000		\$ 135,000	\$ 1,460,000	\$ 135,000
Compensated absences	21,171	2,329		23,500	23,500
	<u>\$ 1,616,171</u>	<u>\$ 2,329</u>	<u>\$ 135,000</u>	<u>\$ 1,483,500</u>	<u>\$ 158,500</u>

Bonds or Notes Authorized - Unissued

Bonds and notes authorized and unissued as of December 31, 2010 were as follows:

Authorization	Purpose	Amount
March 18, 2006 ~ Article 5	Purchase Conservation Land	<u>\$ 1,000,000</u>

General Long-term Debt Payable. Long-term debt payable at December 31, 2010, is comprised of the following individual issues:

Description of Issue	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding December 31 2010
<i>Governmental Activities:</i>					
General Obligation Debt Payable					
Public Safety Building	\$ 940,000	08/15/97	08/15/17	4.70-5.30	\$ 315,000
Library Building	995,500	08/15/01	08/15/21	4.125-5.0	545,000
Glen Oakes Land Purchase	795,300	08/15/05	08/15/25	4.04	600,000
					<u>1,460,000</u>
Compensated Absences Payable					
Vacation Leave					23,500
					<u>\$ 1,483,500</u>

TOWN OF FREMONT, NEW HAMPSHIRE

Notes to Financial Statements

December 31, 2010

Annual Requirements to Amortize General Obligation Debt. The annual requirements to amortize all general obligation debt outstanding as of December 31, 2010, including interest payments, are as follows:

Governmental Activities:

Fiscal Year Ending <u>December 31,</u>	<u>General Obligation Notes and Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 135,000	\$ 70,203	\$ 205,203
2012	135,000	63,657	198,657
2013	135,000	57,090	192,090
2014	135,000	50,450	185,450
2015	135,000	43,797	178,797
	675,000	285,197	960,197
2016-20	540,000	125,225	665,225
2021-25	245,000	28,640	273,640
	<u>\$ 1,460,000</u>	<u>\$ 439,062</u>	<u>\$ 1,899,062</u>

All debt is general obligation debt of the Town, which is backed by its full faith and credit. Enterprise Fund debt will be repaid from user fees.

FUND EQUITY

RESERVATIONS OF FUND BALANCES

Restricted Net Assets/Reserved for Special Purposes - Amounts restricted to fund purposes for subsequent year's representing contractual obligations to purchase and/or legally obligated revenues that may only be used for restricted purposes were as follows:

Governmental Activities:

Special Revenues Fund

Fremont Public Library	\$ 2,665
Conservation Commission	202,306
Playground	3,578
PD-OHRV	17,870
Energy Commission	3,501
	<u>\$ 227,255</u>

TOWN OF FREMONT, NEW HAMPSHIRE*Notes to Financial Statements*

December 31, 2010

Capital and Non-capital Reserves Fund*Capital Reserves:*

Fire Truck	\$ 100,414
Library	104
Police Cruiser	24,048
Property Assessment	46,545
Winter Maintenance	112,877
Radio Communications	18,768
Emergency Management	22,230
Rescue Vehicle	2,449
Highway Equipment	42,920
Playground	478
Capital Renovations - Town Hall	98,030
Capital Renovations - Historic Museum	10,050

General Fund Trusts (RSA 31:19-a):

Town Buildings Maintenance	21,215
	<u>\$ 500,128</u>

Permanent Funds – Trust funds held by the Town Trustees at December 31, 2010 for donor-restricted purposes were as follows:

	Non- expendable Endowment	Expendable for Trust Purposes	Total
<i>Non-expendable Trusts:</i>			
Town Trusts:			
Cemetery Perpetual Care	\$ 68,258	\$ 42,912	\$ 111,170
Cemetery Improvements	3,000	3,121	6,121
Support of Public Library	1,000	514	1,514
Meeting House	3,000	4,707	7,707
Worthy Poor	1,396	5,594	6,990
Universalist	1,000	68	1,068
Josiah Robinson Trust	17,700	6,283	23,983
	<u>\$ 95,354</u>	<u>\$ 63,199</u>	<u>\$ 158,553</u>

TOWN OF FREMONT, NEW HAMPSHIRE

Notes to Financial Statements

December 31, 2010

SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

GRANTS

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the Federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time although the Town expects such amounts, if any, to be immaterial.

LITIGATION

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

Required Supplementary Information

Exhibit C1
TOWN OF FREMONT, NEW HAMPSHIRE
Budgetary Comparison Schedule
Budget to Actual (Non-GAAP Budgetary Basis) - General Fund
For the Fiscal Year Ended December 31, 2010

All amounts are expressed in American Dollars

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Taxes	1,325,769	1,325,769	1,073,840	(251,929)
Licenses and permits	686,570	686,570	666,085	(20,485)
State support	285,388	303,314	317,248	13,934
Charges for services	125,757	125,757	107,012	(18,745)
Miscellaneous	64,950	64,950	61,926	(3,024)
	<u>2,488,434</u>	<u>2,506,360</u>	<u>2,226,111</u>	<u>(280,249)</u>
EXPENDITURES				
Current:				
General government	730,225	730,225	695,787	34,438
Public safety	652,361	670,287	671,193	(906)
Highways and streets	278,190	278,190	278,787	(597)
Sanitation	334,095	334,095	321,595	12,500
Health	60,014	60,014	57,498	2,516
Welfare	48,924	48,924	43,911	5,013
Culture and recreation	150,115	150,115	144,160	5,955
Debt service:				
Principal	135,000	135,000	135,000	-
Interest	121,726	121,726	78,726	43,000
Capital outlay	84,496	84,496	102,047	(17,551)
	<u>2,595,146</u>	<u>2,613,072</u>	<u>2,528,704</u>	<u>84,368</u>
Excess of revenues over(under) expenditures	(106,712)	(106,712)	(302,593)	(195,881)
OTHER FINANCING SOURCES (USES)				
Transfers in	107,536	107,536	98,435	(9,101)
Transfers out	(63,324)	(63,324)	(63,324)	-
	<u>44,212</u>	<u>44,212</u>	<u>35,111</u>	<u>(9,101)</u>
Net change in fund balances	(62,500)	(62,500)	(267,482)	(204,982)
Unreserved Fund balances - beginning	461,114	461,114	461,114	-
Unreserved Fund balances - ending	<u>398,614</u>	<u>398,614</u>	<u>193,632</u>	<u>(204,982)</u>

TOWN OF FREMONT, NEW HAMPSHIRE
Note to Required Supplementary Information – Budgetary Reporting
December 31, 2010

The budgetary comparison schedule – Budget to Actual (Non-GAAP Budgetary Basis) presents comparisons of the original and final legally adopted budget with actual data on a budgetary basis.

General Budget Policies – General governmental revenues and expenditures accounted for in budgetary funds are controlled by a formal integrated budgetary accounting system in accordance with various legal requirements that govern the Town's operations. The Town votes appropriations by official ballot in accordance with State Statutes. Appropriations are made on an annual basis for the General and all significant Special Revenue Funds. Project-length financial plans are adopted for all Capital Project Funds. Except as reconciled below, budgets are adopted on a basis generally consistent with the modified accrual basis of accounting. Management may transfer appropriations between operating categories as they deem necessary, but expenditures may not legally exceed budgeted appropriations in total. Unexpended balances of special articles for specific purposes may not be transferred. All annual appropriations lapse at year-end unless encumbered. In the case of emergency expenditures, over-expenditures are allowed under the provisions of the Municipal Budget Law (RSA Chapter 32) if prior approval is secured from the State Department of Revenue Administration. State statutes require balanced budgets, but provide for the use of beginning unreserved fund balance to achieve that end. In the fiscal year 2010, \$62,500 of the beginning General Fund balance was applied for this purpose.

Encumbrance accounting, under which purchase orders, contracts, and continuing appropriations (certain projects and specific items not fully expended at year-end) are recognized, is employed in the governmental funds. Encumbrances are not the equivalent of expenditures and are therefore reported as part of the fund balance at December 31 and are carried forward to supplement appropriations of the subsequent year. Amounts recorded as budgetary expenditures in the *Budgetary Comparison Schedule (Exhibit C1)* are presented on the basis budgeted by the Town. The amounts differ from those reported in conformity with generally accepted accounting principles in the *Statement of Revenues, Expenditures and Changes in Fund Balances (Exhibit B3)* as follows:

Expenditures and Other Financing Uses ~ Budgetary Basis (<i>see Exhibit C1</i>)	\$ 2,592,028
Adjustments:	
Encumbrances - December 31, 2009	6,200
Encumbrances - December 31, 2010	<u>-</u>
Expenditures and Other Financing Sources ~ GAAP Basis (<i>see Exhibit B3</i>)	<u><u>\$ 2,598,228</u></u>

Individual Fund Financial Statements and Schedules

TOWN OF FREMONT, NEW HAMPSHIRE
General Fund
Detailed Schedule of Estimated and Actual Revenues
For the Fiscal Year Ended December 31, 2010

All amounts are expressed in American Dollars

	Original & Final Budget	Reserves and RSA 31:95-b Authorizations	Actual (GAAP Basis)	Over (Under) Budget
REVENUES				
Taxes				
Property	1,197,001		1,120,164	(76,837)
Land Use	20,000		250	(19,750)
Timber yield	-		1,818	1,818
Payments in lieu of taxes	2,000		-	(2,000)
Excavation tax	500		306	(194)
Interest and penalties on delinquent taxes	120,000		128,068	8,068
Overlay	(13,732)		(176,766)	(163,034)
	<u>1,325,769</u>	<u>-</u>	<u>1,073,840</u>	<u>(251,929)</u>
Licenses and permits				
Motor vehicle fees	635,000		607,856	(27,144)
Building permits	40,000		43,681	3,681
Other licenses, permits and fees	11,570		14,548	2,978
	<u>686,570</u>	<u>-</u>	<u>666,085</u>	<u>(20,485)</u>
State Support				
Meals and rental tax distributions	186,430		186,430	-
Highway block grant	98,958		98,958	-
Other		17,926	31,860	13,934
	<u>285,388</u>	<u>17,926</u>	<u>317,248</u>	<u>13,934</u>
Charges for Services				
Income From Departments				
<i>General Government Services:</i>				
Town office	6,757		477	(6,280)
Planning & zoning fees	15,000		14,605	(395)
<i>Public safety services:</i>				
Police department	1,000		1,240	240
Police details	60,000		48,604	(11,396)
Police witness fees	2,000		2,154	154
Fire department	500		948	448
Fire details	8,500		8,392	(108)
<i>Highways & Streets:</i>				
Highway winter maintenance	10,000		10,037	37
<i>Sanitation:</i>				
Recycling	3,500		3,750	250
<i>Culture and Recreation:</i>				
Recreation programs	18,500		16,720	(1,780)
Historical society	-		85	85
	<u>125,757</u>	<u>-</u>	<u>107,012</u>	<u>(18,745)</u>
Miscellaneous				
Sale of municipal property	60,750		53,608	(7,142)
Interest on investments	3,000		3,442	442
Rents of property	-		1,000	1,000
Refunds and overpayments	-		2,504	2,504
Welfare reimbursements	-		550	550
Other	1,200		822	(378)
	<u>64,950</u>	<u>-</u>	<u>61,926</u>	<u>(3,024)</u>
OTHER FINANCING SOURCES				
Operating transfers in - Interfund Transfers				
<i>Permanent Funds:</i>				
Cemetery Perpetual Care	4,540		4,540	-
<i>Capital & Noncapital Reserve Funds -</i>				
Police Cruiser	26,996		26,996	-
Property Reassessment	76,000		57,500	(18,500)
Highway Equipment			9,399	9,399
	<u>107,536</u>	<u>-</u>	<u>98,435</u>	<u>(9,101)</u>
Total revenues and other financing sources	<u>2,595,970</u>	<u>17,926</u>	<u>2,324,546</u>	<u>(289,350)</u>
Unreserved Fund Balance Used to Reduce Tax Rate	<u>62,500</u>			
Total revenues and use of fund balance	<u>2,658,470</u>			

Schedule D1b
TOWN OF FREMONT, NEW HAMPSHIRE
General Fund

Detailed Statement of Appropriations, Expenditures and Encumbrances
For the Fiscal Year Ended December 31, 2010

all numbers are expressed in American Dollars

	Reserved From Prior Fiscal Year	Voted Appropriations	Reserves and RSA 31:95-b Authorizations	Expenditures Net of Refunds	Reserved To Next Fiscal Year	(Over) Under Budget
EXPENDITURES						
Current						
General Government						
Executive		155,842		148,774		7,068
Election, Registration & Vital Statistics		11,111		10,013		1,098
Financial Administration		47,141		45,449		1,692
Revaluation of Property		68,395		51,809		16,586
Legal Expenses	1,700	15,000		22,623		(5,923)
Employee Benefits		238,573		236,078		2,495
Planning and Zoning		54,618		52,372		2,246
General Government Buildings		77,236		70,733		6,503
Cemeteries	4,500	11,384		14,755		1,129
Insurance, not otherwise allocated		36,625		37,046		(421)
Advertising and regional associations		6,800		6,714		86
Town reports		7,500		5,621		1,879
	6,200	730,225	-	701,987	-	34,438
Public safety						
Police Department		411,445		369,942		41,503
Ambulance		5,500		5,500		-
Fire Department		179,236		177,087		2,149
Building Inspection (code enforcement)		49,280		46,806		2,474
Emergency management		6,900	17,926	23,849		977
Police details				48,009		(48,009)
	-	652,361	17,926	671,193	-	(906)
Highways and streets						
Highways and streets		274,190		274,083		107
Street Lighting		4,000		4,704		(704)
	-	278,190	-	278,787	-	(597)
Sanitation						
Solid waste collection		216,000		215,381		619
Solid waste disposal - AVRDD		118,095		106,214		11,881
	-	334,095	-	321,595	-	12,500
Health						
Pest Control		9,739		7,492		2,247
Health Agencies & Hospitals		725		456		269
Mosquito control		49,550		49,550		-
	-	60,014	-	57,498	-	2,516
Welfare						
Administration & Direct Assistance		19,900		14,912		4,988
Vendor Payments		29,024		28,999		25
	-	48,924	-	43,911	-	5,013
Culture and recreation						
Parks and Recreation		47,280		45,734		1,546
Library		100,500		96,410		4,090
Patriotic Purposes		2,335		2,016		319
	-	150,115	-	144,160	-	5,955
Debt service						
Principal of long-term debt		135,000		135,000		-
Interest expense - long-term debt		76,726		76,725		1
Interest expense - tax anticipation notes		45,000		2,001		42,999
	-	256,726	-	213,726	-	43,000
Facilities acquisition and construction						
Machinery, vehicles & equipment						
Police cruiser		26,996		26,306		690
Safety equipment (Primex grant)				1,222		(1,222)
Renewable energy equipment				3,500		(3,500)
Highway sander				9,399		(9,399)
Improvements other than buildings						
Revaluation		57,500		57,500		-
JAG Grant expenses				4,120		(4,120)
	-	84,496	-	102,047	-	(17,551)

Schedule D1b
TOWN OF FREMONT, NEW HAMPSHIRE
General Fund

Detailed Statement of Appropriations, Expenditures and Encumbrances
For the Fiscal Year Ended December 31, 2010

all numbers are expressed in American Dollars

	Reserved From Prior Fiscal Year	Voted Appropriations	Reserves and RSA 31:95-b Authorizations	Expenditures Net of Refunds	Reserved To Next Fiscal Year	(Over) Under Budget
OTHER FINANCING USES						
Operating transfers out - Interfund transfers						
<i>Special revenue</i>						
Conservation Commission		824		824		-
<i>Capital & Noncapital Reserves:</i>						
<i>Capital Reserves</i>						
Police Cruiser		12,500		12,500		-
Property Reassessment		25,000		25,000		-
Town Hall Renovations		25,000		25,000		-
	-	63,324		63,324	-	-
	6,200	2,658,470	17,926	2,598,228	-	84,368

Schedule D2a
TOWN OF FREMONT, NEW HAMPSHIRE
Balance Sheet
Non-major Governmental Funds
December 31, 2010

All numbers are expressed in American Dollars

<i>Special Revenue</i>					
	Fremont Public Library	Playground	PD-OHRV	Energy Commission	Total
ASSETS					
Cash and cash equivalents	3,742				3,742
Investments		3,645	19,275	3	22,923
	<u>3,742</u>	<u>3,645</u>	<u>19,275</u>	<u>3</u>	<u>26,665</u>
FUND BALANCES					
Reserved for special purposes, reported in:					
Special revenue funds	3,742	3,645	19,275	3	26,665
	<u>3,742</u>	<u>3,645</u>	<u>19,275</u>	<u>3</u>	<u>26,665</u>

Schedule D2b
TOWN OF FREMONT, NEW HAMPSHIRE
Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-major Governmental Funds
For the Fiscal Year Ended December 31, 2010

All numbers are expressed in American Dollars

	<i>Special Revenue</i>				Total
	Fremont Public Library	Playground	PD-OHRV	Energy Commission	
REVENUES					
State support			1,366		1,366
Miscellaneous	3,670	67	39	2	3,778
	<u>3,670</u>	<u>67</u>	<u>1,405</u>	<u>2</u>	<u>5,144</u>
EXPENDITURES					
Current:					
Culture and recreation	2,593				2,593
Conservation				3,500	3,500
	<u>2,593</u>	<u>-</u>	<u>-</u>	<u>3,500</u>	<u>6,093</u>
Net change in fund balances	1,077	67	1,405	(3,498)	(949)
Fund balances - beginning	2,665	3,578	17,870	3,501	27,614
Fund balances - ending	<u>3,742</u>	<u>3,645</u>	<u>19,275</u>	<u>3</u>	<u>26,665</u>

Schedule D3
TOWN OF FREMONT, NEW HAMPSHIRE
Combining Statement of Changes in Assets and Liabilities
All Agency Funds
For the Fiscal Year Ended December 31, 2010

All amounts are expressed in American Dollars

	Beginning Balance	Additions	Deductions	Ending Balance
ASSETS				
Cash and equivalents	55,528	424	18,018	37,934
Investments	630,977	21,180	93,830	558,327
	<u>686,505</u>	<u>21,604</u>	<u>111,848</u>	<u>596,261</u>
LIABILITIES				
Agency deposits:				
Escrow & performance deposits	562,958	1,516	93,032	471,442
School impact fees	3,762	18,816	18,816	3,762
Fremont School District:				
<i>Permanent Funds:</i>				
Liliand E. Frost Fund	12,347	25		12,372
R. Wadell Scholarship Fund	37,015	425		37,440
Carey Doucette Scholarship Fund	4,705	685		5,390
<i>Capital & noncapital reserves:</i>				
School Expendable Fund	65,718	137		65,855
	<u>686,505</u>	<u>21,604</u>	<u>111,848</u>	<u>596,261</u>