

**TOWN OF FREMONT,
NEW HAMPSHIRE**

ANNUAL FINANCIAL REPORT

**AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2011**

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PLODZIK & SANDERSON

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INDEPENDENT AUDITOR'S REPORT

To the Members of the Board of Selectmen
Town of Fremont
Fremont, 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 Fremont as of and for the year ended December 31, 2011, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Town of Fremont's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Fremont as of December 31, 2011 and the respective changes in financial position for the year then ended and the respective budgetary comparison for the general fund, in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (pages 2 through 8) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Fremont's basic financial statements. The combining and individual fund financial schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. They are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial schedules 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 basic financial statements as a whole.

July 16, 2012

Plodzik & Sanderson
Professional Association



The Town of Fremont

Management's Discussion and Analysis

For the Year Ending December 31, 2011

1. Brief discussion of the Basic Financial Statements
2. Condensed Government – Wide Financial Information
3. Financial Results
4. Fund Balances
5. Budgets
6. Capital Assets and Long Term Debt

As management of the Town of Fremont NH, we offer readers of the Town of Fremont, NH financial statements this narrative overview and analysis of the financial activities of the Town of Fremont, NH for the fiscal year ended December 31, 2011.

Overview of Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town of Fremont's basic financial statements. The Town of Fremont's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Town of Fremont's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Town of Fremont's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town of Fremont, NH is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the

underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (ie: uncollected taxes).

The governmental activities of the Town of Fremont, NH include general government, public safety, highways and streets, cemetery, library, trust and capital reserve funds, grants, general assistance, conservation, sanitation, culture and recreation.

Fund financial statements - A *fund* is a set of reports that is used to segregate specific activities. The Town of Fremont NH, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town of Fremont, NH can be divided into two categories: governmental or fiduciary funds.

Governmental Funds. *Governmental funds* are used to report on the general operations of the Town. They are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, fund financial statements focus only on current expenditures and revenue (*inflows and outflows of spendable resources this year*), as well as on balances (of *spendable resources*) available at the end of the fiscal year. Such information may be useful in evaluating a government's current financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The voters of the Town of Fremont NH adopt an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Fiduciary Funds. *Fiduciary funds* are used to account for resources held for the benefit of parties outside the Fremont town government, such as developer's performance bonds, capital reserve and expendable town trust funds, and trust funds for which the income is used for purposes that are not normally funded by the Town. Fiduciary funds are *not* reflected in the government-wide financial statement because these funds are not available to support the Town of Fremont's own programs. The accounting used for the fiduciary funds is much like that used for businesses.

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

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* consisting of a comparison of budget to actual revenues and expenditures for the general fund.

Government-wide Financial Analysis

As noted earlier, net assets may, over time serve as a useful indicator of a government's financial position. In the case of the Town of Fremont NH, assets exceeded liabilities by \$8,365,646 at the close of the most recent fiscal year.

By far the largest portion of the Town of Fremont's net assets \$6,710,130 reflects its investment in capital assets (ie: land, buildings, vehicles, etc.). The Town of Fremont NH uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Fremont's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Town of Fremont, NH

Statement of Net Assets

	Governmental Activities	
	2010	2011
Current & other assets	5,551,860	6,106,055
Capital assets	17,959,338	8,035,130
Total assets	23,511,198	14,141,185
Long-term liabilities outstanding	1,325,000	1,212,555
Other liabilities	4,238,900	4,562,984
Total liabilities	5,563,900	5,775,539
Net assets:		
Investment in capital assets net of related debt	16,499,338	6,710,130
Restricted assets	887,828	154,342
Unrestricted assets	560,132	1,501,174
Total net assets	17,947,298	8,365,646

At the end of the current fiscal year, the Town of Fremont NH is able to report positive balances in net assets, for the government as a whole. The same situation held true for the prior fiscal year. The changes noted in net assets are primarily due to a change in the method for which fixed assets (capital assets) were accounted for in the two periods. In the current period, the Town adopted a Capital Asset Policy and defined and properly accounted for all fixed assets (updating prior period estimates).

Town of Fremont, NH
Statement of Activities

	2010 AMOUNT	2011 AMOUNT	DIFFERENCE
Revenues:			
Program revenues:			
Charges for Services	107,012	89,330	(17,682)
Operating grants & contributions	321,070	121,570	(199,500)
Capital Contributions		108,669	108,669
General revenues:			
Taxes	1,472,540	1,235,943	(236,597)
Licenses and permits	666,085	658,818	(7,267)
Intergovernmental		211,786	211,786
Unrestricted investment earnings		1,478	1,478
Miscellaneous	68,390	338,082	269,692
Total revenues	2,635,097	2,765,676	130,579
Expenses:			
General Government	704,316	844,621	140,305
Public Safety	671,193	720,805	49,612
Highways and Streets	278,787	307,239	28,452
Sanitation	321,595	342,050	20,455
Health	57,498	59,532	2,034
Welfare	43,911	34,662	(9,249)
Culture & Recreation	146,785	196,777	49,992
Conservation	15,710	6,611	(9,099)
Interest on long-term debt	78,726	65,823	(12,903)
Capital Outlay	66,342		(66,342)
Depreciation-unallocated	101,670		(101,670)
Total governmental activities	2,486,533	2,578,120	91,587
Change in net assets	148,564	187,556	38,992
Beginning net assets	8,029,526	8,178,090	148,564
Ending net assets	8,178,090	8,365,646	187,556

General fund budgetary highlights

As shown in the above chart, revenues received during 2011 increased by \$130,579 from 2010. In 2011, the actual budgetary revenues were more than the budget for estimated revenues by \$154,450. Motor Vehicle Registrations were \$13,538 under the amount projected. Building Permits were \$4,515 over the amount projected. General income from department services was \$3,300 over projected. Miscellaneous income (rent and sale of town property, interest income on deposits and other miscellaneous items) increased by \$77,324 over the estimated revenue.

The overall, total governmental expenditures increased by \$31,559 (.01%) over the prior year. The Town experienced a catastrophic weather event which impacted total expenditures. The October 2011 Snowstorm caused damages totaling approximately \$18,823.00. FEMA Disaster reimbursement of (75%) \$14,117.25 was received by the Town in February 2012.

The Town realized a savings of \$11,546 in actual expenditures over the 2011 budgeted appropriation.

The Town's total property valuation increased by \$4,428,691 to \$363,266,248 in 2011. The total property tax commitment increased by \$361,042 over the prior year. In setting the 2011 tax rate, the Board of Selectmen did not use any of the Town's beginning general fund balance. The tax rate was set at \$27.27.

Capital Asset and Debt Administration

Capital Assets - The Town of Fremont's investment in capital assets includes land and improvements, buildings, vehicles and equipment, and roadways with a value in excess of \$10,000 and a useful life of over five (5) years.

Assets are depreciated on a straight-line basis, with the original cost divided evenly by the useful life of the asset.

Major capital asset events during the current fiscal year included the following:

- Acquisitions:
 - 2011 Police cruiser
 - 2011 F550 Highway Truck
- Deletions:
 - 2005 Police Cruiser
 - 2005 F550 Highway Truck

Town of Fremont, NH Capital Assets

Governmental Activities
(at original cost)

	2010	Additions	Deletions	2011
AT COST:	2,320,950			2,320,950
Land (Not being Depreciated)				
Land Improvements	468,456	2,500		470,956
Buildings & Building Improvements	2,742,906	36,000		2,778,906
Machinery, Vehicles & Equipment	1,638,003	98,306		1,736,309
Infrastructure	5,717,897	93,589		5,811,486
LESS:				
Accumulated Depreciation				
Land Improvements	(210,305)	(23,548)		(233,853)
Buildings & Building Improvements	(731,769)	(62,995)		(794,764)
Machinery, Vehicles & Equipment	(854,525)	(103,406)		(957,931)
Infrastructure	(2,849,132)	(247,797)		(3,096,929)
Net Book Value Capital Assets being depreciated	5,921,531	(207,351)		5,714,180
Net Book Value All government activities capital assets	8,242,481	(207,351)		8,035,130

Additional information on the Town of Fremont's net capital assets, depreciation, and debt may be found in the notes to the financial statements.

Long-term Debt. At the end of the current fiscal year, the Town of Fremont NH had total bonded debt outstanding of \$1,325,000 which is a 9% decrease from the \$1,460,000 owed at the end of 2010. These bonds are a general obligation of the taxpayers of Fremont NH.

NH RSA 33:4-A establishes a debt limit. Towns may not incur outstanding indebtedness exceeding 3% (\$10,698,849) of the town valuation. The NH Department of Revenue Administration currently computes Fremont's base valuation for debt limits at \$356,628,293. Fremont's debt is less than 1% of the valuation, so it is well within the debt limit. Fremont has an allowed debt margin of \$9,004,989.

The Town of Fremont generally issues bonds through the NH Municipal Bond Bank, and uses the bond bank credit rating of Aa2 with Moody's Investment Service.

Requests for Information

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 emailing FremontTA@comcast.net.

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

BASIC FINANCIAL STATEMENTS

EXHIBIT A
TOWN OF FREMONT, NEW HAMPSHIRE
Statement of Net Assets
December 31, 2011

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 4,375,975
Investments	995,601
Intergovernmental	19,605
Other receivables, net of allowances for uncollectible	714,874
Capital assets, not being depreciated:	
Land	2,320,950
Capital assets, net of accumulated depreciation:	
Land improvements	237,103
Buildings and building improvements	1,984,142
Machinery, equipment, and vehicles	778,378
Infrastructure	2,714,557
Total assets	<u>14,141,185</u>
LIABILITIES	
Accounts payable	94,880
Intergovernmental payable	4,307,497
Accrued interest payable	23,872
Noncurrent obligations:	
Due within one year:	
Bonds	135,000
Unamortized bond premium	1,735
Due in more than one year:	
Bonds	1,190,000
Unamortized bond premium	22,555
Total liabilities	<u>5,775,539</u>
NET ASSETS	
Invested in capital assets, net of related debt	6,710,130
Restricted for perpetual care	154,342
Unrestricted	1,501,174
Total net assets	<u><u>\$ 8,365,646</u></u>

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

EXHIBIT B
TOWN OF FREMONT, NEW HAMPSHIRE
Statement of Activities
For the Fiscal Year Ended December 31, 2011

		Program Revenues			Net (Expense)
		Charges	Operating	Capital	Revenue and
	Expenses	for	Grants and	Grants and	Change in
		Services	Contributions	Contributions	Net Assets
Governmental activities:					
General government	\$ 844,621	\$ 6,683	\$ 58,661	\$ -	\$ (779,277)
Public safety	720,805	60,371	8,448	-	(651,986)
Highways and streets	307,239	-	14,117	108,669	(184,453)
Sanitation	342,050	3,196	-	-	(338,854)
Health	59,532	2,130	-	-	(57,402)
Welfare	34,662	-	-	-	(34,662)
Culture and recreation	196,777	16,950	92	-	(179,735)
Conservation	6,611	-	40,252	-	33,641
Interest on long-term debt	65,823	-	-	-	(65,823)
Total governmental activities	<u>\$ 2,578,120</u>	<u>\$ 89,330</u>	<u>\$ 121,570</u>	<u>\$ 108,669</u>	<u>(2,258,551)</u>
General revenues:					
Taxes:					
Property					1,115,191
Other					120,752
Motor vehicle permit fees					616,462
Licenses and other fees					42,356
Grants and contributions not restricted to specific programs					211,786
Unrestricted investment earnings					1,478
Miscellaneous					338,082
Total general revenues					<u>2,446,107</u>
Change in net assets					187,556
Net assets, beginning, as restated (see Note 14)					8,178,090
Net assets, ending					<u>\$ 8,365,646</u>

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

EXHIBIT C-1
TOWN OF FREMONT, NEW HAMPSHIRE
Governmental Funds
Balance Sheet
December 31, 2011

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 4,364,512	\$ 11,255	\$ 4,375,767
Investments	-	479,899	479,899
Receivables, net of allowance for uncollectible:			
Taxes	714,874	-	714,874
Intergovernmental	19,605	-	19,605
Interfund receivable	-	4,486	4,486
Restricted - Cash and cash equivalents	208	-	208
Restricted- Investments	515,702	-	515,702
Total assets	<u>\$ 5,614,901</u>	<u>\$ 495,640</u>	<u>\$ 6,110,541</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 94,880	\$ -	\$ 94,880
Intergovernmental payable	4,307,497	-	4,307,497
Interfund payable	4,486	-	4,486
Total liabilities	<u>4,406,863</u>	<u>-</u>	<u>4,406,863</u>
Fund balances:			
Nonspendable	-	95,594	95,594
Restricted	208	83,326	83,534
Committed	515,702	58,312	574,014
Assigned	1,572	258,408	259,980
Unassigned	690,556	-	690,556
Total fund balances	<u>1,208,038</u>	<u>495,640</u>	<u>1,703,678</u>
Total liabilities and fund balances	<u>\$ 5,614,901</u>	<u>\$ 495,640</u>	<u>\$ 6,110,541</u>

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

EXHIBIT C-2
TOWN OF FREMONT, NEW HAMPSHIRE
Reconciliation of Total Governmental Fund Balances to the Statement of Net Assets
December 31, 2011

Total fund balances of governmental funds (Exhibit C-1)		\$ 1,703,678
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.		
Cost	\$ 13,118,607	
Less accumulated depreciation	<u>(5,083,477)</u>	
		8,035,130
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(23,872)
Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the funds.		
Bonds	\$ 1,325,000	
Unamortized bond premium	<u>24,290</u>	
		<u>(1,349,290)</u>
Total net assets of governmental activities (Exhibit A)		<u><u>\$ 8,365,646</u></u>

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

EXHIBIT C-3
TOWN OF FREMONT, NEW HAMPSHIRE
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended December 31, 2011

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$ 1,218,222	\$ 17,721	\$ 1,235,943
Licenses and permits	658,818	-	658,818
Intergovernmental	337,717	45,287	383,004
Charges for services	89,330	-	89,330
Miscellaneous	339,560	59,021	398,581
Total revenues	<u>2,643,647</u>	<u>122,029</u>	<u>2,765,676</u>
Expenditures:			
Current:			
General government	655,492	760	656,252
Public safety	607,275	-	607,275
Highways and streets	394,375	-	394,375
Sanitation	342,050	-	342,050
Health	59,532	-	59,532
Welfare	34,662	-	34,662
Culture and recreation	145,632	-	145,632
Conservation	824	5,787	6,611
Debt service:			
Principal	135,000	-	135,000
Interest	70,012	-	70,012
Capital outlay	82,057	-	82,057
Total expenditures	<u>2,526,911</u>	<u>6,547</u>	<u>2,533,458</u>
Excess of revenues over expenditures	<u>116,736</u>	<u>115,482</u>	<u>232,218</u>
Other financing sources (uses):			
Transfers in	3,800	-	3,800
Transfers out	-	(3,800)	(3,800)
Total other financing sources and uses	<u>3,800</u>	<u>(3,800)</u>	<u>-</u>
Net change in fund balances	120,536	111,682	232,218
Fund balances, beginning, as restated (see Note 14)	<u>1,087,502</u>	<u>383,958</u>	<u>1,471,460</u>
Fund balances, ending	<u>\$ 1,208,038</u>	<u>\$ 495,640</u>	<u>\$ 1,703,678</u>

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

EXHIBIT C-4
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, 2011

Net change in fund balances of governmental funds (Exhibit C-3)		\$ 232,218
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 depreciation expense exceeded capitalized capital outlay in the current period.		
Capitalized capital outlay	\$ 230,395	
Depreciation expense	<u>(437,746)</u>	
		(207,351)
Transfers in and out between governmental funds are eliminated on the Statement of Activities.		
Transfers in	\$ (3,800)	
Transfers out	<u>3,800</u>	
		-
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds, but has no effect on net assets.		
Repayment of bond principal	\$ 135,000	
Amortization of bond premium	<u>1,735</u>	
		136,735
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	\$ 2,454	
Decrease in compensated absences payable	<u>23,500</u>	
		25,954
Changes in net assets of governmental activities (Exhibit B)		<u><u>\$ 187,556</u></u>

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

EXHIBIT D
TOWN OF FREMONT, NEW HAMPSHIRE
Statement of Revenues, Expenditures, and Change in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Fiscal Year Ended December 31, 2011

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Taxes	\$ 1,229,274	\$ 1,218,222	\$ (11,052)
Licenses and permits	693,000	658,818	(34,182)
Intergovernmental	298,811	334,572	35,761
Charges for services	86,000	89,330	3,330
Miscellaneous	259,300	336,624	77,324
Total revenues	<u>2,566,385</u>	<u>2,637,566</u>	<u>71,181</u>
Expenditures:			
Current:			
General government	663,907	655,492	8,415
Public safety	638,158	604,130	34,028
Highways and streets	397,491	394,375	3,116
Sanitation	342,279	342,050	229
Health	58,865	59,532	(667)
Welfare	44,813	34,662	10,151
Culture and recreation	145,180	141,097	4,083
Conservation	824	824	-
Debt service:			
Principal	135,000	135,000	-
Interest	75,692	70,012	5,680
Capital outlay	26,996	82,057	(55,061)
Total expenditures	<u>2,529,205</u>	<u>2,519,231</u>	<u>9,974</u>
Excess of revenues over expenditures	<u>37,180</u>	<u>118,335</u>	<u>81,155</u>
Other financing sources (uses):			
Transfers in	27,820	86,089	58,269
Transfers out	(122,500)	(97,500)	25,000
Total other financing sources and uses	<u>(94,680)</u>	<u>(11,411)</u>	<u>83,269</u>
Net change in fund balances	<u>\$ (57,500)</u>	<u>106,924</u>	<u>\$ 164,424</u>
Fund balances, beginning, as restated (see Note 14)		583,632	
Unassigned fund balance, ending		<u>\$ 690,556</u>	

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

EXHIBIT E-1
TOWN OF FREMONT, NEW HAMPSHIRE
Fiduciary Funds
Statement of Fiduciary Net Assets
December 31, 2011

	Private Purpose Trust	Agency
ASSETS		
Cash and cash equivalents	\$ 13,383	\$ -
Investments	29,398	510,673
Total assets	<u>42,781</u>	<u>510,673</u>
LIABILITIES		
Due to other governmental units	-	89,568
Due to others	-	421,105
Total liabilities	<u>-</u>	<u>510,673</u>
NET ASSETS		
Held in trust for special purposes	<u>\$ 42,781</u>	<u>\$ -</u>

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

EXHIBIT E-2
TOWN OF FREMONT, NEW HAMPSHIRE
Fiduciary Funds
Statement of Changes in Fiduciary Net Assets
For the Fiscal Year Ended December 31, 2011

	Private Purpose Trust
ADDITIONS	
Investment earnings:	
Interest and dividends	\$ 452
DEDUCTIONS	
Trust income distributions	(500)
Change in net assets	(48)
Net assets, beginning	42,829
Net assets, ending	<u>\$ 42,781</u>

TOWN OF FREMONT, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2011

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TOWN OF FREMONT, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Town of Fremont, New Hampshire (the Town), are presented in conformity with accounting principles generally accepted in the United States of America for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources.

The more significant of the Town's accounting policies are described below.

1-A Reporting Entity

The Town of Fremont is a municipal corporation governed by an elected 3-member Board of Selectmen. The reporting entity is comprised of the primary government and any other organizations (*component units*) that are included to ensure that the financial statements are not misleading.

Component units are legally separate organizations for which the Town is financially accountable. The Town is financially accountable for an organization if the Town appoints a voting majority of the organization's governing board, and (1) the Town is able to significantly influence the programs or services performed or provided by the organizations; or (2) the Town is legally entitled to or can otherwise access the organization's resources; (3) the Town is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the Town is obligated for the debt of the organization. Based on the foregoing criteria, no other organizations are included in the Town's financial reporting entity.

1-B Basis of Presentation

Government-wide Financial Statements – The government-wide financial statements display information about the Town as a whole. These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. The effect of interfund activity has been eliminated from these statements.

The Statement of Net Assets presents the financial position of the governmental activities of the Town at year-end. This statement includes all of the Town's assets, liabilities, and net assets. Net assets are reported as one of three categories: invested in capital assets, net of related debt; restricted; or unrestricted.

The Statement of Activities presents a comparison between direct expenses and program revenues for the different functions of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function, and therefore, are clearly identifiable to a particular function. Program revenues include (1) charges to customers or applicants for goods received, services rendered or privileges provided, and (2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements – The Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Financial statements of the Town are organized into funds, each of which is considered to be a separate accounting entity. Each fund has a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures. Funds are organized as major funds or nonmajor funds within the governmental and statements, with an emphasis placed on the major funds within the governmental categories. A fund is considered major if it is the primary operating fund of the Town or meets the following criteria:

- (a) Total assets, liabilities, revenues or expenditures of that individual governmental fund are at least 10% of the corresponding total for all funds of that category or type;
- (b) Total assets, liabilities, revenues or expenditures of the individual governmental fund are at least 5% of the corresponding total for all governmental fund combined; and
- (c) In addition, any other governmental fund that the Town believes is particularly important to the financial statement users may be reported as a major fund.

TOWN OF FREMONT, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
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Governmental Activities – Governmental funds are identified as general, special revenue, capital projects, and permanent funds, based upon the following guidelines:

General Fund – is the primary operating fund of the Town and is always classified as a major fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds – are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purpose other than capital projects.

Capital Projects Funds – are used to account for and report financial that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Permanent Funds – are used to account for resources legally held in trust. All resources of the fund, including earnings on invested resources, may be used to support the Town.

Fiduciary Fund Types – These funds account for assets held by the Town as a trustee or agent for individuals, private organizations, and other units of governments. Fiduciary fund types are not part of the reporting entity in the government-wide financial statements, but are reported in a separate Statement of Fiduciary Net Assets and a Statement of Changes in Fiduciary Net Assets. These funds are as follows:

Private Purpose Trust Funds – are used to account for trust arrangements under which principal and income benefit individuals, private organizations, or other governments.

Agency Funds – are used to account for resources held by the Town in a purely custodial capacity, for individuals, private organizations, and/or governmental units.

Major Funds – The Town reports the following major governmental funds:

General Fund – all general revenues and other receipts that are not allocated by law or contracted agreement to another fund are accounted for in this fund. This fund accounts for general operating expenditures, fixed charges, and the capital improvement costs that are not reported in other funds.

Nonmajor Funds – The Town also reports six nonmajor governmental funds.

I-C Measurement Focus

Government-wide and Fiduciary Fund Financial Statements – The government-wide and fiduciary fund financial statements, except for agency funds which have no measurement focus, are reported using the economic resources measurement focus. Under this concept, revenues and expenses are matched using the accrual basis of accounting. Revenues are recorded when earned 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 – 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 susceptible to accrual, that is, when they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues (except property taxes mentioned below) to be available if they are collected within 60 days of the end of the current period. Property taxes, grants and contracts, and interest associated with the current period are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the Town. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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.

TOWN OF FREMONT, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
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Revenues – Exchange Transactions – Revenue resulting from exchange transactions in which each party gives and receives essentially equal value is recorded on the accrual basis when the exchange takes place. On the modified accrual basis revenue is recorded when the exchange takes place in the fiscal year in which the resources are measurable and become available.

Revenues – Nonexchange Transactions – Nonexchange transactions in which the Town receives value without directly giving equal value in return include property taxes, certain fees, grants, and donations. Revenue from grants and donations is recognized in the fiscal year in which all grantor imposed eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the Town must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Town on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions also must be available before it can be recognized (Interpretation No. 1, as modified, 60-day rule), with the exception of property taxes which are committed and recognized as revenue in order to offset the liability due the school district to be paid in monthly installments over the next six months.

1-D Cash and Cash Equivalents

The Town considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, and savings accounts.

New Hampshire statutes require that the Town Treasurer have custody of all money belonging to the Town and pay out the same only upon orders of the Board of Selectmen. The treasurer shall deposit all such moneys in participation units in the public deposit investment pool established pursuant to New Hampshire RSA 383:22 or in solvent banks in the state. Funds may be deposited in banks outside the state if such banks pledge and 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.

1-E Restricted Assets

Certain cash and cash equivalents and investments are classified as restricted assets on the balance sheet because their use is legally restricted for specified purposes through laws and/or enabling legislation.

1-F Investments

State statutes place certain limitations on the nature of deposits and investments available as follows:

New Hampshire law authorizes the Town to invest in the following type of obligations:

- Obligations of the United States government,
- The public deposit investment pool established pursuant to RSA 383:22,
- Savings bank deposits,
- 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 moneys 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.

Investments are stated at fair value based on quoted market prices.

1-G Receivables

Receivables in the government-wide and governmental fund financial statements represent amounts due to the Town at December 31, recorded as revenue, which will be collected in the future and consist primarily of taxes and intergovernmental receivables.

TOWN OF FREMONT, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
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Tax revenue is recorded when a warrant for collection is committed to the tax collector. As prescribed by law, the tax collector executes 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 two year redemption period, the property is tax deeded to the Town.

Accounts receivable include various service charges which are recorded as revenue for the period when service was provided. These receivables are reported net of any allowances for uncollectible accounts.

1-H Interfund Balances

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as "interfund receivables and payables." Interfund receivables and payables between funds are eliminated in the Statement of Net Assets.

1-I Capital Assets

General capital assets are those assets of a capital nature which the Town owns. All capital assets are capitalized at cost (or estimated at historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The Town maintains a capitalization threshold of \$10,000 and more than one year of estimated useful life. Improvements to capital assets are capitalized; the costs of normal maintenance and repairs that do not add to the value of an asset or materially extend the asset's life are expensed.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. All reported capital assets are depreciated over their estimated useful lives. Depreciation is computed using the straight-line method over the following useful lives:

	<u>Years</u>
Land improvements	15-20
Buildings and building improvements	15-50
Machinery, equipment, and vehicles	6-20
Infrastructure	15-20

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets are not capitalized and related depreciation is not reported in the fund financial statements.

1-J Allowance for Uncollectible Accounts

An allowance for uncollectible tax accounts has been established and recorded by management where collectability is in doubt.

1-K Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the government-wide statements. Bond premium is deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable premium.

In the governmental fund financial statements, bond premium are recognized during the current period. The face amount of debt issued and any premium received is reported as other financing sources.

1-L Claims and Judgments

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments that would normally be liquidated with expendable available financial resources are recorded during the year as expenditures in the governmental funds. Claims and judgments are recorded in the government-wide financial statements as expense when the related liabilities are incurred. There were no significant claims or judgments at year-end.

TOWN OF FREMONT, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
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I-M Equity/Fund Balance Classifications

Government-wide Statements – Equity is classified as net assets and displayed in three components:

- a) *Invested in capital assets, net of related debt* – Consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds that are attributable to the acquisition, construction, or improvement of those assets.
- b) *Restricted net assets* – Consists of net assets with constraints placed on use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c) *Unrestricted net assets* – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Governmental Fund Balances Classification – The Town of Fremont has implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, for this fiscal year ending December 31, 2011. GASB Statement No. 54 establishes fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form; or (b) are legally or contractually required to be maintained intact. The Town has classified the principal portion of permanent funds as being nonspendable, as these items are not expected to be converted to cash or are not expected to be converted to cash within the next year. These items were previously reported as reserved for endowments.

Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation. The Town has classified its library and the income portion of permanent funds as being restricted, as well as certain donations received from third parties for specific purposes because their use is restricted by Federal/State statutes for expenditures. These items were previously reported as reserved for special purposes or unreserved-undesignated.

Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the legislative body (Town Meeting). These amounts cannot be used for any other purpose unless the legislative body (Town Meeting) removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. Expendable trust funds, and legislative body votes relative to the use of unassigned fund balance at year-end, in addition to non-lapsing appropriations, are included in this classification. These items were previously reported as reserved for special purposes or unreserved-undesignated for special purposes.

Assigned – This classification includes amounts that are constrained by the Town’s intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Selectmen through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the general fund. The Town also has assigned funds consisting of encumbrances in the general fund at year-end. This amount was previously reported as reserved for encumbrances, and unreserved-designated for special purposes.

Unassigned – This classification includes the residual fund balance for the general fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts. This amount was previously reported as unreserved-undesignated.

The details of the fund balances are included in the Governmental Funds Balance Sheet (page 11). As discussed in Note 1-C, restricted funds are used first as appropriate, followed by committed resources, and then assigned resources, as appropriate opportunities arise. In the event that unassigned fund balance becomes zero, then assigned and committed fund balances are used in that order.

TOWN OF FREMONT, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
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1-N Interfund Activities

Interfund activities are reported as follows:

Interfund Receivables and Payables – Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds” (i.e., the current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Interfund receivables and payables between funds are eliminated in the Statement of Net Assets.

Interfund Transfers – Interfund transfers represent flows of assets without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making the transfers and other financing sources in the funds receiving the transfers. In the government-wide financial statements, all interfund transfers between individual governmental funds have been eliminated.

1-O Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates and the differences could be material.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

2-A Budgetary Information

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 which govern the Town’s operations. At its annual meeting, the Town adopts a budget for the current year for the general fund. Except as reconciled below, the budget was adopted on a basis consistent with US generally accepted accounting principles.

Management may transfer appropriations between operating categories as deemed necessary, but expenditures may not legally exceed budgeted appropriations in total. All annual appropriations lapse at year-end unless encumbered.

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 assigned fund balance at year-end, and are carried forward to supplement appropriations of the subsequent year.

State statutes require balanced budgets, but provide for the use of beginning unassigned fund balance to achieve that end. In the fiscal year 2011, \$57,500 of the beginning general fund unassigned fund balance was applied for this purpose.

TOWN OF FREMONT, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2011

2-B Budgetary Reconciliation to GAAP Basis

The following reconciles the general fund budgetary basis to the GAAP basis:

Revenues and other financing sources:	
Per Exhibit D (budgetary basis)	\$ 2,723,655
Adjustment:	
Basis difference:	
GASB Statement No. 54:	
Interest income earned on eliminated expendable trust funds	363
Interest income and miscellaneous income earned on eliminated public library fund	2,573
To eliminate transfers between general and expendable trust funds	(82,289)
On-behalf retirement contributions made by the State of New Hampshire recognized as revenue on the GAAP basis, but not on the budgetary basis	3,145
Per Exhibit C-3 (GAAP basis)	<u><u>\$ 2,647,447</u></u>
Expenditures and other financing uses:	
Per Exhibit D (budgetary basis)	\$ 2,616,731
Adjustment:	
Basis differences:	
Encumbrances, ending	(1,572)
GASB Statement No. 54:	
To record public library fund expenditures during the year	6,107
To eliminate transfers between general and expendable trust funds	(97,500)
On-behalf retirement contributions made by the State of New Hampshire recognized as an expenditure on the GAAP basis, but not on the budgetary basis	3,145
Per Exhibit C-3 (GAAP basis)	<u><u>\$ 2,526,911</u></u>

DETAILED NOTES ON ALL FUNDS

NOTE 3 – INVESTMENTS

The Town maintains a portfolio of short-term maturity investments, which are reported at amortized cost. The Town's fiscal agent or custodian provides the fair value of all intermediate maturity investments. As of December 31, 2011, the Town had the following investments:

	Governmental Activities
Certificate of deposit	\$ 25,000
New Hampshire Public Deposit Investment Pool	1,510,672
	<u><u>\$ 1,535,672</u></u>

Investment reconciliation:

Investments per Statement of Net Assets (Exhibit A)	\$ 995,601
Investments per Statement of Fiduciary Net Assets (Exhibit E-1)	540,071
Total investments	<u><u>\$ 1,535,672</u></u>

TOWN OF FREMONT, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2011

NOTE 4 – RESTRICTED ASSETS

Certain Town cash and investments in the general fund belonging to the Fremont Public Library and the expendable trust funds in accordance with the requirements of GASB Statement No. 54 are as follows:

Cash and cash equivalents:	
Public library	\$ 208
Investments:	
Expendable trusts	515,702
Total restricted assets	<u>\$ 515,910</u>

NOTE 5 – TAXES RECEIVABLE

The property tax year is from April 1 to March 31 and all property taxes are assessed on the inventory taken in April of that year. The net assessed valuation as of April 1, 2011, upon which the 2011 property tax levy was based is:

For the New Hampshire education tax	\$ 357,277,348
For all other taxes	\$ 363,266,248

The Town subscribes to the semi-annual method of tax collection as provided for by RSA 76:15-a. Taxes were levied on May 26, 2011 and October 27, 2011, with payments due on July 1, 2011 and December 1, 2011. Interest accrues at a rate of 12% on bills outstanding after the due dates. The first billing is considered an estimate only and is one half of the previous year's tax billing. The remaining balance of taxes due is billed in the fall after the New Hampshire Department of Revenue Administration has calculated and approved the Town's tax rate for the fiscal year.

In connection with the setting of the tax rate, Town officials with the approval of the 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 allowance at year-end. The property taxes collected by the Town include taxes levied for the State of New Hampshire, Fremont School District, and Rockingham County, which are remitted as required by law. The ultimate responsibility for the collection of taxes rests with the Town.

The tax rates and amounts assessed for the year ended December 31, 2011 were as follows:

	Per \$1,000 of Assessed Valuation	Property Taxes Assessed
Municipal portion	\$3.36	\$ 1,219,841
School portion:		
State of New Hampshire	\$2.37	846,787
Local	\$20.54	7,460,710
County portion	\$1.00	364,739
Total		<u>\$ 9,892,077</u>

During the current fiscal year, the tax collector executed a lien on May 12, 2011 for all uncollected 2010 property taxes.

Taxes receivable at December 31, 2011, are as follows:

Property:	
Levy of 2011	\$ 488,623
Unredeemed (under tax lien):	
Levy of 2010	157,796
Levy of 2009	68,316
Levies of 2008 and prior	2,339
Land use change	52,800
Less: allowance for estimated uncollectible taxes	(55,000)
Net taxes receivable	<u>\$ 714,874</u>

TOWN OF FREMONT, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2011

NOTE 6 – OTHER RECEIVABLES

Receivables at December 31, 2011, consisted of intergovernmental amounts arising from grants. Receivables are recorded on the Town's financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and collectability.

NOTE 7 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2011 consisted of the following:

	Balance, beginning* (as restated)	Additions	Balance, ending
At cost:			
Not being depreciated:			
Land	\$ 2,320,950	\$ -	\$ 2,320,950
Being depreciated:			
Land improvements	468,456	2,500	470,956
Buildings and building improvements	2,742,906	36,000	2,778,906
Machinery, equipment, and vehicles	1,638,003	98,306	1,736,309
Infrastructure	5,717,897	93,589	5,811,486
Total capital assets being depreciated	<u>10,567,262</u>	<u>230,395</u>	<u>10,797,657</u>
Total all capital assets	<u>12,888,212</u>	<u>230,395</u>	<u>13,118,607</u>
Less accumulated depreciation:			
Land improvements	(210,305)	(23,548)	(233,853)
Buildings and building improvements	(731,769)	(62,995)	(794,764)
Machinery, equipment, and vehicles	(854,525)	(103,406)	(957,931)
Infrastructure	(2,849,132)	(247,797)	(3,096,929)
Total accumulated depreciation	<u>(4,645,731)</u>	<u>(437,746)</u>	<u>(5,083,477)</u>
Net book value, capital assets being depreciated	<u>5,921,531</u>	<u>(207,351)</u>	<u>5,714,180</u>
Net book value, all governmental activities capital assets	<u>\$ 8,242,481</u>	<u>\$ (207,351)</u>	<u>\$ 8,035,130</u>

**See Note 14 for restatement of beginning balance.*

Depreciation expense was charged to functions of the Town based on their usage of the related assets. The amounts allocated to each function are as follows:

General government	\$ 263,996
Public safety	113,530
Highways and streets	6,575
Culture and recreation	53,645
Total depreciation expense	<u>\$ 437,746</u>

NOTE 8 – INTERFUND BALANCES AND TRANSFERS

The interfund receivable and payable balances at December 31, 2011 of \$4,486 represent the nonmajor conservation commission fund's portion of land use change tax collected by the general fund which as of December 31, 2011 had not been transferred to the conservation commission.

Interfund transfers of \$3,800 during the year ended December 31, 2011 represent a transfer from the permanent trust funds to the general fund for cemetery care; amount paid with earnings from trust funds established for such purposes.

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; and (2) use unrestricted revenue collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

TOWN OF FREMONT, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
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DECEMBER 31, 2011

NOTE 9 – INTERGOVERNMENTAL PAYABLES

Amounts due to other governments of \$4,307,497 at December 31, 2011 consist of the balance of the 2011-2012 district assessment due to the Fremont School District.

NOTE 10 – LONG-TERM LIABILITIES

Changes in the Town's long-term obligations consisted of the following for the year ended December 31, 2011:

	General Obligation Bonds Payable	Unamortized Bond Premium	Compensated Absences Payable	Total
Balance, beginning	\$ 1,460,000	\$ 26,025	\$ 23,500	\$ 1,509,525
Additions	-	-	-	-
Reductions	(135,000)	(1,735)	(23,500)	(160,235)
Balance, ending	<u>\$ 1,325,000</u>	<u>\$ 24,290</u>	<u>\$ -</u>	<u>\$ 1,349,290</u>

Long-term liabilities payable are comprised of the following:

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at December 31, 2011	Current Portion
General obligation bonds payable:						
Public safety building	\$ 940,000	1997	2017	4.7-5.30	\$ 270,000	\$ 45,000
Library building	\$ 995,500	2001	2021	4.125-5.0	495,000	50,000
Glen Oakes land purchase	\$ 795,300	2005	2025	4.04	560,000	40,000
					<u>1,325,000</u>	<u>135,000</u>
Unamortized bond premium					<u>24,290</u>	<u>1,735</u>
Total					<u>\$ 1,349,290</u>	<u>\$ 136,735</u>

The premium is being amortized on a straight-line basis over the life of the bond.

The annual requirements to amortize all general obligation bonds outstanding as of December 31, 2011, including interest payments, are as follows:

Fiscal Year Ending December 31,	Principal	Interest	Total
2012	\$ 135,000	\$ 63,658	\$ 198,658
2013	135,000	57,090	192,090
2014	135,000	50,450	185,450
2015	135,000	43,798	178,798
2016	135,000	37,060	172,060
2017-2021	490,000	99,135	589,135
2022-2025	160,000	17,670	177,670
Totals	<u>\$ 1,325,000</u>	<u>\$ 368,860</u>	<u>\$ 1,693,860</u>

All debt is general obligation debt of the Town, which is backed by its full faith and credit, and will be repaid from general governmental revenues.

Bonds/Notes Authorized and Unissued – Bonds and notes authorized and unissued as of December 31, 2011 were as follows:

Per Town Meeting Vote of	Purpose	Unissued Amount
March 18, 2006 - Article No. 5	Purchase conservation land	<u>\$ 1,000,000</u>

TOWN OF FREMONT, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2011

NOTE 11 – ENCUMBRANCES/COMMITMENTS

Encumbrances outstanding of \$1,572 at December 31, 2011 are for sprinkler repair at the public library.

NOTE 12 – GOVERNMENTAL ACTIVITIES NET ASSETS

Governmental activities net assets reported on the government-wide Statement of Net Assets at December 31, 2011 include the following:

Invested in capital assets, net of related debt:	
Capital assets, net of accumulated depreciation	\$ 8,035,130
Less:	
General obligation bonds payable	<u>(1,325,000)</u>
Total invested in capital assets, net of related debt	6,710,130
Restricted for perpetual care	154,342
Unrestricted	<u>1,501,174</u>
Total net assets	<u><u>\$ 8,365,646</u></u>

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TOWN OF FREMONT, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2011

NOTE 13 – GOVERNMENTAL FUND BALANCES

Governmental fund balances reported on the fund financial statements at December 31, 2011 include the following:

Nonspendable:		
Nonmajor fund:		
Permanent:		
Principal portion		\$ 95,594
Restricted:		
Major fund:		
General:		
Library	\$ 208	
Nonmajor funds:		
Permanent:		
Income portion	58,748	
Special revenue :		
Police OHRV	24,578	
	<u>83,326</u>	
Total restricted fund balance		83,534
Committed:		
Major fund:		
General:		
Expendable trusts	\$ 515,702	
Nonmajor fund:		
Special revenue:		
Cable franchise fee	58,312	
Total committed fund balance	<u>58,312</u>	574,014
Assigned:		
Major fund:		
General:		
Encumbrances	\$ 1,572	
Nonmajor funds:		
Special revenue:		
Conservation commission	254,668	
Playground	3,737	
Energy commission	3	
	<u>258,408</u>	
Total assigned fund balance		259,980
Unassigned:		
Major fund:		
General		690,556
Total governmental fund balances		<u>\$ 1,703,678</u>

TOWN OF FREMONT, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2011

NOTE 14 – PRIOR PERIOD ADJUSTMENTS

Fund equity at January 1, 2011 was restated to give retroactive effect to the following prior period adjustments:

	Government- wide Statements	General Fund	Capital & Noncapital Reserves	Other Governmental Funds
To record:				
Funds previously recorded as special revenue funds, that under GASB Statement No. 54 are now considered part of the general fund:				
Expendable trust funds	\$ -	\$ 500,128	\$ (500,128)	\$ -
Public library	-	3,742	-	(3,742)
Unamortized bond premium previously omitted	(26,025)	-	-	-
Prior year accrued interest payable	(26,326)	-	-	-
To remove prior year deferred revenue associated with the 60-day rule, which will no longer be recognized (see Note 1-C)	-	390,000	-	-
To adjust the value of the capital assets, net of accumulated depreciation, previously overstated	(9,716,857)	-	-	-
Net assets/fund balance, as previously reported	17,947,298	193,632	500,128	387,700
Net assets/fund balance, as restated	<u>\$ 8,178,090</u>	<u>\$ 1,087,502</u>	<u>\$ -</u>	<u>\$ 383,958</u>

NOTE 15 – EMPLOYEE RETIREMENT PLAN

The Town participates in the New Hampshire Retirement System (the System) which is the administrator of a cost-sharing 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. Provision for benefits and contributions are established and can be amended by the New Hampshire Legislature. The System issues a publicly available financial report that may be obtained by writing the New Hampshire Retirement System, 54 Regional Drive, Concord, NH 03301.

The System is financed by contributions from both the employees and the Town. Member contribution rates are established and may be amended by the State legislature while employer contribution rates are set by the System trustees based on an actuarial valuation. Through June 30, 2011, all employees except police officers and firefighters were required to contribute 5% of earnable compensation. Police officers and firefighters were required to contribute 9.3% of gross earnings. Effective July 1, 2011, the contribution rates changed to 7% for employees other than police officers and firefighters, 11.55% for police officers, and 11.80% for firefighters. The Town's contribution rates for 2011 were as follows:

	Police	Firefighters	Other Employees
January 1 through June 30	14.63%	18.52%	9.16%
July 1 through July 31	25.57%	30.90%	11.09%
August 1 through December 31	19.95%	22.89%	8.80%

The contribution requirements for the Town of Fremont for the fiscal years 2010 and 2011 were \$21,291 and \$27,130, respectively, which were paid in full in each year.

For the first six months of 2011, the State of New Hampshire funded 25% of the total employer normal contribution rate for police officers and firefighters employed by the Town. As of July 1, House Bill 2 (Chapter 0224, *Laws of 2011*) amended RSA 100-A:16 by eliminating the State's cost sharing, thereby requiring employers to fund 100% of the total employer contributions. The total amount contributed by the State for 2011, \$3,145, is reported as an "on-behalf payment" as an expenditure and revenue on the governmental fund operating statement, and as an expense and revenue on the government-wide Statement of Activities.

NOTE 16 – 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 natural disasters. During fiscal year 2011, the Town was a member of the Local Government Center Property-

TOWN OF FREMONT, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2011

Liability Trust, LLC, and the New Hampshire Public Risk Management Exchange (Primex³) Workers' Compensation Programs. These entities are public entity risk pools, currently operating as common risk management and insurance programs for member Towns and cities.

The Local Government Center Property-Liability Trust, LLC, is a Trust organized to provide certain property and liability insurance coverages to member Towns, cities and other qualified political subdivisions of New Hampshire. As a member of the Local Government Center Property-Liability Trust, LLC, the Town shares in contributing to the cost of, and receiving benefits from, a self-insured pooled risk management program. The membership and coverage run from July 1 to June 30. The program maintains a self-insured retention above which it purchases reinsurance and excess insurance. This policy covers property, auto physical damage, crime, general liability, and public officials' liability subject to a \$1,000 deductible.

Contributions paid in fiscal year ending December 31, 2011, to be recorded as an insurance expenditure totaled \$39,096. There were no unpaid contributions for the year ended December 31, 2011. The trust agreement permits the Trust to make additional assessments to members should there be a deficiency in Trust assets to meet its liabilities. At this time, the Trust foresees no likelihood of any additional assessments for past years.

The New Hampshire Public Risk Management Exchange (Primex³) Workers' Compensation Program is a pooled risk management program under RSAs 5-B and 281-A. Coverage was provided from January 1, 2011 to December 31, 2011 by Primex³, which retained \$1,000,000 of each workers' compensation loss, \$500,000 of each liability loss, and \$200,000 of each property loss. The Board has decided to self-insure the aggregate exposure and has allocated funds based on actuarial analysis for that purpose. The estimated net contribution from the Town of Fremont billed and paid for the year ended December 31, 2011 was \$26,251 for workers' compensation. The workers' compensation section of the self-insurance membership agreement permits Primex³ to make additional assessments to members should there be a deficiency in contributions for any member year, not to exceed the member's annual contribution. GASB Statement No. 10 requires members of a pool with a sharing risk to disclose if such an assessment is probable, and a reasonable estimate of the amount, if any. At this time, Primex³ foresees no likelihood of any additional assessment for this or any prior year.

NOTE 17 – CONTINGENT LIABILITIES

The Town has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designee. These audits could result in a request for reimbursement from the grantor agency for costs disallowed under terms of the grant. Based on prior experience, the Town believes such disallowances, if any, will be immaterial.

NOTE 18 – RELATED PARTY TRANSACTIONS

Financial reporting standards require disclosure of significant related-party transactions, including the nature of the relationship, a description of the transactions, dollar amounts of the transactions. The Town's elected Road Agent contracts all highway and street work to Pitkin Construction, a company owned by the Road Agent. Invoices for 2011 equaled \$57,460, all of which were subject to the Town's disbursement procedures.

NOTE 19 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

In March 2009 the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The requirements of Statement No. 54 are mandatory for the Town for fiscal year ended December 31, 2011 and accordingly have been implemented. GASB Statements No. 60 through No. 64, issued during 2010 and 2011, are not effective for financial statements until the subsequent years.

NOTE 20 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the Balance Sheet date, but before the financial statements are issued. Recognized subsequent events are events or transactions that provided additional evidence about conditions that existed at the Balance Sheet date, including the estimates inherent in the process of preparing the financial statements. Nonrecognized subsequent events are events that provide evidence about conditions that did not exist at the Balance Sheet date, but arose after the date. Management has evaluated subsequent events through July 16, 2012, the date the December 31, 2011 financial statements were issued, and no events occurred that require recognition or disclosure.

COMBINING AND INDIVIDUAL FUND SCHEDULES

SCHEDULE 1
TOWN OF FREMONT, NEW HAMPSHIRE
Major General Fund
Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2011

	Estimated	Actual	Variance Positive (Negative)
Taxes:			
Property	\$ 1,107,329	\$ 1,115,191	\$ 7,862
Land use change	40,000	34,971	(5,029)
Yield	1,700	1,957	257
Excavation	245	360	115
Interest and penalties on taxes	80,000	65,743	(14,257)
Total from taxes	<u>1,229,274</u>	<u>1,218,222</u>	<u>(11,052)</u>
Licenses, permits, and fees:			
Motor vehicle permit fees	630,000	616,462	(13,538)
Building permits	28,000	32,515	4,515
Other	10,000	9,841	(159)
Total from licenses, permits, and fees	<u>668,000</u>	<u>658,818</u>	<u>(9,182)</u>
Intergovernmental:			
State:			
Meals and rooms distribution	191,298	191,298	-
Highway block grant	106,898	108,669	1,771
Other	615	20,488	19,873
Federal:			
FEMA	-	14,117	14,117
Total from intergovernmental	<u>298,811</u>	<u>334,572</u>	<u>35,761</u>
Charges for services:			
Income from departments	<u>86,000</u>	<u>89,330</u>	<u>3,330</u>
Miscellaneous:			
Sale of municipal property	250,000	310,958	60,958
Interest on investments	1,000	1,478	478
Rent of property	-	3,700	3,700
Other	8,300	20,488	12,188
Total from miscellaneous	<u>259,300</u>	<u>336,624</u>	<u>77,324</u>
Other financing sources:			
Transfers in	<u>27,820</u>	<u>86,089</u>	<u>58,269</u>
Total revenues and other financing sources	2,569,205	<u>\$ 2,723,655</u>	<u>\$ 154,450</u>
Unassigned fund balance used to reduce tax rate	57,500		
Total revenues, other financing sources, and use of fund balance	<u>\$ 2,626,705</u>		

SCHEDULE 2
TOWN OF FREMONT, NEW HAMPSHIRE
Major General Fund
Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2011

	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:				
General government:				
Executive	\$ 148,486	\$ 154,533	\$ -	\$ (6,047)
Election and registration	7,253	5,906	-	1,347
Financial administration	43,800	41,148	-	2,652
Revaluation of property	51,128	43,404	-	7,724
Legal	25,000	25,075	-	(75)
Personnel administration	208,451	197,720	-	10,731
Planning and zoning	42,771	36,274	-	6,497
General government buildings	78,236	91,565	-	(13,329)
Cemeteries	11,134	11,093	-	41
Insurance, not otherwise allocated	38,519	39,615	-	(1,096)
Advertising and regional associations	6,729	6,728	-	1
Other	2,400	2,431	-	(31)
Total general government	663,907	655,492	-	8,415
Public safety:				
Police	428,750	401,731	-	27,019
Ambulance	6,500	6,500	-	-
Fire	166,121	162,813	-	3,308
Building inspection	30,607	28,790	-	1,817
Emergency management	6,180	4,296	-	1,884
Total public safety	638,158	604,130	-	34,028
Highways and streets:				
Highways and streets	392,291	389,441	-	2,850
Street lighting	5,200	4,934	-	266
Total highways and streets	397,491	394,375	-	3,116
Sanitation:				
Solid waste collection	225,740	230,433	-	(4,693)
Solid waste disposal	116,539	111,617	-	4,922
Total sanitation	342,279	342,050	-	229
Health:				
Mosquito control program	49,550	49,550	-	-
Pest control	8,590	9,364	-	(774)
Health agencies	725	618	-	107
Total health	58,865	59,532	-	(667)
Welfare:				
Direct assistance	19,000	9,799	-	9,201
Vendor payments	25,813	24,863	-	950
Total welfare	44,813	34,662	-	10,151
Culture and recreation:				
Parks and recreation	42,553	38,912	-	3,641
Library	100,292	98,452	1,572	268
Patriotic purposes	2,335	2,161	-	174
Total culture and recreation	145,180	139,525	1,572	4,083
Conservation	824	824	-	-

(Continued)

SCHEDULE 2 (Continued)
TOWN OF FREMONT, NEW HAMPSHIRE
Major General Fund
Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2011

	<u>Appropriations</u>	<u>Expenditures</u>	<u>Encumbered to Subsequent Year</u>	<u>Variance Positive (Negative)</u>
Debt service:				
Principal of long-term debt	135,000	135,000	-	-
Interest on long-term debt	67,692	67,691	-	1
Interest on tax anticipation notes	8,000	2,321	-	5,679
Total debt service	<u>210,692</u>	<u>205,012</u>	<u>-</u>	<u>5,680</u>
Capital outlay				
Machinery, equipment, and vehicle	26,996	82,057	-	(55,061)
Other financing uses:				
Transfers out	<u>97,500</u>	<u>97,500</u>	<u>-</u>	<u>-</u>
Total appropriations, expenditures, other financing uses, and encumbrances	<u>\$ 2,626,705</u>	<u>\$ 2,615,159</u>	<u>\$ 1,572</u>	<u>\$ 9,974</u>

SCHEDULE 3
TOWN OF FREMONT, NEW HAMPSHIRE
Major General Fund
Schedule of Changes in Unassigned Fund Balance (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2011

Unassigned fund balance, beginning, as restated (see Note 14)		\$ 583,632
Changes:		
Unassigned fund balance used to reduce 2011 tax rate		(57,500)
2011 Budget summary:		
Revenue surplus (Schedule 1)	\$ 154,450	
Unexpended balance of appropriations (Schedule 2)	9,974	
2011 Budget surplus		<u>164,424</u>
Unassigned fund balance, ending		<u><u>\$ 690,556</u></u>

SCHEDULE 4
TOWN OF FREMONT, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2011

	Special Revenue Funds						Total
	Conservation Commission	Playground	Cable Franchise Fees	Energy Commission	Police OHRV	Permanent Fund	
ASSETS							
Cash and cash equivalents	\$ 87	\$ -	\$ -	\$ -	\$ -	\$ 11,168	\$ 11,255
Investments	250,095	3,737	58,312	3	24,578	143,174	479,899
Interfund receivable	4,486	-	-	-	-	-	4,486
Total assets	<u>\$ 254,668</u>	<u>\$ 3,737</u>	<u>\$ 58,312</u>	<u>\$ 3</u>	<u>\$ 24,578</u>	<u>\$ 154,342</u>	<u>\$ 495,640</u>
FUND BALANCES							
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 95,594	\$ 95,594
Restricted	-	-	-	-	24,578	58,748	83,326
Committed	-	-	58,312	-	-	-	58,312
Assigned fund balance	254,668	3,737	-	3	-	-	258,408
Total fund balances	<u>\$ 254,668</u>	<u>\$ 3,737</u>	<u>\$ 58,312</u>	<u>\$ 3</u>	<u>\$ 24,578</u>	<u>\$ 154,342</u>	<u>\$ 495,640</u>

SCHEDULE 5
TOWN OF FREMONT, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended December 31, 2011

	Special Revenue Funds						
	Conservation Commission	Playground	Cable Franchise Fees	Energy Commission	Police OHRV	Permanent Fund	Total
Revenues:							
Taxes	\$ 17,721	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,721
Intergovernmental	40,000	-	-	-	5,287	-	45,287
Miscellaneous	252	92	58,312	-	16	349	59,021
Total revenues	<u>57,973</u>	<u>92</u>	<u>58,312</u>	<u>-</u>	<u>5,303</u>	<u>349</u>	<u>122,029</u>
Expenditures:							
Current:							
General government	-	-	-	-	-	760	760
Conservation	5,787	-	-	-	-	-	5,787
Total expenditures	<u>5,787</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>760</u>	<u>6,547</u>
Excess (deficiency) of revenues over (under) expenditures	52,186	92	58,312	-	5,303	(411)	115,482
Other financing uses:							
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,800)</u>	<u>(3,800)</u>
Net change in fund balances	52,186	92	58,312	-	5,303	(4,211)	111,682
Fund balances, beginning	202,482	3,645	-	3	19,275	158,553	383,958
Fund balances, ending	<u>\$ 254,668</u>	<u>\$ 3,737</u>	<u>\$ 58,312</u>	<u>\$ 3</u>	<u>\$ 24,578</u>	<u>\$ 154,342</u>	<u>\$ 495,640</u>



PLODZIK & SANDERSON

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INDEPENDENT AUDITOR'S COMMUNICATION OF SIGNIFICANT DEFICIENCIES

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

In planning and performing our audit of the financial statements of the governmental activities, major general fund, and the aggregate remaining fund information of the Town of Fremont as of and for the year ended December 31, 2011, in accordance with auditing standards generally accepted in the United States of America, we considered the Town's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Fremont's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. 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 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 significant 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 Fremont's internal control to be significant deficiencies:

Segregation of Duties

We noted that the Treasurer is presently responsible for posting revenues to the general ledger system. While this method of recording may be efficient, it negates internal accounting controls covering the segregations of duties. Also, the Treasurer does not presently maintain an independent record of cash transactions.

The Treasurer's duties and responsibilities, which are covered by State Statute, include the requirement to maintain a suitable cashbook along with the monthly reconciliation of the accounts to the depository bank statements. The Treasurer should then provide the Board of Selectmen and Town Administrator with a monthly report of cash activity to include ending reconciled bank balances. Any variances between the general ledger balance and reconciled Treasurer's cash balance should be immediately investigated and corrected. In addition, we recommend that the Treasurer not post revenues to the general ledger as this is a lack of segregation of duties. Instead, this should be performed by the Town Administrator.

Tax Collector Records

Audit procedures revealed that the figures presented in the Tax Collector's annual State report (MS-61) summarizing the tax department activity for the year, could not be verified with the computer generated reports submitted to us for audit. Reason being, according to the Tax Collector, was the transition from the manual recordkeeping system to the computer generated system contained errors which have never been corrected. Also, the Tax Collector was not aware that the computer generated reports as of December 31, supporting her reported figures to the State, needed to be printed and saved for the independent audit.

Town of Fremont
Independent Auditor's Communication of Significant Deficiencies

Therefore, we had to spend additional audit time, with increased cost, in order to perform additional procedures to satisfy auditing standards with regard to this department. Included in this procedure was bringing the tax records up to date, in an attempt to reconcile the uncollected balances as of the audit date. As of February 13, 2012, there are variances in the unredeemed and uncollected balances when compared to posted receipts totaling approximately \$22,700.

We recommend that the Tax Collector seek assistance from the software vendor or the independent auditor in order to assist in preparing monthly reconciliation of all committed taxes. Also, it is imperative that these monthly tax reports, once reconciled, be further reconciled with the Town's general ledger on a monthly basis.

Disbursements

We noted the following during our test of internal controls over expenditures for goods and services:

1. Purchase orders are required by the Town's purchasing policy, however, they were not always used.
2. The purchasing policy includes bid requirements for amounts over \$5,000, and in our testing of disbursements, we noted one instance where bids were not received.
3. We have discussed with the Town Administrator the need to make bank drafts payable to her instead of "Petty Cash."
4. For employees who are paid a stipend for services provided over and above their regular duties, there should be a written contract containing the parameters of such an arrangement.

We recommend that the Town's purchasing policy be strongly adhered to.

Overpayment of Employee Payroll

Payroll testing disclosed an instance whereby one employee was paid for five additional hours of service, of which the employee did not work and the error was never detected. We recommend that the timesheet log be reconciled to the hours recorded in the computer system to ensure all hours are properly entered into the system.

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

July 16, 2012

Plodzik & Sanderson
Professional Association