

**TOWN OF FREMONT,
NEW HAMPSHIRE**

ANNUAL FINANCIAL REPORT

**AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2012**

TOWN OF FREMONT, NEW HAMPSHIRE
ANNUAL FINANCIAL REPORT
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PLODZIK & SANDERSON

Professional Association/Accountants & Auditors

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, major fund, and the aggregate remaining fund information of the Town of Fremont as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Town of Fremont as of December 31, 2012, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Management has omitted a Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by the missing information.

Town of Fremont
Independent Auditor's Report

Other Information

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.

The combining and individual fund financial schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

September 17, 2013

Plodzik & Sanderson
Professional Association

BASIC FINANCIAL STATEMENTS

EXHIBIT A
TOWN OF FREMONT, NEW HAMPSHIRE
Statement of Net Position
December 31, 2012

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 4,327,422
Investments	910,637
Receivables, net of allowances for uncollectible	647,031
Capital assets, not being depreciated:	
Land	2,554,750
Construction in progress	46,833
Capital assets, net of accumulated depreciation:	
Land improvements	224,555
Buildings and building improvements	1,983,292
Machinery, equipment, and vehicles	879,378
Infrastructure	2,467,065
Total assets	<u>14,040,963</u>
LIABILITIES	
Accounts payable	64,893
Accrued salaries and benefits	41,492
Accrued interest payable	21,707
Intergovernmental payable	4,523,058
Unearned revenue	25,098
Noncurrent liabilities:	
Due within one year:	
Bonds	172,000
Unamortized bond premium	1,735
Due in more than one year:	
Bonds	1,055,000
Unamortized bond premium	20,820
Total liabilities	<u>5,925,803</u>
NET POSITION	
Net investment in capital assets	6,928,873
Restricted for perpetual care	151,110
Unrestricted	1,035,177
Total net position	<u><u>\$ 8,115,160</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, 2012

		Program Revenues		Net (Expense)
		Charges	Operating	Revenue and
		for	Grants and	Change in
	Expenses	Services	Contributions	Net Position
Governmental activities:				
General government	\$ 629,304	\$ 27,117	\$ 19,195	\$ (582,992)
Public safety	764,881	66,332	467	(698,082)
Highways and streets	518,266	-	96,351	(421,915)
Sanitation	364,608	-	-	(364,608)
Health	58,159	-	-	(58,159)
Welfare	34,768	-	-	(34,768)
Culture and recreation	193,502	17,279	4	(176,219)
Conservation	16,013	-	119	(15,894)
Interest on long-term debt	59,472	-	387	(59,085)
Total governmental activities	<u>\$ 2,638,973</u>	<u>\$ 110,728</u>	<u>\$ 116,523</u>	<u>(2,411,722)</u>
General revenues:				
Taxes:				
Property				1,126,576
Other				108,019
Motor vehicle permit fees				642,651
Licenses and other fees				64,198
Grants and contributions not restricted to specific programs				193,966
Unrestricted investment earnings				1,010
Miscellaneous				5,366
Total general revenues				<u>2,141,786</u>
Change in net position				(269,936)
Net position, beginning, as restated (see Note 13)				8,385,096
Net position, ending				<u>\$ 8,115,160</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, 2012

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 4,316,571	\$ 10,851	\$ 4,327,422
Investments	596,074	314,563	910,637
Taxes receivable, net of allowance for uncollectible	647,031	-	647,031
Interfund receivable	-	4,486	4,486
Total assets	<u>\$ 5,559,676</u>	<u>\$ 329,900</u>	<u>\$ 5,889,576</u>
LIABILITIES			
Accounts payable	\$ 64,893	\$ -	\$ 64,893
Accrued salaries and benefits	41,492	-	41,492
Intergovernmental payable	4,523,058	-	4,523,058
Interfund payable	4,486	-	4,486
Unearned revenue	25,098	-	25,098
Total liabilities	<u>4,659,027</u>	<u>-</u>	<u>4,659,027</u>
FUND BALANCES			
Nonspendable	-	96,074	96,074
Restricted	311	55,036	55,347
Committed	596,074	78,790	774,864
Assigned	25,030	-	25,030
Unassigned	279,234	-	279,234
Total fund balances	<u>900,649</u>	<u>229,900</u>	<u>1,230,549</u>
Total liabilities and fund balances	<u>\$ 5,559,676</u>	<u>\$ 229,900</u>	<u>\$ 5,889,576</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 Position
December 31, 2012

Amounts reported for governmental activities in the Statement of Net Position are different because:

Total fund balances of governmental funds (Exhibit C-1)		\$ 1,230,549
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.		
Cost	\$ 13,621,524	
Less accumulated depreciation	<u>(5,465,651)</u>	
		8,155,873
Interfund receivables and payables between governmental funds are eliminated on the Statement of Net Position.		
Receivables	\$ (4,486)	
Payables	<u>4,486</u>	
		-
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(21,707)
Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the funds.		
Bonds	\$ 1,227,000	
Unamortized bond premium	<u>22,555</u>	
		<u>(1,249,555)</u>
Net position of governmental activities (Exhibit A)		<u><u>\$ 8,115,160</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, 2012

	General	Other Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	\$ 1,224,584	\$ 10,011	\$ 1,234,595
Licenses and permits	706,849	-	706,849
Intergovernmental	290,316	-	290,316
Charges for services	110,728	-	110,728
Investment earnings	1,010	-	1,010
Miscellaneous	6,365	19,174	25,539
Total revenues	<u>2,339,852</u>	<u>29,185</u>	<u>2,369,037</u>
EXPENDITURES			
Current:			
General government	632,770	870	633,640
Public safety	650,554	-	650,554
Highways and streets	405,871	-	405,871
Sanitation	364,608	-	364,608
Health	58,159	-	58,159
Welfare	34,768	-	34,768
Culture and recreation	137,932	-	137,932
Conservation	824	15,189	16,013
Debt service:			
Principal	163,000	-	163,000
Interest	63,372	-	63,372
Capital outlay	157,833	175,866	333,699
Total expenditures	<u>2,669,691</u>	<u>191,925</u>	<u>2,861,616</u>
Deficiency of revenues under expenditures	<u>(329,839)</u>	<u>(162,740)</u>	<u>(492,579)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	3,000	-	3,000
Transfers out	-	(3,000)	(3,000)
Bond proceeds	65,000	-	65,000
Total other financing sources (uses)	<u>68,000</u>	<u>(3,000)</u>	<u>65,000</u>
Net change in fund balances	(261,839)	(165,740)	(427,579)
Fund balances, beginning, as restated (see Note 13)	1,162,488	495,640	1,658,128
Fund balances, ending	<u>\$ 900,649</u>	<u>\$ 329,900</u>	<u>\$ 1,230,549</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, 2012

Amounts reported for governmental activities in the Statement of Activities are different because:

Net change in fund balances of governmental funds (Exhibit C-3)	\$ (427,579)
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Governmental funds report capital outlays as expenditures. In the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capitalized capital outlay exceeded depreciation expense in the current period.

Capitalized capital outlay	\$ 502,917	
Depreciation expense	<u>(447,174)</u>	
		55,743

Transfers in and out between governmental funds are eliminated on the Statement of Activities.

Transfers in	\$ (3,000)	
Transfers out	<u>3,000</u>	
		-

The repayment of the principal of long-term debt consumes the current financial resources of governmental funds, but has no effect on net position.

Proceeds of debt	\$ (65,000)	
Repayment of bond principal	163,000	
Amortization of bond premium	<u>1,735</u>	
		99,735

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		<u>2,165</u>
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Changes in net position of governmental activities (Exhibit B)	<u><u>\$ (269,936)</u></u>
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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, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 1,222,610	\$ 1,222,610	\$ 1,224,584	\$ 1,974
Licenses and permits	689,000	689,000	706,849	17,849
Intergovernmental	288,917	288,917	290,317	1,400
Charges for services	101,000	101,000	110,728	9,728
Investment earnings	1,600	1,600	1,010	(590)
Miscellaneous	6,000	6,000	5,366	(634)
Total revenues	<u>2,309,127</u>	<u>2,309,127</u>	<u>2,338,854</u>	<u>29,727</u>
Expenditures:				
Current:				
General government	688,022	690,143	657,007	33,136
Public safety	656,575	656,575	650,554	6,021
Highways and streets	397,187	397,187	405,871	(8,684)
Sanitation	364,794	364,794	364,608	186
Health	61,410	61,410	58,158	3,252
Welfare	38,513	38,513	34,768	3,745
Culture and recreation	148,655	148,655	136,871	11,784
Conservation	824	824	824	-
Debt service:				
Principal	163,000	163,000	163,000	-
Interest	68,147	68,147	63,372	4,775
Capital outlay	-	155,619	157,833	(2,214)
Total expenditures	<u>2,587,127</u>	<u>2,744,867</u>	<u>2,692,866</u>	<u>52,001</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(278,000)</u>	<u>(435,740)</u>	<u>(354,012)</u>	<u>81,728</u>
Other financing sources (uses):				
Transfers in	3,000	160,740	160,740	-
Transfers out	<u>(172,500)</u>	<u>(172,500)</u>	<u>(172,500)</u>	<u>-</u>
Total other financing sources (uses)	<u>(169,500)</u>	<u>(11,760)</u>	<u>(11,760)</u>	<u>-</u>
Net change in fund balances	<u>\$ (447,500)</u>	<u>\$ (447,500)</u>	<u>(365,772)</u>	<u>\$ 81,728</u>
Unassigned fund balance, beginning, as revised (see Note 13)			645,006	
Unassigned fund balance, ending			<u>\$ 279,234</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 Net Position
December 31, 2012

	Private Purpose Trust Fund	Agency Fund
ASSETS		
Cash and cash equivalents	\$ 13,716	\$ 38,933
Investments	45,737	496,233
Total assets	59,453	535,166
LIABILITIES		
Due to other governmental units	-	68,218
Due to others	-	466,948
Total liabilities	-	535,166
NET POSITION		
Held in trust for special purposes	\$ 59,453	\$ -

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 Net Position
For the Fiscal Year Ended December 31, 2012

	Private Purpose Trust Fund
ADDITIONS	
Investment earnings:	
Interest and dividends	\$ 529
DEDUCTIONS	
Trust income distributions	(500)
Change in net position	29
Net position, beginning	59,424
Net position, ending	<u>\$ 59,453</u>

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

TOWN OF FREMONT, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2012

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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, 2012

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 Position 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 position. Net position is reported as one of three categories: net investment in capital assets; 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 statements, with an emphasis placed on the major fund 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 funds 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
DECEMBER 31, 2012

Governmental Activities – Governmental funds are identified as general, special revenue, 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. The general fund represents the Town of Fremont's sole major 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.

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. The Town of Fremont's special revenue funds are all nonmajor funds.

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. The permanent fund is a nonmajor fund.

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 Position and a Statement of Changes in Fiduciary Net Position. 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.

1-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 and 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 under Revenues-Nonexchange Transactions) 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. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

TOWN OF FREMONT, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2012

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. This practice is consistent with the previous years.

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.

The treasurer is required to deposit such moneys in solvent banks in state or the Public Deposit Investment Pool pursuant to New Hampshire RSA 383.22. 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 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.

1-F Receivables

Receivables recorded in the financial statements represent amounts due to the Town at December 31. They are aggregated into a single accounts receivable (net of allowance for uncollectibles) line for certain funds and aggregated columns. They consist primarily of taxes.

1-G 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 Position.

1-H Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure, are reported in the applicable governmental column 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 minimum useful life in excess of one year. As the Town constructs or acquires additional capital assets each year, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated fair value at the date of donation.

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Land and construction in progress are not depreciated. The other property, plant, equipment, and infrastructure of the Town are depreciated using the straight line method over the following estimated 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-I Net Position Flow Assumption

Sometimes the Town will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as *restricted net position* and *unrestricted net position* in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider *restricted net position* to have been depleted before *unrestricted net position* is applied.

1-J Fund Balance Flow Assumptions

Sometimes the Town will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

1-K Revenues and Expenditures/Expenses

General Revenues - General revenues represent the following; tax revenue recorded when a warrant for collection is committed to the tax collector, motor vehicle fees, licenses, fees, unrestricted grants, investment income and other miscellaneous items recorded when collected/received.

Program Revenues - Amounts recorded as program revenues include; charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a function or segment, and grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment.

Property Taxes - Property tax billings occur semiannually and are based on the assessed inventory values as of April 1 of each year. Billings for the year were on July 1, 2012 and December 1, 2012. Interest accrues at a rate of 12% on bills outstanding after the due date and 18% on tax liens outstanding.

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 tax abatement and refunds, known as overlay. This amount is reported as a reduction in tax revenue and is adjusted by management for any reserve for uncollectable 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 to these entities as required by law.

The Town net assessed valuation as of April 1, 2012 utilized in the setting of the tax rate was as follows:

For the New Hampshire education tax	\$ 359,618,434
For all other taxes	\$ 365,787,834

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

	Per \$1,000 of Assessed Valuation	Property Taxes Assessed
Municipal portion	\$3.41	\$ 1,247,888
School portion:		
State of New Hampshire	\$2.35	846,882
Local	\$20.99	7,676,176
County portion	\$1.05	383,458
Total		<u>\$ 10,154,404</u>

1-L Deferred/Unearned Revenue

In the government-wide financial statements, deferred revenue is recognized when cash, receivables, or other assets are recorded prior to their being earned. In the governmental fund financial statements deferred revenue represents monies received or revenues accrued which have not been earned or do not meet the “available” criterion for revenue recognition under the modified accrual basis of accounting. On the government-wide Statement of Net Position, deferred revenue is classified as unearned revenue.

1-M Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the government-wide financial statements. Bond premiums are deferred and amortized over the life of the bonds using the effective interest method.

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

1-N 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.

1-O 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 Position.

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.

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1-P Equity/Fund Balance Policy/Classifications

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

- a) *Net investment in capital assets* – Consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b) *Restricted net position* – 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 position* – All other net assets that do not meet the definition of “restricted” or “net investment in capital assets.”

Fund Balance Policy/Classifications - In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific programs. The Town itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance). The classifications used in the Town’s 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.

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.

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 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 and all special revenue funds are included in this classification.

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. The Town has assigned funds consisting of encumbrances in the general fund at year-end.

Unassigned – This classification includes the residual fund balance for the general fund.

1-Q Impact of Recently Issued Accounting Principles

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASBS No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The Statement of Net Assets is renamed the Statement of Net Position and includes the following elements: assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011.

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.

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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 2012, \$447,500 of the beginning general fund unassigned fund balance was applied for this purpose.

2-B Budgetary Reconciliation to GAAP Basis

The Town employs certain accounting principles for budgetary reporting purposes that differ from a GAAP basis. The Statement of Revenues and Expenditures-Budgetary Basis, presents the actual results to provide a comparison with the budget. The major difference between the budgetary basis and GAAP basis is as follows:

Encumbrances outstanding at year-end do not represent GAAP expenditures or liabilities, but represent budgetary accounting controls. Governmental fund budgets are maintained on the modified accrual basis of accounting except that budgetary basis expenditures include purchase orders and commitments (encumbrances) for goods or services not received at year end. Encumbrances are recorded to reserve a portion of fund balance in the governmental fund types for commitments for which no liability exists.

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

Revenues and other financing sources:	
Per Exhibit D (budgetary basis)	\$ 2,499,594
Adjustment:	
Basis difference:	
GASB Statement No. 54:	
Miscellaneous income earned on eliminated expendable trust fund	612
Miscellaneous income earned on eliminated library fund	386
To eliminate transfers between general and expendable trust funds	(92,740)
Per Exhibit C-3 (GAAP basis)	<u>\$ 2,407,852</u>
Expenditures and other financing uses:	
Per Exhibit D (budgetary basis)	\$ 2,865,366
Adjustment:	
Basis differences:	
Encumbrances, beginning	1,572
Encumbrances, ending	(25,030)
GASB Statement No. 54:	
To record library expenditures during the year	283
To eliminate transfers between general and expendable trust funds	(172,500)
Per Exhibit C-3 (GAAP basis)	<u>\$ 2,669,691</u>

DETAILED NOTES ON ALL FUNDS

NOTE 3 – INVESTMENTS

Note 1-G, describes statutory requirements covering the investment of the Town's funds. The Town also maintains a portfolio of intermediate maturity investments that are reported at fair value, based on quoted market prices. The Town's fiscal agent or custodian provides the fair value of all intermediate maturity investments. As of December 31, 2012, the Town had the following investments:

New Hampshire Public Deposit Investment Pool	\$ 1,410,772
Certificate of deposit	41,835
	<u>\$ 1,452,607</u>

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Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in values of investment securities will occur in the near term and that change could materially affect the amounts reported in the Statement of Net Position.

Interest Rate Risk – This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates.

Concentration of Credit Risk – The Town places no limit on the amount it may invest in any one issuer. More than 5% of the Town's investments are in New Hampshire Public Deposit Investment Pool and Certificates of Deposit. These investments are 97% and 3%, respectively, of the Town's total investments.

Investment reconciliation:

Investment per Statement of Net Position (Exhibit A)	\$ 910,637
Investment per Statement of Fiduciary Net Position (Exhibit E-1)	541,970
Total investments	<u>\$ 1,452,607</u>

NOTE 4 – TAXES RECEIVABLE

Taxes receivable represent the amount of current and prior year taxes which have not been collected as of December 31, 2012. The amount has been reduced by an allowance for an estimated uncollectible amount of \$65,000. Taxes receivable by year are as follows:

Property:	
Levy of 2012	\$ 488,165
Unredeemed (under tax lien):	
Levy of 2011	157,231
Levy of 2010	58,091
Levies of 2009 and prior	6,544
Yield	1,803
Excavation	197
Less: allowance for estimated uncollectible taxes	(65,000)
Net taxes receivable	<u>\$ 647,031</u>

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2012 consisted of the following:

	<u>Balance, beginning</u>	<u>Additions</u>	<u>Balance, ending</u>
At cost:			
Not being depreciated:			
Land	\$ 2,320,950	\$ 233,800	\$ 2,554,750
Construction in progress	-	46,833	46,833
Total capital assets not being depreciated	<u>2,320,950</u>	<u>280,633</u>	<u>2,601,583</u>
Being depreciated:			
Land improvements	470,956	11,000	481,956
Buildings and building improvements	2,778,906	62,695	2,841,601
Machinery, equipment, and vehicles	1,736,309	148,589	1,884,898
Infrastructure	5,811,486	-	5,811,486
Total capital assets being depreciated	<u>10,797,657</u>	<u>222,284</u>	<u>11,019,941</u>
Total all capital assets	<u>13,118,607</u>	<u>502,917</u>	<u>13,621,524</u>

(Continued)

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Capital asset activity continued:

	Balance, beginning	Additions	Balance, ending
Less accumulated depreciation:			
Land improvements	(233,853)	(23,548)	(257,401)
Buildings and building improvements	(794,764)	(63,545)	(858,309)
Machinery, equipment, and vehicles	(892,931)	(112,589)	(1,005,520)
Infrastructure	(3,096,929)	(247,492)	(3,344,421)
Total accumulated depreciation	(5,018,477)	(447,174)	(5,465,651)
Net book value, capital assets being depreciated	5,779,180	(224,890)	5,554,290
Net book value, all governmental activities capital assets	<u>\$ 8,100,130</u>	<u>\$ 55,743</u>	<u>\$ 8,155,873</u>

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	\$ 12,464
Public safety	114,327
Highways and streets	264,813
Culture and recreation	55,570
Total depreciation expense	<u>\$ 447,174</u>

NOTE 6 – INTERFUND BALANCES AND TRANSFERS

Interfund Balances - The interfund receivable and payable balances at December 31, 2012 of \$4,486 represent the nonmajor conservation commission fund's portion of land use change tax collected by the general fund in 2011 which as of December 31, 2012 had not been transferred to the conservation commission.

Interfund Transfers - The interfund transfers of \$3,000 during the year ended December 31, 2012 represents a transfer from the nonmajor permanent trust funds to the general fund for cemetery care; amount paid with earnings from trust funds established for such purposes.

NOTE 7 – INTERGOVERNMENTAL PAYABLES

The amount due to other governments of \$4,523,058 at December 31, 2012 consists of the balance of the 2012-2013 district assessment due to the Fremont School District.

NOTE 8 – DEFERRED/UNEARNED REVENUE

Deferred/unearned revenue of \$25,098 at December 31, 2012 consists of 2013 property tax payments collected in advance of warrant being issued.

NOTE 9 – LONG-TERM LIABILITIES

Changes in the Town's long-term obligations consisted of the following for the year ended December 31, 2012:

	General Obligation Bonds Payable	Unamortized Bond Premium	Total
Balance, beginning	\$ 1,325,000	\$ 24,290	\$ 1,349,290
Additions	65,000	-	65,000
Reductions	(163,000)	(1,735)	(164,735)
Balance, ending	<u>\$ 1,227,000</u>	<u>\$ 22,555</u>	<u>\$ 1,249,555</u>

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Long-term liabilities payable are comprised of the following:

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at December 31, 2012	Current Portion
General obligation bonds payable:						
Public safety building	\$ 940,000	1997	2017	4.7-5.3	\$ 225,000	\$ 45,000
Library building	\$ 995,500	2001	2021	4.125-5.0	445,000	50,000
Glen Oakes land purchase	\$ 795,300	2005	2025	4.04	520,000	40,000
Smith land purchase	\$ 65,000	2012	2013	3.18	37,000	37,000
					<u>1,227,000</u>	<u>172,000</u>
Unamortized bond premium					22,555	1,735
Total					<u>\$ 1,249,555</u>	<u>\$ 173,735</u>

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

The annual requirements to amortize all general obligation bonds outstanding as of December 31, 2012, including interest payments, are as follows:

Fiscal Year Ending December 31,	Principal	Interest	Total
2012	\$ 172,000	\$ 55,175	\$ 227,175
2013	135,000	47,939	182,939
2014	135,000	41,287	176,287
2015	135,000	36,676	171,676
2016	135,000	29,891	164,891
2017-2021	395,000	75,880	470,880
2022-2025	120,000	10,650	130,650
Totals	<u>\$ 1,227,000</u>	<u>\$ 297,498</u>	<u>\$ 1,524,498</u>

The final payment on the Smith land purchase bond payable is due in 2013 and consists of \$37,000 principal and \$580 interest, for a total of \$37,580.

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, 2012 were as follows:

Per Town Meeting Vote of	Purpose	Unissued Amount
March 18, 2006 - Article No. 5	Purchase conservation land	<u>\$ 935,000</u>

NOTE 10 – ENCUMBRANCES

Encumbrances outstanding of \$25,030 at December 31, 2012, are as follows:

General fund:	
General government buildings	\$ 24,235
Library	795
Total encumbrances	<u>\$ 25,030</u>

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NOTE 11 – GOVERNMENTAL ACTIVITIES NET POSITION

Governmental activities net position reported on the government-wide Statement of Net Position at December 31, 2012 include the following:

Net investment in capital assets:	
Capital assets, net of accumulated depreciation	\$ 8,155,873
Less:	
General obligation bonds payable	(1,227,000)
Unamortized bond premium payable	(22,555)
Total net investment in capital assets	<u>6,928,873</u>
Restricted for perpetual care	<u>151,110</u>
Unrestricted	<u>1,035,177</u>
Total net position	<u><u>\$ 8,115,160</u></u>

NOTE 12 – GOVERNMENTAL FUND BALANCES

Governmental fund balances reported on the fund financial statements at December 31, 2012 include the following:

Nonspendable:

Nonmajor fund:

 Permanent:

 Cemetery trust (principal balance) \$ 96,074

Restricted:

Major fund:

 General:

 Library \$ 311

Nonmajor fund:

 Permanent:

 Cemetery trust (income balance) 55,036

 Total restricted fund balance 55,347

Committed:

Major fund:

 General:

 Expendable trust \$ 596,074

Nonmajor funds:

 Special revenue:

 Cable franchise fee 76,258

 Conservation commission 73,743

 Playground 3,741

 Energy commission 3

 Police OHRV 25,045

 Total nonmajor funds 178,790

 Total committed fund balance 774,864

Assigned:

Major fund:

 General:

 Encumbrances 25,030

Unassigned:

Major fund:

 General

279,234

Total governmental fund balances \$ 1,230,549

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NOTE 13 – PRIOR PERIOD ADJUSTMENTS

Fund equity at January 1, 2012 was restated to give retroactive effect to the following prior period adjustments:

	Government-wide Statements	General Fund
Adjustments:		
To remove taxes deeded in prior year	\$ (45,550)	\$ (45,550)
To record the value of the capital assets, net of accumulated depreciation, not previously reported	65,000	-
Net position/fund balance, as previously reported	8,365,646	1,208,038
Net position/fund balance, as restated	<u>\$ 8,385,096</u>	<u>\$ 1,162,488</u>

NOTE 14 – 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. For fiscal year 2012, all employees except police officers and firefighters were required to contribute 7% of earnable compensation. The contribution rates were 11.55% for police officers and 11.80% for firefighters. The Town's contribution rates for 2012 for pension and medical subsidy were as follows; police officers 19.95%; firefighter, 22.89%; all other employees, 8.80%.

The contribution requirements for the Town of Fremont for the fiscal years 2010, 2011, and 2012 were \$21,291, \$27,130, and \$34,412, respectively, which were paid in full in each year.

NOTE 15 – 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 2012, 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 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, 2012, to be recorded as an insurance expenditure totaled \$38,388. There were no unpaid contributions for the year ended December 31, 2012.

The New Hampshire Public Risk Management Exchange (Primex³) Workers' Compensation Programs is a pooled risk management program under RSAs 5-B and 281-A. Coverage was provided from January 1, 2012 to December 31, 2012 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, 2012 was \$21,597 for workers' compensation.

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NOTE 16 – 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 2012 equaled \$31,565, all of which were subject to the Town's disbursement procedures.

NOTE 17 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

The Governmental Accounting Standards Board (GASB) has issued several pronouncements that have effective dates that may impact future financial presentations. Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements:

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus and Amendments of GASB Statements No. 14 and No. 34*, issued November 2010, will be effective for the Town beginning with its fiscal year ending December 31, 2013. This Statement is intended to improve financial reporting for a governmental financial reporting entity by improving guidance for including, presenting, and disclosing information about component units and equity interest transactions of a financial reporting entity.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, issued March 2012, will be effective for the Town beginning with its fiscal year ending December 2013. This Statement is intended to improve financial reporting by clarifying the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting.

GASB Statement No. 66, *Technical Corrections – 2012 – An Amendment of GASB Statements No. 10 and No. 62*, issued March 2012, will be effective for the Town beginning with its fiscal year ending December 31, 2013.

GASB Statement No. 67, *Financial Reporting for Pension Plans*, issued in June 2012, will be effective for the Town beginning with its fiscal year ending December 31, 2014. The guidance contained in this statement will change how governments calculate and report the costs and obligations associated with pensions in important ways. This replaces the requirements of Statements No. 27 and 50.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, issued in June 2012, will be effective for the Town beginning with its fiscal year ending December 31, 2014. The guidance contained in this statement will change how governments calculate and report the costs and obligations associated with pensions in important ways. This replaces the requirements of Statements No. 27 and 50.

NOTE 18 – 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 September 17, 2013, the date the December 31, 2012 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, 2012

	Estimated	Actual	Variance Positive (Negative)
Taxes:			
Property	\$ 1,136,440	\$ 1,126,576	\$ (9,864)
Land use change	25,000	27,057	2,057
Timber	600	2,583	1,983
Excavation	570	516	(54)
Interest and penalties on taxes	60,000	67,852	7,852
Total from taxes	<u>1,222,610</u>	<u>1,224,584</u>	<u>1,974</u>
Licenses, permits, and fees:			
Motor vehicle permit fees	630,000	642,651	12,651
Building permits	45,000	52,561	7,561
Other	14,000	11,637	(2,363)
Total from licenses, permits, and fees	<u>689,000</u>	<u>706,849</u>	<u>17,849</u>
Intergovernmental:			
State:			
Meals and rooms distribution	192,566	192,536	(30)
Highway block grant	96,351	96,351	-
Federal:			
Other	-	1,430	1,430
Total from intergovernmental	<u>288,917</u>	<u>290,317</u>	<u>1,400</u>
Charges for services:			
Income from departments	<u>101,000</u>	<u>110,728</u>	<u>9,728</u>
Miscellaneous:			
Sale of municipal property	3,000	1,922	(1,078)
Interest on investments	1,600	1,010	(590)
Rent of property	-	275	275
Other	3,000	3,169	169
Total from miscellaneous	<u>7,600</u>	<u>6,376</u>	<u>(1,224)</u>
Other financing sources:			
Transfers in	95,740	95,740	-
Proceeds of long term debt	65,000	65,000	-
Total other financing sources	<u>160,740</u>	<u>160,740</u>	<u>-</u>
Total revenues and other financing sources	2,469,867	<u>\$ 2,499,594</u>	<u>\$ 29,727</u>
Unassigned fund balance used to reduce tax rate	447,500		
Total revenues, other financing sources, and use of fund balance	<u>\$ 2,917,367</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, 2012

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
General government:					
Executive	\$ -	\$ 107,597	\$ 106,190	\$ -	\$ 1,407
Election and registration	-	65,501	63,167	-	2,334
Financial administration	-	44,760	46,823	-	(2,063)
Revaluation of property	-	48,570	31,432	-	17,138
Legal	-	20,000	20,895	-	(895)
Personnel administration	-	206,498	206,481	-	17
Planning and zoning	-	41,871	32,593	-	9,278
General government buildings	-	93,621	68,371	24,235	1,015
Cemeteries	-	10,000	7,793	-	2,207
Insurance, not otherwise allocated	-	42,519	39,907	-	2,612
Advertising and regional associations	-	6,806	6,838	-	(32)
Other	-	2,400	2,282	-	118
Total general government	-	690,143	632,772	24,235	33,136
Public safety:					
Police	-	446,725	446,575	-	150
Ambulance	-	6,500	6,500	-	-
Fire	-	168,463	166,042	-	2,421
Building inspection	-	29,957	28,427	-	1,530
Emergency management	-	4,930	3,010	-	1,920
Total public safety	-	656,575	650,554	-	6,021
Highways and streets:					
Highways and streets	-	392,291	401,021	-	(8,730)
Street lighting	-	4,896	4,850	-	46
Total highways and streets	-	397,187	405,871	-	(8,684)
Sanitation:					
Solid waste collection	-	248,234	248,234	-	-
Solid waste disposal	-	116,560	116,374	-	186
Total sanitation	-	364,794	364,608	-	186
Health:					
Pest control	-	60,685	57,538	-	3,147
Health agencies	-	725	620	-	105
Total health	-	61,410	58,158	-	3,252
Welfare:					
Direct assistance	-	12,700	8,955	-	3,745
Vendor payments	-	25,813	25,813	-	-
Total welfare	-	38,513	34,768	-	3,745
Culture and recreation:					
Parks and recreation	-	42,553	37,961	-	4,592
Library	1,572	103,767	97,698	795	6,846
Patriotic purposes	-	2,335	1,989	-	346
Total culture and recreation	1,572	148,655	137,648	795	11,784
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, 2012

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Debt service:					
Principal of long-term debt	-	163,000	163,000	-	-
Interest on long-term debt	-	65,147	62,180	-	2,967
Interest on tax anticipation notes	-	3,000	1,192	-	1,808
Total debt service	-	231,147	226,372	-	4,775
Capital outlay:					
Land	-	65,000	65,000	-	-
Machinery, equipment, and vehicles	-	46,000	46,000	-	-
Buildings	-	44,619	46,833	-	(2,214)
Total capital outlay	-	155,619	157,833	-	(2,214)
Other financing uses:					
Transfers out	-	172,500	172,500	-	-
Total appropriations, expenditures, other financing uses, and encumbrances	\$ 1,572	\$ 2,917,367	\$ 2,841,908	\$ 25,030	\$ 52,001

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, 2012

Unassigned fund balance, beginning (as restated)		\$ 645,006
Changes:		
Unassigned fund balance used to reduce 2012 tax rate		(447,500)
2012 Budget summary:		
Revenue surplus (Schedule 1)	\$ 29,727	
Unexpended balance of appropriations (Schedule 2)	<u>52,001</u>	
2012 Budget surplus		<u>81,728</u>
Unassigned fund balance, ending		<u><u>\$ 279,234</u></u>

SCHEDULE 4
TOWN OF FREMONT, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2012

	Special Revenue Funds						Total
	Conservation Commission	Playground	Cable Franchise Fees	Energy Commission	Police OHRV	Permanent Fund	
ASSETS							
Cash and cash equivalents	\$ 68	\$ -	\$ -	\$ -	\$ -	\$ 10,783	\$ 10,851
Investments	69,189	3,741	76,258	3	25,045	140,327	314,563
Interfund receivable	4,486	-	-	-	-	-	4,486
Total assets	<u>\$ 73,743</u>	<u>\$ 3,741</u>	<u>\$ 76,258</u>	<u>\$ 3</u>	<u>\$ 25,045</u>	<u>\$ 151,110</u>	<u>\$ 329,900</u>
FUND BALANCES							
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 96,074	\$ 96,074
Restricted	-	-	-	-	-	55,036	55,036
Committed	73,743	3,741	76,258	3	25,045	-	178,790
Total fund balances	<u>\$ 73,743</u>	<u>\$ 3,741</u>	<u>\$ 76,258</u>	<u>\$ 3</u>	<u>\$ 25,045</u>	<u>\$ 151,110</u>	<u>\$ 329,900</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, 2012

	Special Revenue Funds						
	Conservation Commission	Playground	Cable Franchise Fees	Energy Commission	Police OHRV	Permanent Fund	Total
Revenues:							
Taxes	\$ 10,011	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,011
Miscellaneous	119	4	17,946	-	467	638	19,174
Total revenues	<u>10,130</u>	<u>4</u>	<u>17,946</u>	<u>-</u>	<u>467</u>	<u>638</u>	<u>29,185</u>
Expenditures:							
Current:							
General government	-	-	-	-	-	870	870
Conservation	15,189	-	-	-	-	-	15,189
Capital outlay	175,866	-	-	-	-	-	175,866
Total expenditures	<u>191,055</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>870</u>	<u>191,925</u>
Excess (deficiency) of revenues over (under) expenditures	(180,925)	4	17,946	-	467	(232)	(162,740)
Other financing uses:							
Transfers out	-	-	-	-	-	(3,000)	(3,000)
Net change in fund balances	(180,925)	4	17,946	-	467	(3,232)	(165,740)
Fund balances, beginning	254,668	3,737	58,312	3	24,578	154,342	495,640
Fund balances, ending	<u>\$ 73,743</u>	<u>\$ 3,741</u>	<u>\$ 76,258</u>	<u>\$ 3</u>	<u>\$ 25,045</u>	<u>\$ 151,110</u>	<u>\$ 329,900</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, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered the Town's internal control over financial reporting (internal control) as a basis for designing 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 (Repeat Comment)

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 is also required to 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 suggest that someone other than the Treasurer be responsible for posting revenues to the general ledger.

Tax Collector Records (Repeat Comment)

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 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, as reported previously, the computer generated reports as of December 31, supporting her reported figures to the State, need 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.

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.

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.

September 17, 2013

Plodzik & Sanderson
Professional Association