

TOWN OF FRANCESTOWN, NEW HAMPSHIRE

ANNUAL FINANCIAL REPORT

AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2013

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TABLE OF CONTENTS

	<u>PAGES</u>
INDEPENDENT AUDITOR’S REPORT	1
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements:	
Statement of Net Position (Exhibit 1)	3
Statement of Activities (Exhibit 2)	4
Fund Financial Statements:	
Balance Sheet – Governmental Funds (Exhibit 3)	5
Reconciliation of Total Fund Balances of Governmental Funds to the Statement of Net Position (Exhibit 4)	6
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds (Exhibit 5)	7
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities (Exhibit 6)	8
NOTES TO THE FINANCIAL STATEMENTS	9
REQUIRED SUPPLEMENTARY INFORMATION	
General Fund - Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) (Exhibit 7)	23
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION	24
COMBINING NONMAJOR AND INDIVIDUAL GENERAL FUND SCHEDULES	
Nonmajor Governmental Funds	
Combining Balance Sheet (Exhibit 8)	25
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Exhibit 9)	26
Major General Fund	
Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis) (Exhibit 10)	27
Schedule of Appropriations, Expenditures and Encumbrances (Non-GAAP Budgetary Basis) (Exhibit 11)	28
Schedule of Changes in Unassigned Fund Balance (Non-GAAP Budgetary Basis) (Exhibit 12)	30
INDEPENDENT AUDITOR’S COMMUNICATION OF NO MATERIAL WEAKNESSES	31



Roberts & Greene, PLLC

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Frankestown, New Hampshire as of and for the year ended December 31, 2013, which collectively comprise the Town's basic financial statements as listed in the table of contents, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Frankestown, New Hampshire as of and for the year ended December 31, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

The Town of Frankestown has not presented a management's discussion and analysis. Accounting principles generally accepted in the United States of America have determined that the management's discussion and analysis is necessary to supplement, but is not required to be part of, the basic financial statements.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Frankestown's basic financial statements. The combining nonmajor and individual general fund schedules are presented for purposes of additional analysis and are not a required part of the financial statements. They are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

March 17, 2014



BASIC FINANCIAL STATEMENTS

EXHIBIT 1
TOWN OF FRANCESTOWN, NEW HAMPSHIRE
Statement of Net Position
December 31, 2013

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 2,494,337
Investments	729,863
Intergovernmental receivable	1,235
Other receivables, net of allowance for uncollectibles	525,298
Tax deeded property	5,167
Capital assets, not being depreciated:	
Land	3,386,858
Construction in progress	72,483
Capital assets, net of accumulated depreciation:	
Land improvements	19,683
Buildings and building improvements	1,455,342
Machinery, vehicles and equipment	1,160,886
Infrastructure	1,764,347
Total assets	11,615,499
LIABILITIES	
Accounts payable	64,056
Accrued payroll and benefits	6,129
Accrued interest payable	11,380
Intergovernmental payable	1,535,450
Performance and escrow deposits	4,000
Noncurrent obligations:	
Due within one year:	
Bond payable	50,000
Unamortized bond premium	713
Accrued landfill postclosure care costs	1,880
Due in more than one year:	
Bond payable	585,000
Unamortized bond premium	8,551
Compensated absences	7,416
Accrued landfill postclosure care costs	16,920
Total liabilities	2,291,495
DEFERRED INFLOWS OF RESOURCES	
Unearned revenue	7,969
NET POSITION	
Net investment in capital assets	7,214,506
Restricted for:	
Endowments:	
Nonexpendable	49,856
Expendable	9,138
Other purposes	74,281
Unrestricted	1,968,254
Total net position	\$ 9,316,035

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

EXHIBIT 2
TOWN OF FRANCESTOWN, NEW HAMPSHIRE
Statement of Activities
For the Year Ended December 31, 2013

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental activities:				
General government	\$ 510,111	\$ 1,748	\$ 48	\$ (508,315)
Public safety	278,136	653	11,624	(265,859)
Highways and streets	693,055	-	97,033	(596,022)
Sanitation	127,695	20,003	-	(107,692)
Health	7,990	-	-	(7,990)
Welfare	28,760	-	-	(28,760)
Culture and recreation	131,527	2,641	-	(128,886)
Conservation	38,125	-	5,136	(32,989)
Interest on long-term debt	31,185	-	-	(31,185)
Total governmental activities	<u>\$ 1,846,584</u>	<u>\$ 25,045</u>	<u>\$ 113,841</u>	<u>(1,707,698)</u>
General revenues:				
Property taxes				1,595,916
Other taxes				71,018
Licenses and permits				282,935
Grants and contributions not restricted to specific programs				69,700
Miscellaneous				230,487
Total general revenues				<u>2,250,056</u>
Change in net position				542,358
Net position, beginning				<u>8,773,677</u>
Net position, ending				<u>\$ 9,316,035</u>

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

EXHIBIT 3
TOWN OF FRANCESTOWN, NEW HAMPSHIRE
Balance Sheet
Governmental Funds
December 31, 2013

	General	Expendable Trust	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 2,108,812	\$ 322,639	\$ 62,886	\$ 2,494,337
Investments	-	598,629	131,234	729,863
Receivables, net of allowance for uncollectibles:				
Taxes	516,876	-	-	516,876
Accounts	8,422	-	-	8,422
Intergovernmental	1,235	-	-	1,235
Interfund receivable	9,088	-	26,391	35,479
Tax deeded property for resale	5,167	-	-	5,167
Total assets	<u>\$ 2,649,600</u>	<u>\$ 921,268</u>	<u>\$ 220,511</u>	<u>\$ 3,791,379</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 50,883	\$ -	\$ 13,173	\$ 64,056
Accrued salaries and benefits	6,129	-	-	6,129
Intergovernmental payable	1,535,450	-	-	1,535,450
Interfund payable	4,130	22,261	9,088	35,479
Escrow and performance deposits	4,000	-	-	4,000
Total liabilities	<u>1,600,592</u>	<u>22,261</u>	<u>22,261</u>	<u>1,645,114</u>
Deferred inflows of resources:				
Deferred revenue	<u>407,969</u>	<u>-</u>	<u>-</u>	<u>407,969</u>
Fund balances:				
Nonspendable	5,167	-	44,689	49,856
Restricted	-	-	82,936	82,936
Committed	-	899,007	70,625	969,632
Unassigned	635,872	-	-	635,872
Total fund balances	<u>641,039</u>	<u>899,007</u>	<u>198,250</u>	<u>1,738,296</u>
Total liabilities and fund balances	<u>\$ 2,649,600</u>	<u>\$ 921,268</u>	<u>\$ 220,511</u>	<u>\$ 3,791,379</u>

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

EXHIBIT 4
TOWN OF FRANCESTOWN, NEW HAMPSHIRE
Reconciliation of Total Fund Balances of Governmental Funds to the Statement of Net Position
December 31, 2013

Total fund balances of governmental funds (Exhibit 3)		\$ 1,738,296
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Cost	\$ 9,903,126	
Less accumulated depreciation	<u>(2,043,527)</u>	7,859,599
Interfund receivables and payables between governmental funds are eliminated on the statement of net position.		
Receivables	\$ (35,479)	
Payables	<u>35,479</u>	-
Long-term revenues are not available to pay for current period expenditures and, therefore, are deferred in the funds.		
Deferred tax revenue		400,000
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(11,380)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Bond outstanding	\$ 635,000	
Unamortized bond premium	9,264	
Compensated absences payable	7,416	
Accrued landfill postclosure care costs	<u>18,800</u>	<u>(670,480)</u>
Total net position of governmental activities (Exhibit 1)		<u>\$ 9,316,035</u>

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

EXHIBIT 5
TOWN OF FRANCESTOWN, NEW HAMPSHIRE
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2013

	General	Expendable Trust	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 1,593,714	\$ -	\$ 6,220	\$ 1,599,934
Licenses, permits and fees	282,935	-	-	282,935
Intergovernmental	183,493	-	-	183,493
Charges for services	25,045	-	-	25,045
Miscellaneous	123,864	11,384	41,297	176,545
Total revenues	<u>2,209,051</u>	<u>11,384</u>	<u>47,517</u>	<u>2,267,952</u>
Expenditures:				
Current:				
General government	476,937	2,242	4,184	483,363
Public safety	211,996	-	-	211,996
Highways and streets	532,179	-	-	532,179
Sanitation	115,370	-	-	115,370
Health	7,990	-	-	7,990
Welfare	28,760	-	-	28,760
Culture and recreation	100,899	-	6,080	106,979
Conservation	16,060	-	22,065	38,125
Debt service:				
Principal	50,000	-	-	50,000
Interest	32,828	-	-	32,828
Capital outlay	553,332	-	41,137	594,469
Total expenditures	<u>2,126,351</u>	<u>2,242</u>	<u>73,466</u>	<u>2,202,059</u>
Excess (deficiency) of revenues over (under) expenditures	<u>82,700</u>	<u>9,142</u>	<u>(25,949)</u>	<u>65,893</u>
Other financing sources (uses):				
Transfers in	527,882	374,400	41,137	943,419
Transfers out	(374,400)	(557,391)	(11,628)	(943,419)
Total other financing sources and uses	<u>153,482</u>	<u>(182,991)</u>	<u>29,509</u>	<u>-</u>
Net change in fund balances	236,182	(173,849)	3,560	65,893
Fund balances, beginning, as restated, see Note III.E.	404,857	1,072,856	194,690	1,672,403
Fund balances, ending	<u>\$ 641,039</u>	<u>\$ 899,007</u>	<u>\$ 198,250</u>	<u>\$ 1,738,296</u>

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

EXHIBIT 6
TOWN OF FRANCESTOWN, NEW HAMPSHIRE
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund
Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2013

Net change in fund balances of governmental funds (Exhibit 5)	\$	65,893
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capitalized capital outlay exceeded depreciation expense in the current period.		
Capitalized capital outlay	\$ 648,459	
Depreciation expense	<u>(278,562)</u>	369,897
Transfers in and out between governmental funds are eliminated on the operating statement.		
Transfers in	\$ (943,419)	
Transfers out	<u>943,419</u>	-
Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in governmental funds.		
Change in deferred tax revenue		67,000
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds, but has no effect on net position.		
Repayment of bond principal	\$ 50,000	
Amortization of bond premium	<u>713</u>	50,713
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Decrease in accrued interest expense	\$ 930	
Increase in compensated absences payable	(1,525)	
Increase in accrued landfill postclosure care costs	<u>(10,550)</u>	<u>(11,145)</u>
Change in net position of governmental activities (Exhibit 2)	\$	<u><u>542,358</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS

**TOWN OF FRANCESTOWN, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2013**

I. Summary of Significant Accounting Principles

I.A. Introduction

The accounting and reporting framework and the more significant accounting principles and practices of the Town of Frankestown (the Town) are discussed in subsequent sections of this note. The remainder of the notes is organized to provide explanations, including required disclosures, of the Town's financial activities for the fiscal year ended December 31, 2013.

I.B. Financial Reporting Entity – Basis of Presentation

I.B.1. *Entity Defined*

The Town of Frankestown is a municipal corporation governed by a board of selectmen consisting of three members elected by the voters. These financial statements present the financial position and activity of the primary government. Component units are organizations for which the primary government is financially accountable, or other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete. Based on the stated criteria, the Town's financial statements do not include any component units.

I.B.2. *Government-Wide and Fund Financial Statements*

Government-Wide Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the Town as a whole. Individual funds are not displayed.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges for the Town's services; and (2) operating grants and contributions, which finance annual operating activities including restricted investment income. These revenues are subject to externally imposed restrictions to these program uses. Taxes and revenue from other sources not properly included with program revenues are reported as general revenues.

**TOWN OF FRANCESTOWN, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2013**

Fund Financial Statements

Fund financial statements are provided for the governmental funds. Major individual funds are reported in separate columns with composite columns for nonmajor funds.

I.B.3. *Measurement Focus, Basis of Accounting and Financial Statement Presentation*

The financial statements of the Town are prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Town's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). Reimbursements are reported as reductions to expenses. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property tax revenues are recognized in the year for which they are levied, while grants are recognized when grantor eligibility requirements are met.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Town considers revenues to be available if they are collected within 60 days of the end of the fiscal year, and defers any not received by that date. When calculating fund balance used to set the tax rate annually, tax revenues are not deferred in accordance with guidance from the New Hampshire Department of Revenue Administration.

Expenditures are recorded when the related fund liability is incurred, except for general obligation debt principal and interest which are reported as expenditures in the year due.

Major revenues susceptible to accrual are property taxes, intergovernmental amounts, charges for services, and investment income. In general, other revenues are recognized when cash is received.

I.B.4. *Fund Types and Major Funds*

Governmental Funds

The Town reports the following major governmental funds:

General Fund – Reports as the primary fund of the Town. This fund is used to account for all financial resources not reported in other funds.

TOWN OF FRANCESTOWN, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2013

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

The Town also reports five nonmajor governmental funds.

I.C. Assets, Liabilities, and Net Position or Fund Equity

I.C.1. *Cash and Investments*

The laws of the State of New Hampshire require that the Town's treasurer have custody of all monies belonging to the Town, other than those held by the trustees of trust funds and library trustees, and pay out the same only upon orders of the Board of Selectmen. The treasurer shall deposit all monies in participation units in the public deposit investment pool established pursuant to N.H. RSA 383.22 or in solvent banks in the state. Funds may be deposited in banks outside the state if such banks pledge or deliver to a third party custodial bank or the Federal Reserve Bank, collateral security for such deposits, United States government or government agency obligations, or obligations of the State of New Hampshire in value at least equal to the amount of the deposit in each case.

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

New Hampshire law authorizes the Town to invest in obligations of the United States government; the public deposit investment pool established pursuant to RSA 383:22; savings bank deposits; prime bankers' acceptances; or certificates of deposit and repurchase agreements of banks incorporated under the laws of the State of New Hampshire or in banks recognized by the state treasurer.

Any person who directly or indirectly receives any such funds or monies for deposit or for investment in securities of any kind shall, prior to acceptance of such funds, make available at the time of such deposit or investment an option to have such funds secured by collateral having a value at least equal to the amount of such funds. Such collateral shall be segregated for the exclusive benefit of the Town. Only securities defined by the bank commissioner as provided by rules adopted pursuant to RSA 386:57 shall be eligible to be pledged as collateral.

I.C.2. *Capital Assets and Depreciation*

Generally, the Town's property, plant and equipment with useful lives of more than one year are stated at historical cost and reported in the government-wide financial statements. Donated assets are stated at fair value on the date donated. The Town generally capitalizes assets with cost of \$5,000 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed of, the cost and

**TOWN OF FRANCESTOWN, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2013**

applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. Estimated useful lives, in years, for depreciable assets are as follow:

	Years
Land improvements	10
Buildings and building improvements	20-100
Machinery, vehicles, and equipment	5-20
Infrastructure	40

I.C.3. Long-Term Debt

In the government-wide financial statements, outstanding debt is reported as liabilities. The balance of long-term debt is not reported in the governmental funds.

I.C.4. Compensated Absences

Full-time employees are granted vacation benefits in varying amounts to specified maximums based on the number of years in employment. Employees are entitled to their vacation leave upon termination.

Compensated absences are reported as accrued in the government-wide financial statements. Governmental funds report only matured compensated absences payable to currently terminated employees which are included in wages and benefits expenditures.

I.C.5. Equity

The government-wide statement of net position reports net position in the following components:

- Net investment in capital assets, which is computed as the total capital assets less accumulated depreciation, net of outstanding debt used to acquire those assets.
- Restricted for endowments, nonexpendable, which consists of the principal of endowments in the permanent funds that must be permanently invested.
- Restricted for endowments, expendable, which consists of the income earned on nonexpendable endowments that is reported in the permanent funds.
- Restricted for other purposes, which consists of the Library Fund balance.
- Unrestricted, which consists of the remaining net position.

**TOWN OF FRANCESTOWN, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2013**

The governmental funds report the following components of fund balance:

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

I.D. Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles, requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

II. Stewardship, Compliance and Accountability

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund. Unless encumbered, all appropriations lapse at year-end. The Town is allowed to use beginning fund balance to balance the budget. In 2013, \$95,050 of the unassigned fund balance from 2012 was used.

Encumbrance accounting is employed by the governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as assignments of fund balances and do not constitute expenditures or liabilities because they will be added to the appropriations voted in the subsequent year.

Revenues are budgeted by source. Expenditures are budgeted by functions as follow: general government, public safety, highways and streets, sanitation, health, welfare, culture and recreation, conservation, debt service and capital outlay. Management can transfer appropriations among budget line items as necessary, but the total expenditures cannot legally exceed the total appropriations unless permission is received from the Commissioner of Revenue Administration.

TOWN OF FRANCESTOWN, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2013

III. Detailed Notes on Funds and Government-Wide Statements

III.A. Assets

III.A.1. Cash and Investments

Custodial Credit Risk for Deposits

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The Town does not have a deposit policy that addresses custodial credit risk. As of December 31, 2013, \$62,730 of the Town of Frankestown's bank balances of \$2,529,071 was exposed to custodial credit risk as uninsured and uncollateralized.

As of December 31, 2013, the Town had the following investments:

Certificates of Deposit	\$ 613,993
Mutual Funds	87,840
Common Stock	28,030
	<u>\$ 729,863</u>

Investment Risks

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

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

Custodial Credit Risk is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities in the possession of an outside party. Of the Town's \$729,863 of investments, \$320,599 had exposure to custodial credit risk because the related securities are uninsured and uncollateralized.

III.A.2. Receivables and Deferred Revenue

Property Taxes Receivable and Property Tax Calendar

Property taxes are levied and collected by the Town on a semi-annual basis. Tax bills are due on or around July 1 and December 1, with interest of 12% per annum on all taxes not received by the due

**TOWN OF FRANCESTOWN, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2013**

date. The first billing is an estimate only based on half of the previous year’s billing. The final billing is levied based on an inventory taken in April of each year (the tax year runs from April 1 to March 31), and is assessed after the tax rate has been calculated and set by the New Hampshire Department of Revenue Administration. A lien is executed on any unpaid property taxes in the following year and this lien takes priority over any others. Interest of 18% per annum is charged upon redemption of lien taxes. Properties not redeemed within two years of the date of the tax lien are deeded to the Town. During the current year, the tax collector executed a lien for uncollected 2012 property taxes on April 10th.

The property taxes levied and collected by the Town include amounts for the State of New Hampshire, the Contoocook Valley Regional School District, and Hillsborough County. The Town is responsible for the collection of all these taxes. During the annual tax rate setting process, the Town sets an amount for potential abatements and tax deedings, known as overlay. Overlay is raised through taxation and is reported as a reduction in tax revenue.

The net assessed valuation as of April 1, 2013, upon which the 2013 property tax levy was based was:

For the New Hampshire education tax	\$ 209,537,869
For all other taxes	\$ 212,942,869

The tax rates and amounts assessed for the year ended December 31, 2013 were as follow:

	Per \$1,000 of Assessed Valuation	
Municipal portion	\$7.29	\$ 1,553,056
School portion:		
State of New Hampshire	\$2.29	479,320
Local	\$12.11	2,579,547
County portion	\$1.08	228,989
Total property taxes assessed		\$ 4,840,912

**TOWN OF FRANCESTOWN, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2013**

The following details the taxes receivable at year-end:

Property:		
Levy of 2013	\$	376,961
Unredeemed (under tax lien):		
Levy of 2012		103,921
Levy of 2011		34,279
Land use change		260
Timber		1,455
Total taxes receivable	<u>\$</u>	<u>516,876</u>

Other Receivables and Uncollectible Accounts

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

Accounts	\$	8,422
Intergovernmental		1,235
Liens		2,858
Less: allowance for uncollectible amounts		<u>(2,858)</u>
Net total receivables	<u>\$</u>	<u>9,657</u>

Deferred Revenue

Deferred revenue of \$407,969 at December 31, 2013 represents \$400,000 of property taxes and \$7,499 from a court settlement that are not expected to be collected within 60 days from year-end, and therefore, are deferred in accordance with generally accepted accounting principles; and \$470 of prepayments of 2014 property taxes.

TOWN OF FRANCESTOWN, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2013

III.A.3. Capital Assets

Changes in Capital Assets

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

	<u>Balance, beginning</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance, ending</u>
Governmental activities:				
At cost:				
Not being depreciated:				
Land	\$ 3,386,858	\$ -	\$ -	\$ 3,386,858
Construction in progress	31,346	41,137		72,483
Total capital assets not being depreciated	<u>3,418,204</u>	<u>41,137</u>	<u>-</u>	<u>3,459,341</u>
Being depreciated:				
Land improvements	53,630	-	-	53,630
Buildings and building improvements	2,160,857	98,977	-	2,259,834
Machinery, vehicles and equipment	1,973,372	328,374	(70,208)	2,231,538
Infrastructure	1,718,812	179,971	-	1,898,783
Total capital assets being depreciated	<u>5,906,671</u>	<u>607,322</u>	<u>(70,208)</u>	<u>6,443,785</u>
Total all capital assets	<u>9,324,875</u>	<u>648,459</u>	<u>(70,208)</u>	<u>9,903,126</u>
Less accumulated depreciation:				
Land improvements	(28,584)	(5,363)	-	(33,947)
Buildings and building improvements	(726,403)	(78,089)	-	(804,492)
Machinery, vehicles and equipment	(989,239)	(151,621)	70,208	(1,070,652)
Infrastructure	(90,947)	(43,489)	-	(134,436)
Total accumulated depreciation	<u>(1,835,173)</u>	<u>(278,562)</u>	<u>70,208</u>	<u>(2,043,527)</u>
Net book value, capital assets being depreciated	<u>4,071,498</u>	<u>328,760</u>	<u>-</u>	<u>4,400,258</u>
Net book value, all capital assets	<u>\$ 7,489,702</u>	<u>\$ 369,897</u>	<u>\$ -</u>	<u>\$ 7,859,599</u>

Depreciation Expense

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

General government	\$ 24,935
Public safety	67,531
Highways and streets	159,773
Sanitation	1,775
Culture and recreation	24,548
Total depreciation expense	<u>\$ 278,562</u>

**TOWN OF FRANCESTOWN, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2013**

III.B. Liabilities

III.B.1 Intergovernmental Payables

The amount due to other governments at December 31, 2013 consists of the balance of the 2013-2014 district assessment due to the Contoocook Valley Regional School District in the amount of \$1,535,074, and \$376 related to state fees.

III.B.2 Long-Term Debt

Long-term debt currently outstanding is as follows:

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at 12/31/2013	Current Portion
General obligation bond payable:						
Land purchase	\$ 785,000	2007	2026	4.56	\$ 635,000	\$ 50,000
Unamortized bond premium					9,264	713
Compensated absences payable:						
Accrued vacation leave					7,416	-
Accrued landfill postclosure care costs					18,800	1,880
					<u>\$ 670,480</u>	<u>\$ 52,593</u>

Changes in Long-Term Liabilities

The following is a summary of changes in long-term liabilities for the year ended December 31, 2013:

	General Obligation Bond Payable	Unamortized Bond Premium	Compensated Absences Payable	Accrued Landfill Postclosure Care Costs	Total
Balance, beginning	\$ 685,000	\$ 9,977	\$ 5,891	\$ 8,250	\$ 709,118
Additions	-	-	1,525	10,550	12,075
Reductions	(50,000)	(713)	-	-	(50,713)
Balance, ending	<u>\$ 635,000</u>	<u>\$ 9,264</u>	<u>\$ 7,416</u>	<u>\$ 18,800</u>	<u>\$ 670,480</u>

**TOWN OF FRANCESTOWN, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2013**

Debt Service Requirements to Maturity

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

Fiscal Year Ending December 31,	Principal	Interest	Total
2014	\$ 50,000	\$ 30,928	\$ 80,928
2015	50,000	27,827	77,827
2016	50,000	25,327	75,327
2017	50,000	22,827	72,827
2018	50,000	20,327	70,327
2019-2023	250,000	67,073	317,073
2024-2026	135,000	12,802	147,802
Totals	<u>\$ 635,000</u>	<u>\$ 207,111</u>	<u>\$ 842,111</u>

III.C. Balances and Transfers – Payments Within the Reporting Entity

III.C.1. *Receivables and Payables*

Generally, outstanding balances between funds reported as “interfund receivables/payables” include outstanding charges by one fund to another for goods or services, subsidy commitments outstanding at year-end, or other miscellaneous amounts. Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is also reported as “interfund receivables/payables.”

The following schedule reports receivables and payables within the reporting entity at year-end:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Nonmajor	\$ 9,088
Nonmajor	General	4,130
Nonmajor	Expendable trust	22,261
		<u>\$ 35,479</u>

The amount due to the General Fund represents an overdraft of pooled cash. The amount due from the Expendable Trust Fund to the nonmajor 2012 Bridge Capital Project Fund of \$22,261 represents reimbursement of payments made for the bridge replacement, and the amount due to the nonmajor funds from the General Fund of \$4,130 represents land use change tax to be remitted to the Conservation Commission Fund.

TOWN OF FRANCESTOWN, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2013

III.C.2. Transfers

Transfers within the reporting entity are for the purposes of moving monies voted by Town Meeting, and distributing trust income to the applicable fund. The government-wide statement of activities eliminates transfers reported within the governmental activities columns.

The following schedule reports transfers within the reporting entity:

	Transfers In:			Total
	General Fund	Expendable Trust Fund	Nonmajor Funds	
Transfers out:				
General fund	\$ -	\$ 374,400	\$ -	\$ 374,400
Expendable trust fund	516,254	-	41,137	557,391
Nonmajor funds	11,628	-	-	11,628
	\$ 527,882	\$ 374,400	\$ 41,137	\$ 943,419

The amount transferred to the Expendable Trust Fund from the General Fund, and the amount from the Expendable Trust Fund to the General Fund represent voted appropriations. The amount transferred from the Expendable Trust Fund to the nonmajor 2012 Bridge Capital Project Fund also represents a voted amount.

III.D. Fund Equity

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

	General Fund	Expendable Trust Fund	Nonmajor Funds
Nonspendable:			
Endowments	\$ -	\$ -	\$ 44,689
Tax deeded property	5,167	-	-
Total nonspendable	5,167	-	44,689
Restricted:			
General government	-	-	8,655
Culture and recreation	-	-	74,281
Total restricted	-	-	82,936
Committed:			
General government	-	-	26,963
Conservation	-	-	43,662
Capital outlay	-	899,007	-
Total committed	-	899,007	70,625
Unassigned	635,872	-	-
Total fund balance	\$ 641,039	\$ 899,007	\$ 198,250

**TOWN OF FRANCESTOWN, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2013**

III.E. Restatement

Net position/fund balance at January 1, 2013 was restated to reflect the following adjustment:

	Governmental Activities	Nonmajor Funds
To remove investments not owned by Town	\$ (3,560)	\$ (3,560)
Net position/fund balance, as previously reported	<u>8,777,237</u>	<u>198,250</u>
Net position/fund balance, as restated	<u><u>\$ 8,773,677</u></u>	<u><u>\$ 194,690</u></u>

IV. Other Information

IV.A. Risk Management

The Town’s risk management activities are reported with governmental activities and recorded in the general fund. During the fiscal year, the Town was a member of the New Hampshire Public Risk Management Exchange (Primex) Workers’ Compensation and Property/Liability Programs, which are considered public entity risk pools, currently operating as common risk management and insurance programs for member governmental entities.

The Primex Workers’ Compensation and Property/Liability Programs are pooled risk management programs under RSA 5-B and RSA 281-A. Workers’ compensation and property/liability coverage were provided from January 1 through December 31. Primex retained \$1,000,000 of each workers’ compensation loss, \$500,000 of each liability loss, and \$200,000 of each property loss.

Contributions paid in 2013 to be recorded as an insurance expenditure/expense totaled \$26,678 for property/liability and \$10,567 for workers’ compensation. There were no unpaid contributions for the year ended December 31, 2013. The trust agreements permit the Trust to make additional assessments to members should there be a deficiency in trust assets to meet its liabilities. At this time, the Trust foresees no likelihood of any additional assessments for past years.

IV.B. Retirement Pensions

The New Hampshire Retirement System (NHRS) is a multiple-employer, cost-sharing, contributory public employee defined benefit plan qualified under section 401(a) of the Internal Revenue Code, and funded through a trust which is exempt from tax under Internal Revenue Code section 501(a). The NHRS provides service, disability, death and vested retirement benefits for employees and their beneficiaries. The New Hampshire Legislature establishes the provisions for benefits and contributions. The NHRS issues a separate financial report that is available by contacting the NHRS at 54 Regional Drive, Concord, NH 03301.

**TOWN OF FRANCESTOWN, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2013**

Both the members and the Town make contributions to the NHRS. Member rates of contribution are set by the Legislature. Employer rates are determined by the NHRS trustees based on an actuarial valuation. The rates of contribution for police officers and other employees were 11.55% and 7%, respectively. The rate of contribution for pension and the medical subsidy by the Town was 19.95% for police between January 1 and June 30, and 25.30% from July 1 to December 31. The rate of contribution for other employees was 8.80% between January 1 and June 30, and 10.77% from July 1 to December 31. Employer contributions from the Town during the years 2011, 2012, and 2013 were \$24,046, \$26,775, and \$33,878 respectively. The amounts are paid on a monthly basis as due.

REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT 7
TOWN OF FRANCESTOWN, NEW HAMPSHIRE
General Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
For the Year Ended December 31, 2013

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Taxes	\$ 1,499,731	\$ 1,660,714	\$ 160,983
Licenses, permits and fees	254,000	282,935	28,935
Intergovernmental	170,235	183,493	13,258
Charges for services	22,000	25,045	3,045
Miscellaneous	22,900	123,864	100,964
Total revenues	<u>1,968,866</u>	<u>2,276,051</u>	<u>307,185</u>
EXPENDITURES			
Current:			
General government	479,075	476,937	2,138
Public safety	210,704	211,996	(1,292)
Highways and streets	569,615	532,179	37,436
Sanitation	121,059	115,370	5,689
Health	7,835	7,990	(155)
Welfare	55,000	28,760	26,240
Culture and recreation	103,503	100,899	2,604
Conservation	22,396	16,060	6,336
Debt service:			
Principal	50,000	50,000	-
Interest	32,828	32,828	-
Interest on tax anticipation note	1	-	1
Capital outlay	509,700	504,932	4,768
Total expenditures	<u>2,161,716</u>	<u>2,077,951</u>	<u>83,765</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(192,850)</u>	<u>198,100</u>	<u>390,950</u>
Other financing sources (uses):			
Transfers in	472,200	527,882	55,682
Transfers out	(374,400)	(374,400)	-
Total other financing sources and uses	<u>97,800</u>	<u>153,482</u>	<u>55,682</u>
Net change in fund balance	<u>\$ (95,050)</u>	351,582	<u>\$ 446,632</u>
Decrease in nonspendable fund balance		5,741	
Unassigned fund balance, beginning		678,549	
Unassigned fund balance, ending		<u>\$ 1,035,872</u>	

The note to the required supplementary information is an integral part of this statement.

**TOWN OF FRANCESTOWN, NEW HAMPSHIRE
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED
DECEMBER 31, 2013**

Reconciliation of Budgetary Basis to GAAP

General Fund:

Revenues and other financing sources:	
Per Exhibit 7 (budgetary basis)	\$ 2,803,933
Adjustments:	
Basis difference:	
Tax revenue deferred in the prior year	333,000
Tax revenue deferred in the current year	(400,000)
Per Exhibit 5 (GAAP basis)	<u>\$ 2,736,933</u>
Expenditures and other financing uses:	
Per Exhibit 7 (budgetary basis)	\$ 2,452,351
Adjustment:	
Basis difference:	
Encumbrances, beginning	48,400
Per Exhibit 5 (GAAP basis)	<u>\$ 2,500,751</u>
Fund balances:	
Per Exhibit 7 (budgetary basis)	\$ 1,035,872
Adjustment:	
Basis difference:	
Deferred tax revenue, GAAP basis	(400,000)
Per Exhibit 3 (GAAP basis)	<u>\$ 635,872</u>

The major Expendable Trust Fund is not budgeted.

COMBINING NONMAJOR AND INDIVIDUAL GENERAL FUND SCHEDULES

EXHIBIT 8
TOWN OF FRANCESTOWN, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2013

	Special Revenue Funds			Capital Project Fund	Permanent Fund	Total
	George Bixby Memorial Library	Heritage Commission	Conservation Commission	2012 Bridge Project		
ASSETS						
Cash and cash equivalents	\$ 26,942	\$ 26,963	\$ -	\$ -	\$ 8,981	\$ 62,886
Investments	47,339	-	39,532	-	44,363	131,234
Interfund receivable	-	-	4,130	22,261	-	26,391
Total assets	<u>\$ 74,281</u>	<u>\$ 26,963</u>	<u>\$ 43,662</u>	<u>\$ 22,261</u>	<u>\$ 53,344</u>	<u>\$ 220,511</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ -	\$ -	\$ -	\$ 13,173	\$ -	\$ 13,173
Interfund payable	-	-	-	9,088	-	9,088
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,261</u>	<u>-</u>	<u>22,261</u>
Fund balances:						
Nonspendable	-	-	-	-	44,689	44,689
Restricted	74,281	-	-	-	8,655	82,936
Committed	-	26,963	43,662	-	-	70,625
Total fund balances	<u>74,281</u>	<u>26,963</u>	<u>43,662</u>	<u>-</u>	<u>53,344</u>	<u>198,250</u>
Total liabilities and fund balances	<u>\$ 74,281</u>	<u>\$ 26,963</u>	<u>\$ 43,662</u>	<u>\$ 22,261</u>	<u>\$ 53,344</u>	<u>\$ 220,511</u>

EXHIBIT 9
TOWN OF FRANCESTOWN, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended December 31, 2013

	Special Revenue Funds			Capital Project Fund	Permanent Fund	Total
	George Bixby Memorial Library	Heritage Commission	Conservation Commission	2012 Bridge Project		
REVENUES						
Taxes	\$ -	\$ -	\$ 6,220	\$ -	\$ -	\$ 6,220
Miscellaneous	19,592	21,106	551	-	48	41,297
Total revenues	<u>19,592</u>	<u>21,106</u>	<u>6,771</u>	<u>-</u>	<u>48</u>	<u>47,517</u>
EXPENDITURES						
Current:						
General government	-	3,684	-	-	500	4,184
Culture and recreation	6,049	-	-	-	31	6,080
Conservation	-	-	22,065	-	-	22,065
Debt service:						
Capital outlay	-	-	-	41,137	-	41,137
Total expenditures	<u>6,049</u>	<u>3,684</u>	<u>22,065</u>	<u>41,137</u>	<u>531</u>	<u>73,466</u>
Excess (deficiency) of revenues over (under) expenditures	<u>13,543</u>	<u>17,422</u>	<u>(15,294)</u>	<u>(41,137)</u>	<u>(483)</u>	<u>(25,949)</u>
Other financing sources (uses):						
Transfers in	-	-	-	41,137	-	41,137
Transfers out	-	(11,628)	-	-	-	(11,628)
Total other financing sources and uses	<u>-</u>	<u>(11,628)</u>	<u>-</u>	<u>41,137</u>	<u>-</u>	<u>29,509</u>
Net change in fund balances	13,543	5,794	(15,294)	-	(483)	3,560
Fund balances, beginning, as restated, see Note III.E.	60,738	21,169	58,956	-	53,827	194,690
Fund balances, ending	<u>\$ 74,281</u>	<u>\$ 26,963</u>	<u>\$ 43,662</u>	<u>\$ -</u>	<u>\$ 53,344</u>	<u>\$ 198,250</u>

EXHIBIT 10
TOWN OF FRANCESTOWN, NEW HAMPSHIRE
General Fund
Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)
For the Year Ended December 31, 2013

	Estimated	Actual	Variance Positive (Negative)
Taxes:			
Property	\$ 1,469,731	\$ 1,595,916	\$ 126,185
Land use change	-	6,220	6,220
Timber	5,000	19,319	14,319
Excavation	-	24	24
Interest and penalties on delinquent taxes	25,000	39,235	14,235
Total taxes	<u>1,499,731</u>	<u>1,660,714</u>	<u>160,983</u>
Licenses, permits and fees:			
Business licenses and permits	-	25	25
Motor vehicle permits	225,000	250,418	25,418
Building permits	3,000	7,862	4,862
Other	26,000	24,630	(1,370)
Total licenses, permits and fees	<u>254,000</u>	<u>282,935</u>	<u>28,935</u>
Intergovernmental:			
State sources:			
Meals and rooms distributions	69,700	69,700	-
Highway block grant	81,305	81,092	(213)
Milfoil grant	19,230	5,136	(14,094)
Public safety grants	-	11,624	11,624
Federal sources:			
FEMA	-	15,941	15,941
Total intergovernmental	<u>170,235</u>	<u>183,493</u>	<u>13,258</u>
Charges for services:			
Income from departments	<u>22,000</u>	<u>25,045</u>	<u>3,045</u>
Miscellaneous:			
Sale of property	9,300	16,200	6,900
Interest on investments	-	1,052	1,052
Rents	-	3,800	3,800
Other	13,600	102,812	89,212
Total miscellaneous	<u>22,900</u>	<u>123,864</u>	<u>100,964</u>
Other financing sources:			
Transfers in:			
Expendable trust fund	472,200	516,254	44,054
Nonmajor funds	-	11,628	11,628
Total other financing sources	<u>472,200</u>	<u>527,882</u>	<u>55,682</u>
Total revenues and other financing sources	2,441,066	<u>\$ 2,803,933</u>	<u>\$ 362,867</u>
Use of fund balance to reduce taxes	95,050		
Total revenues, other financing sources and use of fund balance	<u>\$ 2,536,116</u>		

EXHIBIT 11
TOWN OF FRANCESTOWN, NEW HAMPSHIRE
General Fund
Schedule of Appropriations, Expenditures and Encumbrances (Non-GAAP Budgetary Basis)
For the Year Ended December 31, 2013

	Encumbered from Prior Year	Appropriations	Expenditures	Variance Positive (Negative)
Current:				
General government:				
Executive	\$ -	\$ 85,968	\$ 86,227	\$ (259)
Election and registration	-	41,390	37,275	4,115
Financial administration	-	42,152	37,556	4,596
Revaluation of property	-	10,350	8,666	1,684
Legal	-	17,000	27,080	(10,080)
Personnel administration	-	173,148	171,792	1,356
Planning and zoning	-	9,930	3,530	6,400
General government buildings	-	58,546	63,763	(5,217)
Cemeteries	-	12,613	13,090	(477)
Insurance, not otherwise allocated	-	26,678	26,678	-
Advertising and regional associations	-	1,300	1,280	20
Total general government	-	479,075	476,937	2,138
Public safety:				
Police	-	139,521	139,260	261
Ambulance	-	10,533	10,532	1
Fire	-	56,250	57,522	(1,272)
Building inspection	-	3,900	4,584	(684)
Emergency management	-	500	98	402
Total public safety	-	210,704	211,996	(1,292)
Highways and streets:				
Highways and streets	-	421,415	401,897	19,518
Bridges	-	75,000	55,321	19,679
Street lighting	-	3,200	3,343	(143)
Other	-	70,000	71,618	(1,618)
Total highways and streets	-	569,615	532,179	37,436
Sanitation:				
Solid waste disposal	-	118,809	113,061	5,748
Solid waste clean-up	-	2,250	2,309	(59)
Total sanitation	-	121,059	115,370	5,689
Health:				
Health agencies and hospitals	-	7,835	7,990	(155)
Welfare:				
Administration	-	55,000	28,760	26,240
Culture and recreation:				
Parks and recreation	-	30,240	31,506	(1,266)
Public library	-	72,263	68,407	3,856
Patriotic purposes	-	1,000	986	14
Total culture and recreation	-	103,503	100,899	2,604

(continued)

EXHIBIT 11 (continued)
TOWN OF FRANCESTOWN, NEW HAMPSHIRE
General Fund
Schedule of Appropriations, Expenditures and Encumbrances (Non-GAAP Budgetary Basis)
For the Year Ended December 31, 2013

	Encumbered from Prior Year	Appropriations	Expenditures	Variance Positive (Negative)
Conservation:				
Administration	-	1,321	720	601
Other	-	21,075	15,340	5,735
Total conservation	-	22,396	16,060	6,336
Debt service:				
Principal	-	50,000	50,000	-
Interest on long-term debt	-	32,828	32,828	-
Interest on tax anticipation note	-	1	-	1
Total debt service	-	82,829	82,828	1
Capital outlay:				
Machinery, vehicles and equipment	-	304,400	299,584	4,816
Buildings	48,400	25,300	73,777	(77)
Improvements other than buildings	-	180,000	179,971	29
Total capital outlay	48,400	509,700	553,332	4,768
Other financing uses:				
Transfers out:				
Expendable trust fund	-	374,400	374,400	-
Total encumbrances, appropriations, expenditures and other financing uses	\$ 48,400	\$ 2,536,116	\$ 2,500,751	\$ 83,765

EXHIBIT 12
TOWN OF FRANCESTOWN, NEW HAMPSHIRE
General Fund
Schedule of Changes in Unassigned Fund Balance (Non-GAAP Budgetary Basis)
For the Year Ended December 31, 2013

Unassigned fund balance, beginning		\$ 678,549
Changes:		
Unassigned fund balance used to reduce tax rate		(95,050)
Budget summary:		
Revenue surplus (Exhibit 10)	\$ 362,867	
Unexpended balance of appropriations (Exhibit 11)	83,765	
Budget surplus		446,632
Decrease in nonspendable fund balance		5,741
Unassigned fund balance, ending		\$ 1,035,872



Roberts & Greene, PLLC

INDEPENDENT AUDITOR'S COMMUNICATION OF NO MATERIAL WEAKNESSES

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

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Frankestown as of and for the year ended December 31, 2013, in accordance with auditing standards generally accepted in the United States of America, we considered the Town's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Frankestown's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

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

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

Roberts & Greene, PLLC

March 17, 2014