

TOWN OF ENFIELD, NEW HAMPSHIRE

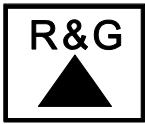
ANNUAL FINANCIAL REPORT

AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2012

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Roberts & Greene, PLLC

INDEPENDENT AUDITOR'S REPORT

To the Town Manager and Members of the Board of Selectmen
Town of Enfield
Enfield, 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 Enfield, 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 from 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.

Basis for Adverse Opinion on Governmental Activities

Management has not determined its liability or annual cost for postemployment benefits other than pensions (OPEB). Accounting principles generally accepted in the United States of America require that management recognize OPEB expense for the required contributions and a liability for unpaid required contributions, which would increase the liabilities, net position, and increase expenses of the governmental activities. The amount by which this departure would affect the assets, net position, and expenses of the governmental activities has not been determined.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on Governmental Activities" paragraph, the financial statements referred to previously do not present fairly the financial position of the governmental activities of the Town of Enfield, as of December 31, 2012, or the changes in financial position thereof for the year then ended.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of the Town of Enfield, 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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 to 9 and 34 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town'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 basic financial statements.

The combining nonmajor and individual general fund 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 nonmajor and individual general fund schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

January 31, 2014

Roberts & Hamm, PLLC

MANAGEMENTS DISCUSSION AND ANALYSIS

As management of the Town of Enfield, we offer readers this narrative overview and analysis of the financial activities of the Town of Enfield, New Hampshire for the year ended December 31, 2012.

A. OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of our finances in a manner similar to a private-sector business.

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

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities include general government, public safety, highways and streets, water distribution and treatment, sanitation, welfare, culture and recreation, and economic development.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into two categories: governmental funds and fiduciary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable

resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

An annual appropriated budget is adopted for the general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

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

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which is required to be disclosed by the *Governmental Accounting Standards Board*.

B. FINANCIAL HIGHLIGHTS

- As of the close of the current fiscal year, the total of assets exceeded liabilities by \$9,368,086 (i.e. net assets), a change of \$40,280 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$2,001,153, a change of \$(218,139) in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$139,447, a change of \$(88,459) in comparison with the prior year.
- Total long-term debt (i.e., bonds payable and capital leases) at the close of the current fiscal year was \$3,407,277, a change of \$2,914,361 in comparison to the prior year.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following is a summary of condensed government-wide financial data comparing current and prior fiscal year.

	<u>2012</u>	<u>2011</u>
	Government <u>Activities</u>	
Current and other assets	7,040,146	6,865,485
Capital assets	10,157,494	6,896,536
Total assets	17,197,640	13,762,021
Long-term liabilities outstanding	3,542,751	602,247
Other liabilities	4,286,803	3,831,968
Total liabilities	7,829,554	4,434,215
Net position:		
Net investment in capital assets	6,924,573	6,403,620
Restricted	338,438	226,400
Unrestricted	2,105,075	2,697,786
Total net position	9,368,086	9,327,806

CHANGES IN NET POSITION

	Governmental <u>Activities</u>	
	<u>2012</u>	<u>2011</u>
Revenues:		
Program revenues:		
Charges for services	610,061	523,315
Operating grants and contributions	131,546	211,931
Capital grants and contributions	76,408	485,565
General revenues:		
Property taxes	3,601,041	3,339,632
Motor vehicle permits	815,517	801,379
Penalties and interest on taxes		163,120
Grants and contributions not restricted to specific programs	205,026	206,315
Miscellaneous	73,045	57,857
Total revenues	5,512,644	5,789,114

(continued)

	Governmental Activities	
	<u>2012</u>	<u>2011</u>
Expenses:		
General government	1,744,748	1,575,801
Public safety	1,045,289	1,076,363
Highway and streets	1,330,607	1,225,189
Water distribution and treatment	157,222	160,196
Sanitation	806,201	872,751
Health	3,765	934
Welfare	31,869	40,949
Culture and recreation	209,993	214,086
Conservation	4,065	1,525
Economic development	9,336	9,085
Interest on long-term debt	16,539	11,175
Capital outlay	112,730	3,673
Total expenses	<u>5,191,727</u>	<u>5,191,727</u>
Increase in net position	40,280	597,387
Net position – beginning of year	<u>9,327,806</u>	<u>8,730,419</u>
Net position – end of year	<u>9,368,086</u>	<u>9,327,806</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net assets were \$9,368,086, a change of \$40,280 from the prior year.

The largest portion of net assets \$6,924,573 reflects our investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net assets \$338,438 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$2,105,075 may be used to meet the government's ongoing obligations to citizens and creditors.

Governmental activities. Governmental activities for the year resulted in a change in net assets of \$40,280. Key elements of this change are as follows:

General fund operations, discussed further in section D	\$(22,213)
Non major fund revenues exceed expenditures	(24,661)
Excess capitalized capital outlay over depreciation	435,868
Excess depreciation over principal debt service	131,958
Other	76,435
Total	<u><u>\$597,387</u></u>

D. FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing financing requirements. In particular unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$2,001,153, a change of \$(218,139) in comparison with the prior year. Key elements of this change are as follows:

General fund operations, discussed further in section D	\$(33,507)
TIF District expenditures exceed revenues	(330,890)
Expendable trust fund revenues exceed expenditures	193,992
Non major fund expenditures exceed revenues	(47,734)
Total	<u><u>\$(218,139)</u></u>

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$139,447, while total fund balance was \$245,399. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 3.03 percent of total general fund expenditures, while total fund balance represents 5.34 percent of that same amount.

The fund balance of the general fund changed by \$(33,507) during the current fiscal year. Key factors in this change are as follows:

Property tax revenues in excess of net tax warrant	\$63,100
State and local revenues in excess of budget	6,747
Expenditures in excess of budget	(148,829)
Other	45,475
Total	<u><u>\$(33,507)</u></u>

E. GENERAL FUND BUDGETARY HIGHLIGHTS

The public safety function was overspent by \$71,840. The Town bought out a certified officer's contract. We hired an officer from Grantham who had yet to serve out the term of his contract. That had a cost of \$10,500 attached. The remaining overages were a result of unforeseen operational issues. Our Overtime was over by \$5,500, Gasoline by \$4,000, Part-Time wages by \$5,500, and Contracted Services by almost \$9,000 due to technology repairs.

The highways and streets function was overspent by \$108,171. Salt was over by \$10,000 and our fuels were over by \$10,500. The biggest expense though was incurred as a result of our response to Super Storm Sandy. Our aggregate number was exceeded by \$24,000 and culverts were over by \$13,000.

We do our best to budget what we believe will be our costs for the upcoming year, however, much of our operations are impacted by one major variable, the weather. If we have a normal year, then our budgets should match fairly close to our expenditures. However, when we have a long winter, and severe weather in the warmer months, that does impact many line-items in our budget; from gasoline, to overtime, to supplies, and vehicle repairs. If it appears that our new normal for weather related impacts on our budget is higher than anticipated, we will make the necessary changes going forward. We will also do whatever we can to prepare ourselves, from updating our hazard mitigation plans and seeking funding to address on-going issues, to reviewing our operations to ensure that we budget appropriately.

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. Total investment in capital assets for governmental activities at year end amounted to \$6,924,573 (net of accumulated depreciation), a change of \$531,593 from the prior year. This investment in capital assets includes land, buildings and systems, improvements, and machinery and equipment.

The following major capital assets were purchased during the current fiscal year:

2013 Ford Interceptor (2)	Police Department	\$59,952
2013 International Dump Truck (2)	Public Works Department	180,756
Road Paving	Infrastructure	115,000
Route 4 Water/Sewer Replacement	Infrastructure	3,160,845
Easements	Administrative	75,000
2012 Chevy K1500 Pickup	Fire Department	27,500

The following major capital assets were disposed of during the current fiscal year:

2003 Ford F550	Public Works Department	70,000
2003 Ford F550	Public Works Department	70,000

1985 Ford Econoline Rescue

Fire Department

44,000

The remaining change resulted from depreciation expense.

Additional information on capital assets can be found in the footnotes to the financial statements.

Long-term debt. At the end of the current fiscal year, total bonded debt outstanding was \$3,172,921, all of which was backed by the full faith and credit of the government.

Additional information on capital assets and long-term debt can be found in the footnotes to the financial statements.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Town of Enfield's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Office of the Town Manager
23 Main Street, PO Box 373
Enfield, New Hampshire 03748

BASIC FINANCIAL STATEMENTS

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

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 3,988,893
Restricted cash	300,133
Investments	1,680,603
Intergovernmental receivable	28,131
Other receivables, net of allowance for uncollectibles	1,030,256
Prepaid items	2,500
Tax deeded property	9,630
Capital assets, not being depreciated:	
Land	1,891,795
Construction in progress	3,646,026
Capital assets, net of accumulated depreciation:	
Buildings and building improvements	1,571,948
Machinery, vehicles and equipment	854,559
Infrastructure	2,193,166
Total assets	<u>17,197,640</u>
LIABILITIES	
Accounts payable	328,477
Accrued payroll and benefits	99,178
Contract payable	263,025
Accrued interest payable	5,636
Intergovernmental payable	3,454,304
Unearned revenue	10,406
Performance and escrow deposits	125,777
Noncurrent obligations:	
Due within one year:	
Bonds and notes payable	41,202
Capital leases payable	14,492
Compensated absences	13,547
Due in more than one year:	
Bonds and notes payable	3,131,719
Capital leases payable	219,864
Compensated absences	121,927
Total liabilities	<u>7,829,554</u>
NET POSITION	
Net investment in capital assets	6,924,573
Restricted for:	
Endowments:	
Nonexpendable	204,101
Expendable	26,370
Other purposes	107,967
Unrestricted	2,105,075
Total net position	<u>\$ 9,368,086</u>

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

EXHIBIT 2
TOWN OF ENFIELD, NEW HAMPSHIRE
Statement of Activities
For the Year Ended December 31, 2012

		Program Revenues			Net (Expense)
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
Governmental activities:					
General government	\$ 1,744,748	\$ 10,560	\$ 13,069	\$ -	\$ (1,721,119)
Public safety	1,045,289	53,143	26,350	-	(965,796)
Highways and streets	1,330,607	1,920	91,137	-	(1,237,550)
Sanitation	806,201	353,134	-	-	(453,067)
Water distribution and treatment	157,222	182,604	-	39,888	65,270
Health	3,765	-	-	-	(3,765)
Welfare	31,869	-	-	-	(31,869)
Culture and recreation	209,993	8,700	990	-	(200,303)
Conservation	4,065	-	-	-	(4,065)
Economic development	9,336	-	-	-	(9,336)
Interest on long-term debt	16,539	-	-	-	(16,539)
Capital outlay	112,730	-	-	36,520	(76,210)
Total governmental activities	<u>\$ 5,472,364</u>	<u>\$ 610,061</u>	<u>\$ 131,546</u>	<u>\$ 76,408</u>	<u>(4,654,349)</u>
General revenues:					
Property taxes					3,462,259
Other taxes					138,782
Licenses and permits					815,517
Grants and contributions not restricted to specific programs					205,026
Miscellaneous					73,045
Total general revenues					<u>4,694,629</u>
Change in net position					40,280
Net position, beginning, as restated, (see Note III.D.)					<u>9,327,806</u>
Net position, ending					<u>\$ 9,368,086</u>

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

EXHIBIT 3
TOWN OF ENFIELD, NEW HAMPSHIRE
Balance Sheet
Governmental Funds
December 31, 2012

	General	TIF District	Expendable Trust	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 3,104,840	\$ 412,204	\$ 19,993	\$ 451,856	\$ 3,988,893
Investments	251,614	-	1,151,003	277,986	1,680,603
Receivables, net of allowance for uncollectibles:					
Taxes	811,201	-	-	-	811,201
Accounts	52,571	-	-	166,484	219,055
Intergovernmental	-	-	-	8,051	8,051
Interfund receivable	335,948	-	304	2,374	338,626
Prepaid items	2,500	-	-	-	2,500
Tax deeded property held for resale	9,630	-	-	-	9,630
Restricted cash	300,133	-	-	-	300,133
Total assets	<u>\$ 4,868,437</u>	<u>\$ 412,204</u>	<u>\$ 1,171,300</u>	<u>\$ 906,751</u>	<u>\$ 7,358,692</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 254,643	\$ 11,801	\$ -	\$ 62,033	\$ 328,477
Accrued salaries and benefits	94,843	-	-	4,335	99,178
Contracts payable	-	263,025	-	-	263,025
Intergovernmental payable	3,454,304	-	-	-	3,454,304
Interfund payable	-	-	-	338,626	338,626
Deferred revenue	693,471	-	-	54,681	748,152
Escrow and performance deposits	125,777	-	-	-	125,777
Total liabilities	<u>4,623,038</u>	<u>274,826</u>	<u>-</u>	<u>459,675</u>	<u>5,357,539</u>
Fund balances:					
Nonspendable	9,630	-	-	204,101	213,731
Restricted	-	-	-	134,337	134,337
Committed	-	137,378	1,171,300	425,231	1,733,909
Assigned	96,322	-	-	-	96,322
Unassigned	139,447	-	-	(316,593)	(177,146)
Total fund balances	<u>245,399</u>	<u>137,378</u>	<u>1,171,300</u>	<u>447,076</u>	<u>2,001,153</u>
Total liabilities and fund balances	<u>\$ 4,868,437</u>	<u>\$ 412,204</u>	<u>\$ 1,171,300</u>	<u>\$ 906,751</u>	<u>\$ 7,358,692</u>

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

EXHIBIT 4
TOWN OF ENFIELD, NEW HAMPSHIRE
Reconciliation of Total Fund Balances of Governmental Funds to the Statement of Net Position
December 31, 2012

Total fund balances of governmental funds (Exhibit 3)			\$ 2,001,153
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	\$ 13,880,973		
Less accumulated depreciation	<u>(3,723,479)</u>		
		10,157,494	
Other long-term assets are not available to pay for current period expenditures and, therefore, are not reported in the funds.			
Long-term intergovernmental receivable		20,080	
Interfund receivables and payables between governmental funds are eliminated on the statement of net position.			
Receivables	\$ (338,626)		
Payables	<u>338,626</u>		
		-	
Long-term revenues are not available to pay for current period expenditures and, therefore, are deferred in the funds.			
Deferred tax revenue	\$ 683,065		
Deferred water user charges	21,594		
Deferred sewer user charges	<u>33,087</u>		
		737,746	
Interest on long-term debt is not accrued in governmental funds.			
Accrued interest payable		(5,636)	
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.			
Bonds and notes outstanding	\$ 3,172,921		
Capital leases outstanding	234,356		
Compensated absences payable	<u>135,474</u>		
		<u>(3,542,751)</u>	
Total net position of governmental activities (Exhibit 1)			<u>\$ 9,368,086</u>

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

EXHIBIT 5
TOWN OF ENFIELD, NEW HAMPSHIRE
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2012

	General	TIF District	Capital Project Fund Expendable Trust	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$3,408,295	\$ 180,845	\$ -	\$ -	\$ 3,589,140
Licenses, permits and fees	815,517	-	-	-	815,517
Intergovernmental	346,959	-	-	59,153	406,112
Charges for services	96,585	-	-	510,431	607,016
Miscellaneous	37,992	-	11,746	30,176	79,914
Total revenues	<u>4,705,348</u>	<u>180,845</u>	<u>11,746</u>	<u>599,760</u>	<u>5,497,699</u>
Expenditures:					
Current:					
General government	1,717,134	-	-	10,128	1,727,262
Public safety	992,096	-	-	9,247	1,001,343
Highways and streets	1,127,093	-	-	-	1,127,093
Sanitation	467,496	-	-	336,314	803,810
Water distribution and treatment	-	-	-	144,367	144,367
Health	3,765	-	-	-	3,765
Welfare	32,002	-	322	-	32,324
Culture and recreation	202,534	-	-	458	202,992
Conservation	4,065	-	-	-	4,065
Economic development	9,336	-	-	-	9,336
Debt service:					
Principal	12,963	-	-	16,446	29,409
Interest	3,241	-	-	23,058	26,299
Capital outlay	25,130	3,232,889	-	66,908	3,324,927
Total expenditures	<u>4,596,855</u>	<u>3,232,889</u>	<u>322</u>	<u>606,926</u>	<u>8,436,992</u>
Excess (deficiency) of revenues over (under) expenditures	<u>108,493</u>	<u>(3,052,044)</u>	<u>11,424</u>	<u>(7,166)</u>	<u>(2,939,293)</u>
Other financing sources (uses):					
Transfers in	70,568	-	252,568	2,230	325,366
Transfers out	(212,568)	-	(70,000)	(42,798)	(325,366)
Long-term debt issued	-	2,721,154	-	-	2,721,154
Total other financing sources and uses	<u>(142,000)</u>	<u>2,721,154</u>	<u>182,568</u>	<u>(40,568)</u>	<u>2,721,154</u>
Net change in fund balances	(33,507)	(330,890)	193,992	(47,734)	(218,139)
Fund balances, beginning	278,906	468,268	977,308	494,810	2,219,292
Fund balances, ending	<u>\$ 245,399</u>	<u>\$ 137,378</u>	<u>\$ 1,171,300</u>	<u>\$ 447,076</u>	<u>\$ 2,001,153</u>

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

EXHIBIT 6
TOWN OF ENFIELD, NEW HAMPSHIRE
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund
Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2012

Net change in fund balances of governmental funds (Exhibit 5)	\$ (218,139)
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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	\$ 3,656,867	
Depreciation expense	<u>(367,909)</u>	
		3,288,958

The effect of the disposal of capital assets through trade-in at less than book value is to decrease net position.	(28,000)
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Transfers in and out between governmental funds are eliminated on the operating statement.

Transfers in	\$ (325,366)	
Transfers out	<u>325,366</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	\$ (63,100)	
Change in deferred water user charges	(1,285)	
Change in deferred sewer user charges	<u>4,330</u>	
		(60,055)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.

Line-of-credit drawdowns	\$ (2,721,154)	
Inception of capital lease	(234,356)	
Amortization of loan forgiveness	(2,510)	
Repayment of bond principal	<u>41,149</u>	
		(2,916,871)

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	\$ 530	
Increase in compensated absences payable	<u>(26,143)</u>	
		<u>(25,613)</u>

Change in net position of governmental activities (Exhibit 2)	<u>\$ 40,280</u>
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The notes to the financial statements are an integral part of this statement.

EXHIBIT 7
TOWN OF ENFIELD, NEW HAMPSHIRE
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2012

	Private Purpose Trust	Agency
Assets:		
Cash and cash equivalents	\$ -	\$ 163,188
Investments	51,590	-
Total assets	<u>51,590</u>	<u>163,188</u>
Liabilities:		
Accounts payable	231	-
Retainage payable	-	149,915
Due to other governmental units	1,253	-
Due to developers	-	13,273
Total liabilities	<u>1,484</u>	<u>163,188</u>
Net position:		
Held in trust for specific purposes	<u>\$ 50,106</u>	<u>\$ -</u>

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

EXHIBIT 8
TOWN OF ENFIELD, NEW HAMPSHIRE
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended December 31, 2012

	Private Purpose Trust
Additions:	
Investment earnings:	
Interest	\$ 1,679
Miscellaneous	196
Total additions	<u>1,875</u>
Deductions:	
Trust distributions	<u>1,680</u>
Change in net position	195
Net position, beginning	<u>49,911</u>
Net position, ending	<u><u>\$ 50,106</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS

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

I. Summary of Significant Accounting Principles

I.A. Introduction

The accounting and reporting framework and the more significant accounting principles and practices of the Town of Enfield (the Town) are discussed in subsequent sections of this note. The remainder of the notes is organized to provide explanations, including required disclosures, of the Town's financial activities for the fiscal year ended December 31, 2012.

I.B. Financial Reporting Entity – Basis of Presentation

I.B.1. *Entity Defined*

The Town of Enfield is a municipal corporation governed by a three-member board of selectmen elected by the voters and a Town Manager appointed by the board of selectmen. 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, excluding fiduciary activities. 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; (2) operating grants and contributions, which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which finance the acquisition, construction, or rehabilitation of capital assets. 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 ENFIELD, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2012**

Fund Financial Statements

Fund financial statements are provided for governmental and fiduciary funds. Major individual, governmental funds are reported in a separate column 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, except as noted below.

The Town has not reported its annual cost for postemployment benefits other than pensions (OPEB) or its net OPEB obligation liability, if any, in the government-wide financial statements as required by GASB Statement No. 45.

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. Fiduciary fund financial statements also report using this same basis of accounting, although internal activity is not eliminated in these statements. 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.

The agency funds are custodial in nature and do not measure results of operations.

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. However, for purposes of setting the tax rate, property tax revenues are recognized when committed, and no deferral is made.

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.

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

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

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.

TIF District Fund – The TIF District was established in 2005 to account for related revenues, capital outlay and debt service expenditures for development upgrades.

Expendable Trust Fund – This fund is operated as a capital project fund and used to account for funds established by Town Meeting as capital reserve or other expendable trust funds for the purposes of future capital outlays.

The Town also reports seven nonmajor governmental funds.

Fiduciary Funds

The Town reports the following fiduciary funds:

Private Purpose Trust Funds – Account for financial resources of the Town used only for the benefit of other entities or individuals.

Agency Funds – Account for fiduciary assets held by the Town in a custodial capacity as an agent on behalf of others. The Town's agency funds are used to account for performance bonds held in escrow.

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 Town Manager. 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.

**TOWN OF ENFIELD, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
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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 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:

	<u>Years</u>
Buildings and building improvements	20-50
Machinery, vehicles and equipment	5-20
Infrastructure	30-75

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*

Eligible employees earn vacation benefits in varying amounts depending on the number of years of employment, and can carry no more than the number of hours earned in the prior year. Employees are entitled to their vacation leave upon termination.

Eligible employees are granted sick leave benefits at the rate of eight (8) hours, or proportional for less than full-time employees, for each calendar month of continuous employment, to a maximum accrual

**TOWN OF ENFIELD, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
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DECEMBER 31, 2012**

of 480 hours. Employees are entitled to 50% of their unused sick leave upon termination of employment if the employee is at least 55 years old or has had at least 20 years of Town employment.

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, which consists of the balance of the permanent funds where the principal must be permanently invested, and the income is allowed to be used only for the purpose of the fund.
- Restricted for other purposes, which consists of the balance of the library fund and grants fund whose purpose is restricted by state law or outside grantors and donors.
- Unrestricted, which consists of the remaining balance of net position.

The governmental funds report the following components of fund balance:

- Nonspendable, which consists of endowments in the permanent funds, and the tax deeded property, held for resale in the general fund.
- Restricted, which represents the expendable income from permanent funds, the library fund, and grant and donations received but not yet spent.
- Committed, which consists of balances for which the intended use has been established by Town Meeting vote, or by the Board of Selectmen, and would require an equally formal action to remove those commitments.
- Assigned, which consists of balances for which the intended use is established by the Board of Selectmen in the form of an encumbrance.
- Unassigned, which represents the remaining fund balance in the General Fund in excess of the nonspendable, restricted, committed and assigned balances, and the deficit fund balances in the nonmajor Sewer and Capital Project Funds.

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

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

II.A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, as well as the nonmajor Water and Sewer Funds. Unless encumbered, all appropriations lapse at year-end. The Town is allowed to use beginning fund balance to balance the budget. In 2012, \$2,400 of the fund balance of the General Fund from 2011 was used.

Encumbrance accounting is employed by the governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as assignments of fund balance and do not constitute expenditures or liabilities because the amounts 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, water distribution and treatment, health, welfare, culture and recreation, conservation, economic development, debt service and capital outlay. Management can transfer appropriations among budget line items as necessary, but the total expenditures cannot exceed the total appropriations unless permission is received from the Commissioner of Revenue Administration.

II.B. Excess of Expenditures Over Appropriations

For the year ended December 31, 2012, expenditures exceeded appropriations in the General Fund by \$201,301. Overexpenditures were primarily in the public safety, highways and streets, and sanitation functions. Overexpenditures were the result of unforeseen projects. The Town exceeded its total appropriations by \$29,174.

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

III. Detailed Notes on Funds and Government-Wide Statements

III.A. Assets

III.A.1. Investments

As of December 31, 2012, the Town's reporting entity had the following investments:

Certificates of Deposit	\$ 1,480,579
New Hampshire Public Deposit Investment Pool	<u>251,614</u>
	<u><u>\$ 1,732,193</u></u>

The investments appear in the financial statements as follow:

Fund reporting level:	
Governmental funds - balance sheet (Exhibit 3)	\$ 1,680,603
Fiduciary funds - statement of fiduciary net assets (Exhibit 7)	<u>51,590</u>
Total	<u><u>\$ 1,732,193</u></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.

III.A.2. Receivable, Uncollectible Accounts and Deferred Revenue

Property Taxes Receivable and Property Tax Calendar

Property taxes are levied and collected by the Town on a semi-annual basis. Tax bills are due on or around July 1 and December 1, with interest of 12% per annum on all taxes not received by the due date. The first billing is an estimate only based on half of the previous year's billing. The final billing is levied based on an inventory taken in April of each year (the tax year runs from April 1 to March 31), and is assessed after the tax rate has been calculated and set by the New Hampshire Department of Revenue Administration. A lien is executed on any unpaid property taxes in the following year and this lien takes priority over any others. Interest of 18% per annum is charged upon redemption of lien taxes. Properties not redeemed within two years of the date of the tax lien are deeded to the Town.

TOWN OF ENFIELD, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
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During the current year, the tax collector executed a lien for uncollected 2011 property taxes on May 9th.

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

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

For the New Hampshire education tax	\$ 543,550,122
For all other taxes	\$ 546,857,022

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

	<u>Per \$1,000 of Assessed Valuation</u>	
Municipal portion	\$6.02	\$ 3,292,259
School portion:		
State of New Hampshire	\$2.41	1,310,169
Local	\$10.23	5,593,648
County portion	\$1.64	897,152
Precinct portion	\$1.54	23,851
Total property taxes assessed		<u>\$ 11,117,079</u>

The following details the taxes receivable at year-end:

Property:	
Levy of 2012	540,090
Unredeemed (under tax lien):	
Levy of 2011	185,205
Levy of 2010	96,605
Levy of 2009	3,100
Timber	201
Less: allowance for estimated uncollectible taxes	(14,000)
Net taxes receivable	<u>\$ 811,201</u>

Other Receivables

Significant receivables include amounts for water and sewer user charges.

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

Deferred Revenue

Deferred revenue in the General Fund of \$693,471 at December 31, 2012 represents \$683,065 of 2012 property taxes that were not collected within sixty days after the year ended, and therefore, are deferred in accordance with generally accepted accounting principles, and \$10,406 in prepayments received that will be applied to the 2013 property tax levy.

Deferred revenue in the Nonmajor Funds of \$54,681 represents \$21,594 and \$33,087 of 2012 water and sewer user charges, respectively, that were not collected within sixty days after the year ended.

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	\$ 1,816,795	\$ 75,000	\$ -	\$ 1,891,795
Construction in progress	<u>367,540</u>	<u>3,341,601</u>	<u>(63,115)</u>	<u>3,646,026</u>
Total capital assets not being depreciated	<u>2,184,335</u>	<u>3,416,601</u>	<u>(63,115)</u>	<u>5,537,821</u>
Being depreciated:				
Buildings and building improvements	2,190,114	-	-	2,190,114
Machinery, vehicles and equipment	3,405,967	112,154	(184,000)	3,334,121
Infrastructure	<u>2,627,690</u>	<u>191,227</u>	<u>-</u>	<u>2,818,917</u>
Total capital assets being depreciated	<u>8,223,771</u>	<u>303,381</u>	<u>(184,000)</u>	<u>8,343,152</u>
Total all capital assets	<u>10,408,106</u>	<u>3,719,982</u>	<u>(247,115)</u>	<u>13,880,973</u>
Less accumulated depreciation:				
Buildings and building improvements	(575,220)	(42,946)	-	(618,166)
Machinery, vehicles and equipment	(2,407,967)	(227,595)	156,000	(2,479,562)
Infrastructure	<u>(528,383)</u>	<u>(97,368)</u>	<u>-</u>	<u>(625,751)</u>
Total accumulated depreciation	<u>(3,511,570)</u>	<u>(367,909)</u>	<u>156,000</u>	<u>(3,723,479)</u>
Net book value, capital assets being depreciated	<u>4,712,201</u>	<u>(64,528)</u>	<u>(28,000)</u>	<u>4,619,673</u>
Net book value, all capital assets	<u><u>\$ 6,896,536</u></u>	<u><u>\$ 3,352,073</u></u>	<u><u>\$ (91,115)</u></u>	<u><u>\$ 10,157,494</u></u>

**TOWN OF ENFIELD, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
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Depreciation Expense

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

Governmental activities:	
General government	\$ 23,450
Public safety	54,673
Highways and streets	268,856
Sanitation	1,721
Water distribution and treatment	12,391
Culture and recreation	6,818
Total depreciation expense	<u>\$ 367,909</u>

III.A.4. Restricted Cash

The government-wide statement of net position includes restricted cash of \$300,133 for funds held in escrow for the purchase of two public works department vehicles. The funds are held in escrow until the vehicles are outfitted and accepted by the Town.

III.B. Liabilities

III.B.1 Intergovernmental Payable

The amount due to other governments at December 31, 2012 consists of \$3,451,908 due to the Mascoma Valley Regional School District for the balance of the 2012-2013 district assessment, and \$2,396 for state fees collected by the Town.

III.B.2 Long-Term Debt

Long-term bonds and notes are approved by the voters and repaid with general revenues (property taxes). Long-term liabilities currently outstanding are as follow:

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at 12/31/2012	Current Portion
General obligation bonds/notes payable:						
Sewer	\$ 350,000	1989	2016	5.00	\$ 51,851	\$ 12,963
Drinking water loan	\$ 317,951	2002	2021	2.976-4.580	124,330	16,324
Clean water loan	\$ 291,820	2011	2030	2.864	275,586	11,915
					<u>451,767</u>	<u>41,202</u>
Line of Credit drawdowns					2,721,154	-

**TOWN OF ENFIELD, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
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Capital leases payable:

Police Cruisers	\$ 60,000	2012	2016	2.30	60,000	14,492
Dump Trucks*	\$ 174,356	2012	N/A	N/A	<u>174,356</u>	<u>-</u>
					<u>234,356</u>	<u>14,492</u>

Compensated absences payable:

Vested sick leave					74,171	6,130
Accrued vacation leave					<u>61,303</u>	<u>7,417</u>
					<u>135,474</u>	<u>13,547</u>
					<u>\$ 3,542,751</u>	<u>\$ 69,241</u>

At the 2012 Town meeting, \$3,200,000 was authorized for water and sewer main extensions. During the year, \$2,721,154 was drawn down. Completion of the capital project and final drawdowns will occur in 2013, at which time a repayment period will be established.

*The Capital Lease for the two dump trucks in the amount of \$174,356 represents a partial amount. The Town will be completing the purchase in 2013, at which time the full lease amount will be recorded and a repayment schedule will be determined.

Changes in Long-Term Liabilities

The following is a summary of changes in long-term liabilities for the year ended December 31, 2012:

	General Obligation Bonds/Notes Payable	Line of Credit Drawdowns	Capital Leases Payable	Compensated Absences Payable	Total
Balance, beginning	\$ 492,916	\$ -	\$ -	\$ 109,331	\$ 602,247
Additions	-	2,721,154	234,356	26,143	2,981,653
Reductions	<u>(41,149)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(41,149)</u>
Balance, ending	<u>\$ 451,767</u>	<u>\$ 2,721,154</u>	<u>\$ 234,356</u>	<u>\$ 135,474</u>	<u>\$ 3,542,751</u>

TOWN OF ENFIELD, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
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Debt Service Requirements to Maturity

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

Fiscal Year Ending December 31,	Principal	Interest	Total
2013	\$ 41,202	\$ 15,429	\$ 56,631
2014	41,230	13,789	55,019
2015	41,222	12,154	53,376
2016	41,164	10,522	51,686
2017	28,072	8,898	36,970
2018-2022	119,031	30,847	149,878
2023-2027	83,671	15,368	99,039
2028-2030	56,175	3,249	59,424
Totals	<u>\$ 451,767</u>	<u>\$ 110,256</u>	<u>\$ 562,023</u>

The future minimum lease obligations for the capital lease are as follow:

Fiscal Year Ending December 31,	Principal	Interest	Total
2013	\$ 14,492	\$ 1,380	\$ 15,872
2014	14,826	1,046	15,872
2015	15,167	705	15,872
2016	15,515	357	15,872
Totals	<u>\$ 60,000</u>	<u>\$ 3,488</u>	<u>\$ 63,488</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.”

TOWN OF ENFIELD, NEW HAMPSHIRE
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The following schedule reports receivables and payables within the reporting entity at fiscal year-end:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Nonmajor	\$ 335,948
Expendable Trust	Nonmajor	304
Nonmajor	Nonmajor	2,374
		<u>\$ 338,626</u>

The amount due to the General Fund from the nonmajor funds represents overdrafts of pooled cash. The amounts due to the Expendable Trust Fund, and the nonmajor funds from the nonmajor funds represent distributions of income earned on Permanent Funds.

III.C.2. Transfers

Transfers within the reporting entity are substantially for the purposes of voted amounts, and distributing trust income to the applicable funds. The government-wide statement of activities eliminates transfers reported within the governmental activities columns.

The following schedule reports transfers within the reporting entity:

	<u>Transfers In:</u>			
	<u>General Fund</u>	<u>Expendable Trust Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Transfers out:				
General fund	\$ -	\$ 212,568	\$ -	\$ 212,568
Expendable trust fund	70,000	-	-	70,000
Nonmajor funds	568	40,000	2,230	42,798
	<u>\$ 70,568</u>	<u>\$ 252,568</u>	<u>\$ 2,230</u>	<u>\$ 325,366</u>

The amount transferred from the general fund to the expendable trust fund, and from the expendable trust fund to the general fund, represents voted appropriations. The amounts transferred from the nonmajor funds to the expendable trust fund represents voted appropriations. The amount transferred from the nonmajor funds to the general fund and nonmajor funds represents the distribution of income earned on permanent funds.

**TOWN OF ENFIELD, NEW HAMPSHIRE
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III.D. Restatement of Beginning Equity

Net position at January 1, 2012 was restated to reflect the following adjustment:

	Governmental Activities
To correct accumulated depreciation	\$ 10,640
Net position, as previously reported	<u>9,317,166</u>
Net position, as restated	<u><u>\$ 9,327,806</u></u>

III.E. Fund Equity

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

	General Fund	TIF District Fund	Expendable Trust Fund	Nonmajor Funds
Nonspendable:				
Endowments	\$ -	\$ -	\$ -	\$ 204,101
Tax deeded property	9,630	-	-	-
Total nonspendable	<u>9,630</u>	<u>-</u>	<u>-</u>	<u>204,101</u>
Restricted:				
Public safety	-	-	-	3,441
Culture and recreation	-	-	-	104,526
Capital outlay	-	-	-	26,370
Total restricted	<u>-</u>	<u>-</u>	<u>-</u>	<u>134,337</u>
Committed:				
Water treatment and distribution	-	-	-	408,441
Conservation	-	-	-	16,790
Capital outlay	-	137,378	1,171,300	-
Total committed	<u>-</u>	<u>137,378</u>	<u>1,171,300</u>	<u>425,231</u>
Assigned:				
General government	41,400	-	-	-
Culture and recreation	4,922	-	-	-
Capital outlay	50,000	-	-	-
Total assigned	<u>96,322</u>	<u>-</u>	<u>-</u>	<u>-</u>
Unassigned	139,447	-	-	(316,593)
Total fund balance	<u><u>\$ 245,399</u></u>	<u><u>\$ 137,378</u></u>	<u><u>\$ 1,171,300</u></u>	<u><u>\$ 447,076</u></u>

III.F. Deficit Fund Balances

The sewer fund has a deficit fund balance at December 31, 2012 in the amount of \$267,582. The deficit will be made up by adjusting the sewer user rate. The nonmajor capital project fund has a deficit fund balance at December 31, 2012 in the amount of \$49,011, which will be made up by a future transfer from the expendable trust fund.

**TOWN OF ENFIELD, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
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DECEMBER 31, 2012**

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 Local Government Center Property-Liability Trust, Inc., which is considered a public entity risk pool, currently operating as common risk management and insurance programs for member governmental entities.

Local Government Center Property-Liability Trust, Inc. (the Trust) – This Trust is organized to provide certain property and liability protection to member towns, cities, and other qualified political subdivisions of New Hampshire. As a member of the Trust, 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.

Contributions paid in 2012 to be recorded as an insurance expenditure/expense totaled \$69,318. There were no unpaid contributions for the year ending June 30, 2013 and due in 2012. The Town also paid \$43,928 for workers' compensation, and \$5,037 for unemployment compensation. The trust agreement permits the Trust to make additional assessments to members should there be a deficiency in trust assets to meet its liabilities. At this time, the Trust foresees no likelihood of any additional assessments for past years.

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 the members 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.

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. Both member and employer rates are applied to gross earnings. For the year 2012, the member rates of contribution were 11.55% for police and 7.00% for other employees. The rates of contribution from the Town for pension and medical subsidy were 19.95% for police and 8.80% for other employees. Employer contributions from the Town during the years 2010, 2011 and 2012 were \$152,844, \$178,005 and \$186,061, respectively. The amounts are paid on a monthly basis as due.

**TOWN OF ENFIELD, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
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IV.C. Contingent Liabilities

The Town has received federal grants for specific purposes that are subject to review and possible audit by the grantor or pass-through agency. Any such audit may result in a requirement to reimburse the grantor agency for costs disallowed. The Town does not feel the chance of disallowance is likely, and if it should occur, the amount would not be material.

REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT 9
TOWN OF ENFIELD, NEW HAMPSHIRE
General Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
For the Year Ended December 31, 2012

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Taxes	\$ 3,353,058	\$ 3,345,195	\$ (7,863)
Licenses, permits and fees	788,420	815,517	27,097
Intergovernmental	332,716	346,959	14,243
Charges for services	94,000	96,585	2,585
Miscellaneous	70,000	37,992	(32,008)
Total revenues	<u>4,638,194</u>	<u>4,642,248</u>	<u>4,054</u>
EXPENDITURES			
Current:			
General government	1,718,605	1,730,553	(11,948)
Public safety	920,256	992,096	(71,840)
Highways and streets	1,009,023	1,117,194	(108,171)
Sanitation	429,640	467,496	(37,856)
Health	2,380	3,765	(1,385)
Welfare	48,870	32,002	16,868
Culture and recreation	208,802	205,486	3,316
Conservation	1,450	4,065	(2,615)
Economic development	9,000	9,336	(336)
Debt service:			
Principal	-	12,963	(12,963)
Interest	-	3,241	(3,241)
Capital outlay	<u>100,000</u>	<u>71,130</u>	<u>28,870</u>
Total expenditures	<u>4,448,026</u>	<u>4,649,327</u>	<u>(201,301)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>190,168</u>	<u>(7,079)</u>	<u>(197,247)</u>
Other financing sources (uses):			
Transfers in	20,000	70,568	50,568
Transfers out	<u>(212,568)</u>	<u>(212,568)</u>	<u>-</u>
Total other financing sources and uses	<u>(192,568)</u>	<u>(142,000)</u>	<u>50,568</u>
Net change in fund balance	<u>\$ (2,400)</u>	<u>(149,079)</u>	<u>\$ (146,679)</u>
Increase in nonspendable fund balance		(2,480)	
Unassigned fund balance, beginning		974,071	
Unassigned fund balance, ending		<u>\$ 822,512</u>	

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

TOWN OF ENFIELD, NEW HAMPSHIRE
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED
DECEMBER 31, 2012

Reconciliation of General Fund Budgetary Basis to GAAP

Revenues and other financing sources:	
Per Exhibit 9 (budgetary basis)	\$ 4,712,816
Adjustments:	
Basis difference:	
Tax revenue deferred in the prior year	746,165
Tax revenue deferred in the current year	(683,065)
Per Exhibit 5 (GAAP basis)	<u>\$ 4,775,916</u>
Expenditures and other financing uses:	
Per Exhibit 9 (budgetary basis)	\$ 4,861,895
Adjustments:	
Basis difference:	
Encumbrances, beginning	43,850
Encumbrances, ending	(96,322)
Per Exhibit 5 (GAAP basis)	<u>\$ 4,809,423</u>
Unassigned fund balance:	
Per Exhibit 9 (budgetary basis)	\$ 822,512
Adjustment:	
Basis difference:	
Deferred tax revenue, GAAP basis	(683,065)
Per Exhibit 3 (GAAP basis)	<u>\$ 139,447</u>

There was no difference in the major TIF District Fund between the budgetary basis and GAAP. The major Expendable Trust Fund is not budgeted.

COMBINING NONMAJOR AND INDIVIDUAL GENERAL FUND SCHEDULES

EXHIBIT 10
TOWN OF ENFIELD, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2012

	Special Revenue Funds					Capital		
	Library	Grants	Conservation Commission	Water	Sewer	Project Fund	Permanent Fund	Total
ASSETS								
Cash and cash equivalents	\$ 54,873	\$ 2,690	\$ 16,790	\$ 374,797	\$ -	\$ -	\$ 2,706	\$ 451,856
Investments	47,423	-	-	-	-	-	230,563	277,986
Receivables (net of allowance for uncollectibles):								
Accounts	-	-	-	61,776	104,708	-	-	166,484
Intergovernmental	-	8,051	-	-	-	-	-	8,051
Interfund receivable	2,230	-	-	-	144	-	-	2,374
Total assets	<u>\$ 104,526</u>	<u>\$ 10,741</u>	<u>\$ 16,790</u>	<u>\$ 436,573</u>	<u>\$ 104,852</u>	<u>\$ -</u>	<u>\$ 233,269</u>	<u>\$ 906,751</u>
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	\$ -	\$ 7,300	\$ -	\$ 3,805	\$ 50,928	\$ -	\$ -	\$ 62,033
Accrued salaries and benefits	-	-	-	2,589	1,746	-	-	4,335
Interfund payable	-	-	-	144	286,673	49,011	2,798	338,626
Deferred revenue	-	-	-	21,594	33,087	-	-	54,681
Total liabilities	<u>-</u>	<u>7,300</u>	<u>-</u>	<u>28,132</u>	<u>372,434</u>	<u>49,011</u>	<u>2,798</u>	<u>459,675</u>
Fund balances:								
Nonspendable	-	-	-	-	-	-	204,101	204,101
Restricted	104,526	3,441	-	-	-	-	26,370	134,337
Committed	-	-	16,790	408,441	-	-	-	425,231
Unassigned	-	-	-	-	(267,582)	(49,011)	-	(316,593)
Total fund balances	<u>104,526</u>	<u>3,441</u>	<u>16,790</u>	<u>408,441</u>	<u>(267,582)</u>	<u>(49,011)</u>	<u>230,471</u>	<u>447,076</u>
Total liabilities and fund balances	<u>\$ 104,526</u>	<u>\$ 10,741</u>	<u>\$ 16,790</u>	<u>\$ 436,573</u>	<u>\$ 104,852</u>	<u>\$ -</u>	<u>\$ 233,269</u>	<u>\$ 906,751</u>

EXHIBIT 11
TOWN OF ENFIELD, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended December 31, 2012

	Special Revenue Funds					Capital Project Fund	Permanent Fund	Total
	Library	Grants	Conservation Commission	Water	Sewer			
REVENUES								
Intergovernmental	\$ -	\$ 19,265	\$ -	\$ 39,888	\$ -	\$ -	\$ -	\$ 59,153
Charges for services	-	-	-	183,889	326,542	-	-	510,431
Miscellaneous	21,298	-	2,009	-	-	-	6,869	30,176
Total revenues	21,298	19,265	2,009	223,777	326,542	-	6,869	599,760
EXPENDITURES								
Current:								
General government	-	10,128	-	-	-	-	-	10,128
Public safety	-	9,247	-	-	-	-	-	9,247
Sanitation	-	-	-	-	336,314	-	-	336,314
Water distribution and treatment	-	-	-	144,367	-	-	-	144,367
Culture and recreation	458	-	-	-	-	-	-	458
Debt service:								
Principal	-	-	-	14,093	2,353	-	-	16,446
Interest	-	-	-	5,604	-	17,454	-	23,058
Capital outlay	-	-	-	2,568	-	64,340	-	66,908
Total expenditures	458	19,375	-	166,632	338,667	81,794	-	606,926
Excess (deficiency) of revenues over (under) expenditures	20,840	(110)	2,009	57,145	(12,125)	(81,794)	6,869	(7,166)
Other financing sources (uses):								
Transfers in	2,230	-	-	-	-	-	-	2,230
Transfers out	-	-	-	(20,000)	(20,000)	-	(2,798)	(42,798)
Total other financing sources and uses	2,230	-	-	(20,000)	(20,000)	-	(2,798)	(40,568)
Net change in fund balances	23,070	(110)	2,009	37,145	(32,125)	(81,794)	4,071	(47,734)
Fund balances, beginning	81,456	3,551	14,781	371,296	(235,457)	32,783	226,400	494,810
Fund balances, ending	\$ 104,526	\$ 3,441	\$ 16,790	\$ 408,441	\$ (267,582)	\$ (49,011)	\$ 230,471	\$ 447,076

EXHIBIT 12
TOWN OF ENFIELD, NEW HAMPSHIRE
General Fund
Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)
For the Year Ended December 31, 2012

	Estimated	Actual	Variance Positive (Negative)
Taxes:			
Property	\$ 3,217,058	\$ 3,206,413	\$ (10,645)
Land use change	25,000	19,576	(5,424)
Timber	15,000	8,829	(6,171)
Excavation	1,000	955	(45)
Interest and penalties on delinquent taxes	95,000	109,422	14,422
Total taxes	3,353,058	3,345,195	(7,863)
Licenses, permits and fees:			
Business licenses and permits	100	365	265
Motor vehicle permits	750,000	750,606	606
Building permits	10,000	6,239	(3,761)
Other	28,320	58,307	29,987
Total licenses, permits and fees	788,420	815,517	27,097
Intergovernmental:			
State sources:			
Meals and rooms distributions	205,059	205,026	(33)
Highway block grant	127,657	127,657	-
Federal sources:			
FEMA	-	4,633	4,633
DEA	-	9,643	9,643
Total intergovernmental	332,716	346,959	14,243
Charges for services:			
Income from departments	83,000	84,255	1,255
Other	11,000	12,330	1,330
Total charges for services	94,000	96,585	2,585
Miscellaneous:			
Sale of property	30,000	3,650	(26,350)
Interest on investments	15,000	5,050	(9,950)
Rents	-	6,975	6,975
Contributions and donations	-	428	428
Other	25,000	21,889	(3,111)
Total miscellaneous	70,000	37,992	(32,008)
Other financing sources:			
Transfers in:			
Expendable trust fund	20,000	70,000	50,000
Nonmajor funds	-	568	568
Total other financing sources	20,000	70,568	50,568
Total revenues and other financing sources	4,658,194	\$ 4,712,816	\$ 54,622
Use of fund balance to reduce taxes	2,400		
Total revenues, other financing sources and use of fund balance	\$ 4,660,594		

EXHIBIT 13
TOWN OF ENFIELD, NEW HAMPSHIRE
General Fund
Schedule of Appropriations, Expenditures and Encumbrances (Non-GAAP Budgetary Basis)
For the Year Ended December 31, 2012

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
General government:					
Executive	\$ -	\$ 202,328	\$ 236,399	\$ 5,000	\$ (39,071)
Election and registration	-	77,553	74,615	-	2,938
Financial administration	2,200	196,392	197,795	4,000	(3,203)
Revaluation of property	22,481	30,000	8,767	30,000	13,714
Legal	-	8,000	6,275	-	1,725
Personnel administration	-	890,010	836,709	-	53,301
Planning and zoning	-	43,489	46,712	-	(3,223)
General government buildings	3,300	150,850	179,916	2,400	(28,166)
Cemeteries	-	2,500	12,969	-	(10,469)
Insurance, not otherwise allocated	-	69,000	68,873	-	127
Advertising and regional associations	-	47,483	47,104	-	379
Other	-	1,000	1,000	-	-
Total general government	27,981	1,718,605	1,717,134	41,400	(11,948)
Public safety:					
Police	-	623,516	680,488	-	(56,972)
Ambulance	-	83,900	91,092	-	(7,192)
Fire	-	84,490	88,247	-	(3,757)
Building inspection	-	62,550	67,390	-	(4,840)
Emergency management	-	800	700	-	100
Other	-	65,000	64,179	-	821
Total public safety	-	920,256	992,096	-	(71,840)
Highways and streets:					
Administration	-	481,823	530,092	-	(48,269)
Highways and streets	9,899	509,200	579,283	-	(60,184)
Street lighting	-	18,000	17,718	-	282
Total highways and streets	9,899	1,009,023	1,127,093	-	(108,171)
Sanitation:					
Administration	-	79,140	85,541	-	(6,401)
Solid waste collection	-	190,500	210,742	-	(20,242)
Solid waste disposal	-	160,000	171,213	-	(11,213)
Total sanitation	-	429,640	467,496	-	(37,856)
Health:					
Administration	-	380	90	-	290
Pest control	-	2,000	3,675	-	(1,675)
Total health	-	2,380	3,765	-	(1,385)

(continued)

EXHIBIT 13
TOWN OF ENFIELD, NEW HAMPSHIRE
General Fund
Schedule of Appropriations, Expenditures and Encumbrances (Non-GAAP Budgetary Basis)
For the Year Ended December 31, 2012

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Welfare:					
Administration	-	48,870	32,002	-	16,868
Culture and recreation:					
Parks and recreation	-	45,700	53,462	-	(7,762)
Public library	1,903	156,092	145,511	2,708	9,776
Patriotic purposes	-	1,500	1,646	-	(146)
Other	67	5,510	1,915	2,214	1,448
Total culture and recreation	1,970	208,802	202,534	4,922	3,316
Conservation	-	1,450	4,065	-	(2,615)
Economic development:	-	9,000	9,336	-	(336)
Debt service:					
Principal	-	-	12,963	-	(12,963)
Interest	-	-	3,241	-	(3,241)
Total debt service	-	-	16,204	-	(16,204)
Capital outlay:					
Machinery, vehicles and equipment	-	70,000	20,000	50,000	-
Improvements other than buildings	4,000	30,000	5,130	-	28,870
Total capital outlay	4,000	100,000	25,130	50,000	28,870
Other financing uses:					
Transfers out:					
Expendable trust fund	-	212,568	212,568	-	-
Total encumbrances, appropriations, expenditures and other financing uses	\$ 43,850	\$ 4,660,594	\$ 4,809,423	\$ 96,322	\$ (201,301)

EXHIBIT 14
TOWN OF ENFIELD, NEW HAMPSHIRE
General Fund
Schedule of Changes in Unassigned Fund Balance (Non-GAAP Budgetary Basis)
For the Year Ended December 31, 2012

Unassigned fund balance, beginning		\$	974,071
Changes:			
Unassigned fund balance used to reduce tax rate			(2,400)
Budget summary:			
Revenue surplus (Exhibit 12)	\$	54,622	
Overdraft of appropriations (Exhibit 13)		<u>(201,301)</u>	
Budget deficit			(146,679)
Increase in nonspendable fund balance			<u>(2,480)</u>
Unassigned fund balance, ending		\$	<u>822,512</u>



Roberts & Greene, PLLC

INDEPENDENT AUDITOR'S COMMUNICATION OF CERTAIN MATTERS

To the Town Manager and Members of the Board of Selectmen
Town of Enfield
Enfield, 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 Enfield 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'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 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 significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

However, we would like to discuss the following other matters:

Sewer Deficits

The Sewer Fund reported a net decrease in fund balance during 2012 of \$32,125, and an ending deficit fund balance of \$267,582, as reported on Exhibit 11 of the Annual Financial Report. This is the third year we have seen significant losses in net income and deficit fund balances. We also noted that the meter replacement fee was not included in the third billing cycle of 2012, resulting in lost revenue for the Town. This likely occurred because the Town must manually enter meter reading data, there is a complex tiered billing structure, and a proper comparison of billing cycles was not done. We recommend the Town analyze its billing rates and structure to determine if rates are sufficient to support its operating activities.

Investment Policy

The minutes of the meetings of the board of selectmen did not indicate that the Town's investment policy was reviewed and adopted for 2012. RSA 41:9 VII notes that the board of selectmen "shall annually review and adopt an investment policy". We recommend that the board of selectmen designate a time during each year that a review and adoption of Town policies, including the investment policy, be performed.

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.

January 31, 2014