

September 10, 2013

To the Board of Selectmen
Town of Northwood, New Hampshire

In planning and performing our audit of the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Town of Northwood, New Hampshire for the year ended December 31, 2012, we considered the Town's internal control structure to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding these matters. We previously reported on the Town's internal control structure in our report dated September 10, 2013. This letter does not affect that report or our report on the basic financial statements dated September 10, 2013.

We have already discussed these comments and suggestions with various Town personnel, and we will be pleased to discuss them in further detail at your convenience, to perform additional study of the matters, or to assist you in implementing the recommendations.

The purpose of this letter is to provide constructive and meaningful recommendations to you.

Sincerely,


Vachon Clukay & Company PC

TOWN CLERK DRAWER FUNDS

Observation

During the engagement we noted that the Town Clerk uses personal funds for a petty cash drawer. This petty cash is used to provide change for various transactions throughout each day.

Implication

Internal controls over cash are weakened as the Town's funds are being commingled with the Town Clerk's personal money. This creates an opportunity for Town funds to be misappropriated with no sufficient paper trail.

Recommendation

To provide greater control over the collection of licenses and permits fees within the town clerk's office, we recommend town officials establish \$100 in drawer funds to be used by the town clerk's office to process transactions. At the end of each day, when the drawer is reconciled, the \$100 should be the excess cash on hand.

STALE DATED CHECKS

Observation

During our audit we noted the bank reconciliation for the Town's General Fund checking account included numerous checks that have been outstanding for more than five years. Per State law RSA 471-C, all vendor checks outstanding for more than five years or payroll checks outstanding for more than one year, are considered abandoned and should be escheated to the State Treasurer.

Implication

The Town is currently not in compliance with RSA 471-C, which requires abandoned property to be transferred to the State Treasurer.

Recommendation

We recommend that the Town contact any known individuals or businesses in the area to resolve the outstanding checks. All other payments should be reported as abandoned property under RSA 471-C:19 and escheated to the State Treasurer.

SUMMER CONCERT DONATION TRUST

Observation

We noted that a Summer Concert Donation Trust was set up by the Trustees of Trust Funds at the request of the Board of Selectmen and Recreation Commission. This Trust was opened up by the Trustees without a vote of an approving warrant article at Town Meeting or a special meeting as required by RSA 31:19-a.

Implication

The funds are being incorrectly held by the Trustees of Trust Funds. RSA 31:19-a states that a town may at any annual or special meeting grant and vote such sums of money as it deems necessary to create trust funds for a public purpose related to the Town. The local legislative body may also authorize the acceptance of privately donated gifts, legacies, etc. to be utilized for the same purposes as a trust fund created under this same RSA.

The Town authorized the acceptance of the privately donated gifts, legacies, etc. at a Town Meeting but they have never voted on the establishment of the actual trust fund to hold these funds.

Recommendation

We recommend that the balance in the Summer Concert Donation Trust be returned to the Recreation Revolving Special Revenue Fund under the Town Treasurer's custody. The Town may then include a warrant article for a future Town Meeting to establish the desired trust fund and future donations may then be transferred to this trust fund.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS**

To the Board of Selectmen
Town of Northwood, New Hampshire

In planning and performing our audit of the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Town of Northwood, New Hampshire 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 of Northwood, New Hampshire's internal control over financial reporting (internal control) as a basis for designing our auditing 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 Northwood, New Hampshire's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Northwood, New Hampshire's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or 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. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in the Town's internal control to be significant deficiencies:

LIBRARY FUND

Observation

During our audit of the Library Fund's 2012 records, we noted that formal monthly bank reconciliations are not prepared for the checking account. In addition, there were no reports provided that summarized the library activity for the fiscal year to the Library Trustees or to the auditors. We also noted that disbursement checks are not issued in sequential order nor are all checks accounted for.

Implication

The controls over cash are weakened as failure to reconcile monthly activity increases the risk that accounting errors or misappropriation may occur and remain undetected. The issuance of checks in sequential order is a critical aspect of sound business controls.

Also, additional time was necessary to reconstruct the Library Fund's records in order to adjust them to be in accordance with generally accepted accounting principles.

Recommendation

We recommend the Library implement sufficient internal controls to ensure all checks are accounted for and issued in sequential order. In addition we recommend that formal bank reconciliations be prepared on a monthly basis for the Library checking account. Also, it is imperative that an accurate annual financial report is compiled which includes all library activity for the fiscal year.

Management's Response

During October 2012, the Library modified operational procedures to ensure checks are issued in sequential order.

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.

Vachon Clukay & Company PC

Manchester, New Hampshire
September 10, 2013

Town of Northwood, New Hampshire
For the Year Ended December 31, 2012

Required Communications to Those Charged with Governance

Professional standards established by the American Institute of Certified Public Accountants (AICPA) require independent auditors to communicate certain matters directly to the Board of Selectmen or an appropriate committee of the Board. The information is intended solely for the use of the Board of Selectmen and management and is not intended to be or should not be used by anyone other than those specified parties. These communications are as follows:

Requirements	Response
The level of responsibility we assume in an audit	<p>Performing the audit in accordance with auditing standards generally accepted in the United States of America.</p> <p>Expressing an opinion as to the fairness with which the Town's financial statements are presented in all material respects in conformity with accounting principles generally accepted in the United States of America.</p> <p>We considered the internal controls developed by your Town.</p>
Management is responsible for the selection and use of appropriate accounting policies. We discussed our judgements about the quality of accounting principles selected, the consistency in their application and the clarity in presentation including judgements and uncertainties.	These are described in Note 1 of the financial statements.
Changes in existing accounting policies and/or the adoption of new policies.	<p>During the year ended December 31, 2012, the Town adopted the following Governmental Accounting Standards Board Statements: GASB #63 - <i>Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position</i></p> <p>GASB #65 - <i>Items Previously Reported as Assets and Liabilities</i></p>
Transactions identified with lack of authoritative guidance or consent and related alternative treatments discussed with management.	Nothing came to our attention.
Transactions were recorded in the proper accounting period.	Nothing came to our attention.
Significant accounting estimates that are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from management's current judgements.	Overall we believe management's estimations process to be appropriate and conservative.
Certain financial statement disclosures are particularly sensitive to financial statement users. Significant disclosures not made are:	Nothing came to our attention.
We performed the audit according to planned scope and timing previously communicated to you.	Engagement letter dated March 1, 2013.

Town of Northwood, New Hampshire
For the Year Ended December 31, 2012

Required Communications to Those Charged with Governance (Continued)

Significant audit adjustments.	Please see attached.
Uncorrected misstatements as part of the audit.	To increase accounts payable in the amount of \$6,390.
Material weaknesses or significant deficiencies in internal controls noted during the audit.	Please see the internal control letter.
The nature of significant disagreements with management on financial accounting matters or auditing procedures.	Nothing came to our attention.
Any difficulties encountered in dealing with management that affected the performance of the audit.	Management has been extremely cooperative throughout the audit.
Formal opinions management obtained from other independent accountants on significant accounting issues.	Management did not make us aware of any.
Major accounting or auditing issues discussed with management prior to being retained as auditors.	None.
We obtained certain representations from management which we consider to be additions to our standard letter These are:	None.
Fraud involving management that caused a material misstatement to the financial statements.	Nothing came to our attention.
Independence issues.	We are not aware of any instances that we believe would impact our independence.

Town of Northwood, New Hampshire
For the year ended December 31, 2012
Significant Audit Adjustments

The following is a listing of the significant audit adjustments made for the year ended December 31, 2012 and have been corrected by management:

General Fund:

- To record cash on hand in the amount of \$188,922.
- To reduce tax dedeed property for current year sales in the amount of \$94,648.

Aggregate Remaining Funds:

- To increase interfund receivables in the Conservation Commission Fund by \$27,934.
- To restore prior year fund balance in the Ambulance Fund by \$15,174.
- To increase accounts receivable in the Ambulance Fund by \$19,251.

TOWN OF NORTHWOOD, NEW HAMPSHIRE

Financial Statements

December 31, 2012

and

Independent Auditor's Report

TOWN OF NORTHWOOD, NEW HAMPSHIRE
FINANCIAL STATEMENTS
December 31, 2012

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INDEPENDENT AUDITOR'S REPORT

To the Board of Selectmen
Town of Northwood, New Hampshire

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund and the aggregate remaining fund information of the Town of Northwood, New Hampshire, 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

As discussed in Note 2 to the financial statements, management has not recorded a liability for other post-employment benefits in governmental activities and, accordingly, has not recorded an expense for the current period change in that liability. Accounting principles generally accepted in the United

States of America require that other post-employment benefits attributable to employee services already rendered and that are not contingent on a specific event that is outside the control of the employer and employee be accrued as liabilities and expenses as employees earn the rights to the benefits, which would increase the liabilities, reduce the net position, and change the expenses of the governmental activities. The amount by which this departure would affect the liabilities, net position, and expenses of the governmental activities is not reasonably determinable.

Adverse Opinion

In our opinion, because of the significance of the matter described 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 Northwood, New Hampshire, 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 the major fund and the aggregate remaining fund information of the Town of Northwood, New Hampshire, as of December 31, 2012, and the respective changes in financial position thereof for the year then ended in conformity 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 i-vi and 21-22 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Northwood, New Hampshire’s basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Vachon Clukay & Company PC

Manchester, New Hampshire
September 10, 2013

**TOWN OF NORTHWOOD, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012**

As the management of the Town of Northwood (the "Town"), we offer the readers of the Town's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended December 31, 2012

FINANCIAL HIGHLIGHTS

- The assets of the Town exceeded its liabilities at the close of the 2012 fiscal year by \$7,143,083 (Net Position). Of this amount \$2,407,500 may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the Town's fund designation and fiscal policies.
- The Town's total net position decreased by \$44,803.
- As of the close of the 2012 fiscal year, the Town governmental funds reported a combined ending balances of \$1,743,600.
- At the end of the 2012 fiscal year, unassigned fund balance for the general fund was \$405,797.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

The Statement of Activities presents information showing how the Town's net position changed during the fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in class flows in the future periods (e.g. uncollected property taxes and earned but unused compensated absences).

The governmental activities of the Town include general government and administration, public safety, development services, and cultural and recreation.

The government-wide financial statements can be found on pages 1-2 of this report.

Fund financial statements— A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the Town can be divided into two categories— governmental funds and fiduciary funds.

Governmental Funds— Governmental funds are used to account for essentially the same function reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, government fund financial statements focus on current sources and uses 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 the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the governmental funds with similar information presented for the governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term effect of the government’s near term financing decisions. Both the governmental funds balance sheet and the governmental funds statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town maintains 7 governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in the Fund Balance for the General Fund. Data from the other 6 funds are combined into a single, aggregate presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements on pages 23 and 24.

The basic governmental fund financial statements can be found on pages 3-4 of this report.

Notes to the Financial Statements— The notes provided additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 7-20 of this report.

GOVERNMENTAL – WIDE FINANCIAL ANALYSIS

As noted earlier, the net position may serve over time as a useful indicator of the government’s financial position. In the case of the Town of Northwood, assets exceeded liabilities by \$7,143,083 as of December 31, 2012.

The largest portion of the Town’s net position (60%) reflects its investments in capital assets (e.g., land, building, equipment, improvements, construction in progress and infrastructure) . The Town uses these capital assets to provide service to citizens; consequently these assets are not available for future spending.

TOWN OF NORTHWOOD'S NET ASSETS

Governmental Activities	2012	2011
Current and Other Assets	6,752,250	7,211,289
Capital Assets	<u>4,371,952</u>	<u>4,478,638</u>
Total Assets	<u><u>11,124,202</u></u>	<u><u>11,689,927</u></u>
Long term liabilities outstanding	148,669	184,465
Deferred inflows	66,611	
Other liabilities	<u>3,765,839</u>	<u>4,317,576</u>
Total Liabilities	<u><u>3,981,119</u></u>	<u><u>4,502,041</u></u>
Net Position:		
Invested in capital assets	4,314,529	4,366,356
Restricted	421,054	393,302
Unrestricted	<u>2,407,500</u>	<u>2,428,228</u>
Total Net Position	<u><u>7,143,083</u></u>	<u><u>7,187,886</u></u>

An additional portion of the Town's net position (6%) represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position \$2,407, 500 may be used to meet the government's ongoing obligation to citizens and creditors.

As of December 31, 2012, the Town is able to report positive balances in all three categories of net position.

Analysis of the Town's Operations— The following table provides a summary of the Towns operations for the year ended December 31, 2012.

TOWN OF NORTHWOOD'S CHANGES IN NET POSITION

Governmental Activities	<u>2012</u>	<u>2011</u>
Revenues		
Program revenues:		
Charges for services	\$ 272,079	\$ 264,995
Operating grants and contributions	403,807	137,613
Capital grants and contributions	-	70,053
General revenues:		
Property and other taxes	1,986,068	2,145,760
Licenses and permits	730,965	691,025
Grants and contributions	189,556	190,219
Interest and investment earnings (loss)	45,301	23,291
Miscellaneous	42,341	49,546
Gain (loss) on disposal of capital assets		
Contributions to permanent fund principal	<u>-</u>	<u>8,200</u>

Total revenues	<u>3,670,117</u>	<u>3,580,702</u>
Expenses		
General government	792,516	795,513
Public safety	1,475,823	1,367,239
Highways and streets	515,538	580,403
Health and welfare	62,783	60,788
Sanitation	175,322	163,811
Culture and recreation	396,853	295,642
Redevelopment & Housing	292,323	70,054
Economic development	436	546
Interest and fiscal charges	<u>3,326</u>	<u>5,864</u>
Total expenses	<u>3,714,920</u>	<u>3,339,860</u>
Change in net position	(44,803)	240,842
Net position, beginning of year, as restated	<u>7,187,886</u>	<u>6,947,044</u>
Net position, end of year	<u>\$ 7,143,083</u>	<u>\$ 7,187,886</u>

FINANCIAL ANALYSIS OF THE GOVERNMENTS FUNDS

Under GASB No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the Town has segregated fund balance into five classifications: Nonspendable, Restricted, Committed, Assigned and Unassigned. Complete descriptions of these classifications may be found on page 12 of the notes to the Basic Financial Statements. One major example of the effects caused by implementation of GASB 54 is that the Expendable Trust Funds and Capital Reserve Funds are now reported as part of the General Fund.

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

The General Fund is the main operating fund of the Town. At the end of the current year, the General Fund had a fund balance of \$807,751, of which \$405,797 is unassigned. As referenced above, this fund balance now incorporates the Expendable Trust Funds and Capital Reserve Funds which amounts to \$389,982 as of December 31, 2012. There is also \$11,972 that has been committed to pay for encumbrances.

Permanent funds (reported as a nonmajor governmental fund) account for resources that are legally restricted to the extent that only earnings and not principal may be used for purposes that support the Town’s programs. At December 31, 2012, the balance of \$302,262 was considered nonspendable as it represented the principal portion of endowments and the interest portion, \$118,792 was restricted. Other balances consist of \$17,307 committed for the Recreation Revolving Fund and \$497,488 assigned for the Library, Conservation Commission, Ambulance Replacement and Lagoon Fees.

General Fund Budgetary Highlights— The Town did not make revisions to the original appropriations approved by the Board of Selectman and the Budget Committee at the annual

Town Meeting other than amounts voted at the March 2013 town meeting of \$93,715 to be funded with fund balance remaining at December 31, 2012.

CAPITAL ASSETS

The Town of Northwood’s investment in capital assets for its governmental activities as of December 31, 2012, amounts to \$4,371,952 (net of accumulated depreciation). The investment in capital assets includes land, buildings, equipment, improvements, and infrastructure.

Major capital asset events during the 2012 fiscal year included the following:

- Road Improvements \$212,401
- Highway Dept. Vehicle \$6,586

**Capital Assets at Year-end
Net of Accumulated Depreciation**

Governmental Activities	2012	2011
Land and Improvements	2,457,244	2,449,244
Buildings	796,100	796,100
Infrastructure	1,685,672	1,473,271
Furniture, Equipment, and Vehicles	2,179,953	2,180,667
Less: Accumulated Depreciation	<u>(2,747,017)</u>	<u>(2,420,644)</u>
Total Capital Assets, Net of Depreciation	<u><u>4,371,952</u></u>	<u><u>4,478,638</u></u>

Additional information on the Town’s capital assets can be found in a Note 1 Summary of Significant Accounting Policies and Capital Assets on page 17.

DEBT ADMINISTRATION

At the end of the 2012 fiscal year, the Town of Northwood had capital leases in the amount of a \$57,423. This consists of a seven year capital lease for a new fire pumper truck acquired in 2008. See Note 9 in the Notes to Basic Financial Statements for a summary of all outstanding long-term obligations

COMPENSATED ABSENCES

As of December 31, 2012 the Town of Northwood has compensated absences in the amount of \$119,661. This amount represents earned but unused vacation and personal time and up to eighty hours of sick time. Additional information regarding compensated absences can be found in Note 1) Summary of Significant Accounting Policies.

ECONOMIC FACTORS

Property Taxes rates set in November 2012 was \$23.20 broken down as follows; \$3.84 Town, \$1.03 County, \$15.92 School District, and \$2.41 State Education Property Tax.

REQUEST FOR INFORMATION

The financial report is designed to provide our citizens, customers, investors, and creditors with general overview of the Town's finances. If you have any questions about this report or need additional information, contact the Town Administrator, at 818 First New Hampshire Turnpike, Northwood, NH 03261, call (603) 942-5586 extension 204, or email administration@northwoodnh.org.

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

	Governmental Activities
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 4,207,127
Investments	926,844
Taxes receivable, net	1,438,926
Accounts receivable, net	48,992
Due from other governments	269
Total Current Assets	<u>6,622,158</u>
Noncurrent Assets:	
Tax deeded property	113,201
Notes receivable	16,891
Capital assets:	
Non-depreciable capital assets	2,097,048
Depreciable capital assets, net	<u>2,274,904</u>
Total Noncurrent Assets	<u>4,502,044</u>
Total Assets	<u>11,124,202</u>
DEFERRED OUTFLOWS OF RESOURCES	
Total Deferred Outflows of Resources	<u> </u>
LIABILITIES	
Current Liabilities:	
Accounts payable	35,748
Accrued expenses	29,294
Due to other governments	3,643,374
Current portion of capital leases payable	<u>57,423</u>
Total Current Liabilities	<u>3,765,839</u>
Noncurrent Liabilities:	
Deposits	29,008
Compensated absences payable	<u>119,661</u>
Total Noncurrent Liabilities	<u>148,669</u>
Total Liabilities	<u>3,914,508</u>
DEFERRED INFLOWS OF RESOURCES	
Unearned other revenue	<u>66,611</u>
Total Deferred Inflows of Resources	<u>66,611</u>
NET POSITION	
Net investment in capital assets	4,314,529
Restricted	421,054
Unrestricted	<u>2,407,500</u>
Total Net Position	<u>\$ 7,143,083</u>

See accompanying notes to the basic financial statements

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

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities:				
General government	\$ 792,516	\$ 7,683		\$ (784,833)
Public safety	1,475,823	186,395	\$ 21,689	(1,267,739)
Highways and streets	515,538		89,795	(425,743)
Sanitation	175,322	55,506		(119,816)
Health and welfare	62,783	250		(62,533)
Culture and recreation	396,853	22,245		(374,608)
Redevelopment and housing	292,323		292,323	-
Economic development	436			(436)
Debt service	3,326			(3,326)
Total governmental activities	<u>\$ 3,714,920</u>	<u>\$ 272,079</u>	<u>\$ 403,807</u>	<u>(3,039,034)</u>
General revenues:				
Property and other taxes				1,986,068
Licenses and permits				730,965
Grants and contributions:				
Rooms and meals tax distribution				188,922
State and federal forest land				634
Interest and investment earnings				45,301
Miscellaneous				42,341
Total general revenues				<u>2,994,231</u>
Change in net position				(44,803)
Net position - beginning				<u>7,187,886</u>
Net position - ending				<u>\$ 7,143,083</u>

See accompanying notes to the basic financial statements

EXHIBIT C
TOWN OF NORTHWOOD, NEW HAMPSHIRE
Balance Sheet
Governmental Funds
December 31, 2012

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 3,841,105	\$ 366,022	\$ 4,207,127
Investments	411,713	515,131	926,844
Taxes receivable, net	1,438,926		1,438,926
Accounts receivable, net	23,967	25,025	48,992
Due from other governments	269		269
Due from other funds		29,876	29,876
Tax dedeed property	113,201		113,201
Total Assets	<u>5,829,181</u>	<u>936,054</u>	<u>6,765,235</u>
DEFERRED OUTFLOWS OF RESOURCES			
Total Deferred Outflows of Resources			
Total Assets and Deferred Outflows of Resources	<u>\$ 5,829,181</u>	<u>\$ 936,054</u>	<u>\$ 6,765,235</u>
LIABILITIES			
Accounts payable	\$ 35,748		\$ 35,748
Accrued expenses	27,280		27,280
Due to other governments	3,643,374		3,643,374
Due to other funds	29,671	\$ 205	29,876
Total Liabilities	<u>3,736,073</u>	<u>205</u>	<u>3,736,278</u>
DEFERRED INFLOWS OF RESOURCES			
Unearned other revenue	66,611		66,611
Unearned tax revenue	1,218,746		1,218,746
Total Deferred Inflows of Resources	<u>1,285,357</u>	<u>-</u>	<u>1,285,357</u>
Total Liabilities and Deferred Inflows of Resources	<u>5,021,430</u>	<u>205</u>	<u>5,021,635</u>
FUND BALANCES			
Nonspendable		302,262	302,262
Restricted		118,792	118,792
Committed	401,954	17,307	419,261
Assigned		497,488	497,488
Unassigned	405,797		405,797
Total Fund Balances	<u>807,751</u>	<u>935,849</u>	<u>1,743,600</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 5,829,181</u>	<u>\$ 936,054</u>	

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 4,371,952

Property taxes are recognized on an accrual basis in the statement of net position, not the modified accrual basis 1,218,746

Other long-term assets are not available to pay current period expenditures, and therefore, are not reported in governmental funds 16,891

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. Long-term liabilities at year end consist of:

Deposits payable (29,008)

Capital leases payable (57,423)

Accrued interest on long-term obligations (2,014)

Compensated absences payable (119,661)

Net position of governmental activities \$ 7,143,083

See accompanying notes to the basic financial statements

EXHIBIT D

TOWN OF NORTHWOOD, NEW HAMPSHIRE

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds**

For the Year Ended December 31, 2012

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$ 2,147,996	\$ 29,474	\$ 2,177,470
Licenses and permits	730,965		730,965
Intergovernmental	301,040	292,323	593,363
Charges for services	130,394	141,685	272,079
Interest and investment income	4,304	40,997	45,301
Miscellaneous	37,144	5,197	42,341
Total Revenues	<u>3,351,843</u>	<u>509,676</u>	<u>3,861,519</u>
Expenditures:			
Current operations:			
General government	691,695	11,894	703,589
Public safety	1,383,288	314	1,383,602
Highways and streets	550,622		550,622
Sanitation	158,131	90	158,221
Health and welfare	62,250		62,250
Culture and recreation	234,403	139,302	373,705
Redevelopment and housing		292,323	292,323
Economic development	436		436
Capital outlay	133,764		133,764
Total Expenditures	<u>3,214,589</u>	<u>443,923</u>	<u>3,658,512</u>
Excess revenues over (under) expenditures	<u>137,254</u>	<u>65,753</u>	<u>203,007</u>
Other financing sources (uses):			
Transfers in	82,609	723	83,332
Transfers out		(83,332)	(83,332)
Total other financing sources (uses)	<u>82,609</u>	<u>(82,609)</u>	<u>-</u>
Net change in fund balances	219,863	(16,856)	203,007
Fund balances at beginning of year	<u>587,888</u>	<u>952,705</u>	<u>1,540,593</u>
Fund balances at end of year	<u>\$ 807,751</u>	<u>\$ 935,849</u>	<u>\$ 1,743,600</u>

See accompanying notes to the basic financial statements

TOWN OF NORTHWOOD, 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--Total Governmental Funds	\$ 203,007
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeds capital outlay in the current period.	(106,686)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(191,402)
Repayment of principal on capital leases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	54,859
Some expenses reported in the statement of activities, such as accrued interest and compensated absences, do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds	(4,581)
Change in Net Position of Governmental Activities	<u>\$ (44,803)</u>

EXHIBIT E
TOWN OF NORTHWOOD, NEW HAMPSHIRE
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2012

	<u>Private- Purpose Trust Funds</u>	<u>Agency Funds</u>
ASSETS		
Cash and cash equivalents		\$ 158,887
Investments	\$ 40,723	<u>131,952</u>
Total assets	<u>40,723</u>	<u>290,839</u>
DEFERRED OUTFLOWS OF RESOURCES		
Total Deferred Outflows of Resources	_____	_____
LIABILITIES		
Accounts payable	300	
Due to other governments		131,952
Deposits		<u>158,887</u>
Total liabilities	<u>300</u>	<u>\$ 290,839</u>
DEFERRED INFLOWS OF RESOURCES		
Total Deferred Inflows of Resources	_____	
NET POSITION		
Held in trust	<u>40,423</u>	
Total net position	<u>\$ 40,423</u>	

See accompanying notes to the basic financial statements

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

	<u>Private- Purpose Trust Funds</u>
ADDITIONS:	
Investment earnings:	
Interest	\$ 43
Total Investment Earnings	<u>43</u>
Total Additions	<u>43</u>
DEDUCTIONS:	
Benefits	<u>300</u>
Total Deductions	<u>300</u>
Change in net position	(257)
Net position - beginning of year	<u>40,680</u>
Net position - end of year	<u>\$ 40,423</u>

See accompanying notes to the basic financial statements

TOWN OF NORTHWOOD, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2012

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Northwood, New Hampshire conform to accounting policies generally accepted in the United States of America for local governmental units, except as indicated hereinafter. The following is a summary of significant accounting policies.

Financial Reporting Entity

The Town of Northwood, New Hampshire (the Town) was incorporated in 1773. The Town operates under the Town Meeting form of government and performs local governmental functions authorized by State law.

The financial statements include those of the various departments governed by the Board of Selectmen and other officials with financial responsibility. The Town has no other separate organizational units, which meet criteria for inclusion in the financial statements as defined by the Governmental Accounting Standards Board (GASB).

Basis of Presentation

The Town's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

During the year ended December 31, 2012, the Town implemented GASB Statement No. 63, "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.*" Under Statement 63, the Town has segregated previously reported assets and liabilities as deferred outflows of resources and deferred inflows of resources, respectively. This statement also identifies net position as the residual of all other elements presented in the statement of financial position. Net position is the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources.

1. Government-Wide Financial Statements:

The statement of net position and the statement of activities display information about the Town as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net position presents the financial condition of the governmental activities of the Town at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Town's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Town. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Town.

TOWN OF NORTHWOOD, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2012

2. Fund Financial Statements:

During the year, the Town segregates transactions related to certain Town functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Town at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The fiduciary funds are reported by type.

Fund Accounting

The Town uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The Town employs the use of two categories of funds: governmental and fiduciary.

1. Governmental Funds:

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and deferred outflows of resources and liabilities and deferred inflows of resources is reported as fund balance. The following is the Town's major governmental fund:

The *General Fund* is the main operating fund of the Town and is used to account for all financial resources except those required to be accounted for in another fund.

2. Fiduciary Funds:

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into two classifications: private purpose trust funds and agency funds. Trust funds are used to account for assets held by the Town under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Town's own programs. The Town maintains seven private purpose trust funds, which account for monies designated to benefit individuals within the Town. The Town's agency fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations. The Town's agency fund accounts for the capital reserve funds of the Northwood Water District and the Northwood School District, which are held by the Town as required by State law. Other agency funds consist of escrow funds from developers which are held by the Town.

Measurement Focus

1. Government-Wide Financial Statements:

The government-wide financial statements are prepared using the economic resources measurement focus. All assets, deferred outflows of resources, and liabilities and deferred inflows of resources associated with the operation of the Town are included on the Statement of Net Position.

TOWN OF NORTHWOOD, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2012

2. Fund Financial Statements:

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows of resources, current liabilities and deferred inflows of resources generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The private purpose trust funds are reported using the economic resources measurement focus.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

1. Revenues – Exchange and Non-exchange Transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the Town, available means expected to be received within sixty days of year end.

Non-exchange transactions, in which the Town receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the taxes are levied (see Note 3). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the Town must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Town on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: property taxes and interest on investments.

Licenses and permits, charges for services, and miscellaneous revenues are recorded as revenues when received in cash because they are generally not measurable until actually received.

TOWN OF NORTHWOOD, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2012

2. Unearned Revenue:

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as unearned revenue. On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as unearned revenue.

3. Expenses/Expenditures:

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization are not recognized in governmental funds.

Budgetary Data

The Town's budget represents functional appropriations as authorized by annual or special Town meetings. The Selectmen may transfer funds between operating categories as they deem necessary. The Town adopts its budget under State regulations, which differ somewhat from accounting principles generally accepted in the United States of America in that the focus is on the entire governmental unit rather than on the basis of fund types.

State law requires balanced budgets but permits the use of beginning fund balance to reduce the property tax rate. For the year ended December 31, 2012, the Town applied \$384,124 of its unappropriated fund balance to reduce taxes.

Encumbrance Accounting

Encumbrance accounting, under which purchase orders and other commitments for expenditure of monies are recorded in order to reserve a portion of the applicable appropriation, is employed as an extension of formal budgetary integration in Governmental Funds. Encumbrances outstanding at year end are reported as a component of fund balance since they do not constitute expenditures or liabilities, but rather commitments related to unperformed contracts for goods and services.

Investments

Investments are stated at their fair value in all funds. Certificates of deposit and repurchase agreements with a maturity of greater than ninety days from the date of issuance are included in investments.

Accounts Receivable

Accounts receivable are recorded net of reserves for estimated uncollectibles of \$30,400.

TOWN OF NORTHWOOD, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2012

Taxes Receivable

Taxes levied during the current year and prior and uncollected at December 31, 2012 are recorded as receivables net of reserves for estimated uncollectible taxes of \$60,000.

Capital Assets

General capital assets result from expenditures in the governmental funds. These assets are reported in the government-wide statement of net position, but are not reported in the governmental fund financial statements.

All capital assets including infrastructure are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their estimated fair values as of the date received. The Town maintains a capitalization threshold of \$5,000. The Town's infrastructure consists of roads, bridges and similar items. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

The Town is not required to retroactively report its general infrastructure (e.g. roads and bridges) or its intangible assets. Infrastructure records have been maintained effective January 1, 2004 and are included in these financial statements. During the year ended December 31, 2012, the Town did not incur any costs for intangible assets that are required to be capitalized in accordance with the Town's policy.

All reported capital assets except for land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the Town's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Years</u>
Land improvements	20
Buildings and improvements	10-50
Infrastructure	5-7
Vehicles and equipment	3-20

Compensated Absences

All full-time employees may accumulate sick leave days to a maximum of 30 days. Any accumulated sick leave days in excess of 30 days is forfeited at the time of termination or retirement. Payment for unused sick leave up to two weeks is made upon termination and up to 5 weeks upon death. Dependent on the length of service and the number of hours worked weekly, full time employees earn vacation time of ten to twenty days per year. The maximum accrual ranges from 120 to 200 hours. Dependent on the length of service, part-time employees earn vacation time at a pro-rata basis. The maximum accrual ranges from fifteen to twenty-five days, dependent on the number of years of service. Every permanent part-time and full-time employee working at least 20 hours per week may accumulate personal leave days to a maximum of 3 days.

For governmental fund financial statements, compensated absences are reported as liabilities and expenditures as payments come due each period upon the occurrence of employee termination or

TOWN OF NORTHWOOD, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2012

retirement. The entire compensated absence liability is reported on the government-wide financial statements.

Accrued Liabilities and Long-Term Obligations

Except for the obligation for other post-employment benefits (see Note 2), all payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current resources are reported as obligations of the funds. However, compensated absences that will be paid from governmental funds are reported as liabilities in the fund financial statements only to the extent that they are due for payment during the current year. Capital leases and other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances on any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investments in capital assets or the restricted components of net position.

The Town's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Fund Balance Policy

The Town implemented GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Statement 54 established new fund balance classifications and changes the definition of governmental fund types. Under Statement 54, the Town has segregated fund balance into five classifications; Nonspendable, Restricted, Committed, Assigned, and Unassigned. These components of fund balance are defined as follows:

- Nonspendable Fund Balance: Amounts that are not in a spendable form or are required to be maintained intact.
- Restricted Fund Balance: Amounts constrained to specific purposes by their providers through constitutional provisions or by enabling legislation.
- Committed Fund Balance: Amounts constrained to specific purposes by a government itself using its highest level of decision-making authority: to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint.
- Assigned Fund Balance: Amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.

TOWN OF NORTHWOOD, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2012

- **Unassigned Fund Balance:** Amounts that are available for any purpose; these amounts are reported only in the General Fund, except for any deficit fund balance of another governmental fund.

In instances when expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available, restricted fund balance is considered to have been spent first. When expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications may be applied, committed resources are to be applied first, followed by assigned and unassigned.

The Board will strive to achieve and maintain a minimum unassigned fund balance of 6% of the general fund's annual fund annual budget, including Town, School and County appropriations.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented in the financial statements.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates. Significant estimates include depreciation expense, and the allowance for uncollectible receivables.

NOTE 2—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Other Post-Employment Benefits

The Town did not implement GASB Statement 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*. Statement 45 requires governments to account for other post-employment benefits (OPEB), primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis. The provisions of GASB 45 were required to be implemented by the Town during the year ended December 31, 2009.

NOTE 3—PROPERTY TAXES

Taxes are levied on the assessed valuation of all taxable real property as of the prior April 1 (\$472,199,467 as of April 1, 2012) and are due in two installments on July 2, 2012 and December 19, 2012. Taxes paid after the due dates accrue interest at 12% per annum. Property taxes are recognized as revenue when received in cash or if available to finance current period operations (within sixty days of year end).

Under State law, the Tax Collector obtains tax liens on properties which have unpaid taxes in the following calendar year after taxes were due for the amount of unpaid taxes, interest and costs. These

TOWN OF NORTHWOOD, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2012

priority tax liens accrue interest at 18% per annum. If the property is not redeemed within a two year redemption period, the property may be tax deeded to the Town.

In accordance with State law, the Town collects taxes for the Northwood School District and Rockingham County, both independent governmental units, which are remitted to them as required by law. The Town also collects State of New Hampshire Education taxes, which are remitted directly to the school district. Total taxes appropriated during the year were \$8,641,887 and \$486,760 for the Northwood School District and Rockingham County, respectively. These taxes are not recognized as revenues in these financial statements. The Town bears responsibility for uncollected taxes.

NOTE 4—RISK MANAGEMENT

The Town is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended December 31, 2012, the Town was a member of the New Hampshire Public Risk Management Exchange (PRIMEX). The Town currently reports all of its risk management activities in its General Fund. This Trust is classified as a "Risk Pool" in accordance with accounting principles generally accepted in the United States of America.

The Trust agreement permits the Trust to make additional assessments to members should there be a deficiency in Trust assets to meet its liabilities. Accounting principles generally accepted in the United States of America require members of pools with a sharing of risk to determine whether or not such assessment is probable and, if so, a reasonable estimate of such assessment. At this time, the Trust foresees no likelihood of an additional assessment for any of the past years. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. Based on the best available information there is no liability at December 31, 2012.

Property and Liability Insurance

PRIMEX provides certain property and liability insurance coverage to member towns, cities, and other qualified political subdivisions of New Hampshire. As a member of PRIMEX, the Town shares in contributing to the cost of and receiving benefit from a self-insured pooled risk management program. The program includes a Self Insured Retention Fund from which is paid up to \$500,000 for each and every covered property, crime and/or liability loss that exceeds \$1,000.

Worker's Compensation

PRIMEX provides statutory worker's compensation coverage to member towns, cities, and other qualified political subdivisions of New Hampshire. The Trust is self-sustaining through annual member premiums and provides coverage for the statutorily required workers' compensation benefits and employer's liability coverage up to \$2,000,000. The program includes a Loss Fund from which is paid up to \$500,000 for each and every covered claim.

NOTE 5—DEPOSITS AND INVESTMENTS

Deposits and investments as of December 31, 2012 are classified in the accompanying financial statements as follows:

TOWN OF NORTHWOOD, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2012

Statement of Net Assets:	
Cash and cash equivalents	\$ 4,207,127
Investments	926,844
Statement of Fiduciary Net Assets:	
Cash and cash equivalents	158,887
Investments	<u>172,675</u>
	<u>\$ 5,465,533</u>

Deposits and investments at December 31, 2012 consist of the following:

Cash on hand	\$ 230
Deposits with financial institutions	4,503,988
Investments	<u>961,315</u>
	<u>\$ 5,465,533</u>

The Town's investment policy for governmental funds requires that deposits be made in New Hampshire based financial institutions that are participants in one of the federal depository insurance programs. The Town limits its investments to demand deposits, money market accounts, certificates of deposit, and overnight repurchase agreements in accordance with New Hampshire State law (RSA 41:29) or the New Hampshire Public Deposit Investment Pool (NHPDIP), an external investment pool. Responsibility for the investments of the expendable trust funds, permanent funds, private purpose trust funds, and agency funds is with the Trustee of Trust Funds.

Interest Rate Risk

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

The Town requires that its investments be invested in securities maturing in less than one year. The Trustees of Trust Funds have no policy regarding interest rate risk.

Information about the sensitivity of the fair values of the Town's investments to market interest rate fluctuations is provided by the following table that shows the distribution of investments by maturity:

<u>Investment Type</u>	<u>Remaining Maturity</u> <u>(in Years)</u>
	<u>> 5 Years</u>
Corporate bonds	<u>\$ 23,218</u>

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

The Town has no policy regarding credit risk for its governmental funds as of December 31, 2012.

TOWN OF NORTHWOOD, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2012

The following is the actual rating at year end for each investment type:

<u>Investment Type</u>		<u>Rating as of Year End</u>	
		<u>BB+</u>	<u>Not rated</u>
Money market funds	\$ 85,563		\$ 85,563
Corporate bonds	23,218	\$ 23,218	
Mutual funds	219,257		219,257
State investment pool	550,525		550,525
	<u>\$ 878,563</u>	<u>\$ 23,218</u>	<u>\$ 855,345</u>

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Town has an investment policy for assurance against custodial credit risk which requires collateralization for all deposits not covered by Federal Deposit Insurance.

Of the Town's deposits with financial institutions at year end, \$4,000,000 was collateralized by securities held by the bank in the bank's name and \$138,040 was uncollateralized.

As of December 31, 2012, Town investments in the following investment types were held by the same counterparty that was used to buy the securities:

<u>Investment Type</u>	<u>Reported Amount</u>
Mutual funds	\$ 219,257
Equity securities	82,752
Corporate bonds	23,218
Money market funds	85,563
	<u>\$ 410,790</u>

Investment in NHPDIP

The Town is a voluntary participant in the New Hampshire Public Deposit Investment Pool (NHPDIP), an external investment pool. The NHPDIP is not registered with the United States Securities and Exchange Commission as an investment company. The NHPDIP was created by state law and is administered by a public body of state, local and banking officials.

Investments in the NHPDIP are not investment securities and, as such, are not categorized by risk. The Town's exposure to derivatives is indirect through its participation in the NHPDIP. The Town's proportional share of these derivatives is not available. The fair value of the position in the investment pool is equal to the value of the pool shares.

TOWN OF NORTHWOOD, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2012

NOTE 6—CAPITAL ASSETS

The following is a summary of changes in capital assets in the governmental funds:

	Balance 01/1/12	Additions	Reductions	Balance 12/31/12
Governmental activities:				
Capital assets not depreciated:				
Land	\$ 2,097,048			\$ 2,097,048
Construction in progress	189,008		\$ (189,008)	-
Total capital assets not being depreciated	<u>2,286,056</u>	<u>\$ -</u>	<u>(189,008)</u>	<u>2,097,048</u>
Other capital assets:				
Land improvements	163,188	197,008		360,196
Buildings and improvements	796,100			796,100
Infrastructure	1,473,271	212,401		1,685,672
Vehicles and equipment	2,180,667	6,586	(7,300)	2,179,953
Total other capital assets at historical cost	<u>4,613,226</u>	<u>415,995</u>	<u>(7,300)</u>	<u>5,021,921</u>
Less accumulated depreciation for:				
Land improvements	(94,147)	(23,047)		(117,194)
Buildings and improvements	(311,177)	(18,245)		(329,422)
Infrastructure	(711,738)	(176,877)		(888,615)
Vehicles and equipment	(1,303,582)	(115,504)	7,300	(1,411,786)
Total accumulated depreciation	<u>(2,420,644)</u>	<u>(333,673)</u>	<u>7,300</u>	<u>(2,747,017)</u>
Total other capital assets, net	<u>2,192,582</u>	<u>82,322</u>	<u>-</u>	<u>2,274,904</u>
Total capital assets, net	<u>\$ 4,478,638</u>	<u>\$ 82,322</u>	<u>\$ (189,008)</u>	<u>\$ 4,371,952</u>

Depreciation expense was charged to governmental functions as follows:

General government	\$ 40,152
Public safety	88,701
Highways and streets	184,061
Sanitation	4,264
Culture and recreation	16,495
Total governmental activities depreciation expense	<u>\$ 333,673</u>

The balance of the assets acquired through capital leases as of December 31, 2012 is as follows:

Vehicles and equipment	\$ 316,683
Less accumulated depreciation	(71,254)
	<u>\$ 245,429</u>

NOTE 7—DEFINED BENEFIT PENSION PLAN

Plan Description

The Town contributes to the New Hampshire Retirement System (NHRS), a cost-sharing multiple-employer defined benefit pension plan administered by the NHRS Board of Trustees. The plan provides service, disability, death and vested retirement allowances to plan members and beneficiaries. Benefit

TOWN OF NORTHWOOD, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2012

provisions are established and may be amended by the New Hampshire State legislature. The NHRS issues a publicly available financial report that includes financial statements and required supplementary information for NHRS. That report may be obtained by writing to New Hampshire Retirement System, 54 Regional Drive, Concord, New Hampshire 03301.

Funding Policy

Covered police officers and fire employees are required to contribute 11.55% and 11.80%, respectively of their covered salary, whereas general employees are required to contribute 7.0% of their covered salary. The Town is required to contribute at an actuarially determined rate. The Town's contribution rates for the covered payroll of police officers, fire employees, and general employees were 19.95%, 22.89% and 8.8%. The Town contributed 100% of the employer cost for public safety and general employees of the Town.

Per RSA-100:16, plan member contribution rates are established and may be amended by the New Hampshire State legislature and employer contribution rates are determined by the NHRS Board of Trustees based on an actuarial valuation. The Town's contributions to the NHRS for the years ending December 31, 2012, 2011, and 2010 were \$146,922, \$127,335, and \$110,104, respectively, equal to the required contributions for each year.

NOTE 8—DUE TO OTHER GOVERNMENTS

In accordance with State law, the Town collects taxes for the Northwood School District, and Rockingham County, both independent governmental units, which are remitted to them as required by law. At December 31, 2012, the balance of the property tax appropriation due to the Northwood School District is \$3,641,887.

NOTE 9—LONG-TERM OBLIGATIONS

Changes in Long-Term Obligations

The changes in the Town's long-term obligations for the year ended December 31, 2012 are as follows:

	Balance <u>01/01/12</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>12/31/12</u>	Due Within <u>One Year</u>
Governmental activities:					
Capital leases payable	\$ 112,282		\$ (54,859)	\$ 57,423	\$ 57,423
Compensated absences payable	<u>113,156</u>	<u>\$ 20,339</u>	<u>(13,834)</u>	<u>119,661</u>	
	<u>\$ 225,438</u>	<u>\$ 20,339</u>	<u>\$ (68,693)</u>	<u>\$ 177,084</u>	<u>\$ 57,423</u>

Payments on the capital lease are paid out of the General Fund. Compensated absences will be paid from the fund where the employee's salary is paid.

Capital Lease Obligations

Capital lease obligations represent lease agreements entered into for the financing of equipment acquisitions. These contracts are subject to cancellation should funds not be appropriated to meet

TOWN OF NORTHWOOD, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2012

payment obligations. Amounts are annually budgeted in the applicable function. Following is the individual capital lease obligation at December 31, 2012:

Fire pumper, due in annual installments of \$60,109, including interest at 4.4%, through April 2013	<u>\$ 57,423</u>
--	------------------

Debt service requirements to retire the capital lease obligation outstanding at December 31, 2012 are as follows:

<u>Year Ending</u> <u>December 31,</u> 2013	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
	<u>\$ 57,423</u>	<u>\$ 2,686</u>	<u>\$ 60,109</u>

NOTE 10—INTERFUND BALANCES AND TRANSFERS

During the year, monies are collected for land use change taxes. Fifty percent of amounts collected are to be transferred to the Conservation Commission Fund.

Interfund balances at December 31, 2012 are as follows:

		<u>Due from</u>		
		<u>General</u>	<u>Nonmajor</u>	
		<u>Fund</u>	<u>Governmental</u>	<u>Totals</u>
			<u>Funds</u>	
<u>Due to</u>	Nonmajor Governmental Funds	<u>\$ 29,671</u>	<u>\$ 205</u>	<u>\$ 29,876</u>
		<u>\$ 29,671</u>	<u>\$ 205</u>	<u>\$ 29,876</u>

During the year, several interfund transactions occurred between funds. The transfers out of the Nonmajor Governmental Funds were made in accordance with budgetary authorizations and to distribute the earned income during the year to support the Town's programs.

Interfund transfers for the year ended December 31, 2012 are as follows:

		<u>Transfer from</u>		
		<u>Nonmajor</u>	<u>Governmental</u>	
		<u>Funds</u>	<u>Totals</u>	
<u>Transfer to</u>	General Fund	<u>\$ 82,609</u>	<u>\$ 82,609</u>	
	Nonmajor Governmental Funds	<u>723</u>	<u>723</u>	
		<u>\$ 83,332</u>	<u>\$ 83,332</u>	

NOTE 11—RESTRICTED NET POSITION

Net position is restricted for specific purposes at December 31, 2012 as follows:

TOWN OF NORTHWOOD, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2012

Permanent Funds - Endowments	\$ 302,262
Permanent Funds - Income	<u>118,792</u>
	<u>\$ 421,054</u>

NOTE 12—COMPONENTS OF FUND BALANCE

The Town’s fund balance components are comprised as follows:

<u>Fund Balances</u>	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable			
Permanent Funds - Principal		\$ 302,262	\$ 302,262
Restricted for:			
Permanent Funds - Income		118,792	118,792
Committed for:			
Encumbrances	\$ 11,972		11,972
Expendable Trust Funds	226,061		226,061
Capital Reserve Funds	163,921		163,921
Recreation Revolving Fund		17,307	17,307
Assigned for:			
Library Fund		11,883	11,883
Conservation Commission		105,584	105,584
Ambulance Replacement Fund		365,746	365,746
Lagoon Fees Fund		14,275	14,275
Unassigned	<u>405,797</u>		<u>405,797</u>
	<u>\$ 807,751</u>	<u>\$ 935,849</u>	<u>\$ 1,743,600</u>

NOTE 13—COMMITMENTS AND CONTINGENCIES

Litigation

The Town's general counsel estimates that any potential claims against the Town, which are not covered by insurance, are immaterial and would not affect the financial position of the Town.

SCHEDULE 1
TOWN OF NORTHWOOD, NEW HAMPSHIRE
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Budgetary Basis) - General Fund
For the Year Ended December 31, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 1,903,320	\$ 1,903,320	\$ 1,956,594	\$ 53,274
Licenses and permits	608,386	608,386	730,965	122,579
Intergovernmental	281,627	296,116	301,040	4,924
Charges for services	89,505	89,505	130,394	40,889
Interest income	800	800	1,253	453
Miscellaneous	38,403	38,403	37,144	(1,259)
Total Revenues	<u>2,922,041</u>	<u>2,936,530</u>	<u>3,157,390</u>	<u>220,860</u>
Expenditures:				
Current operations:				
General government	743,043	743,043	693,587	49,456
Public safety	1,322,841	1,337,330	1,381,370	(44,040)
Highways and streets	640,208	640,208	542,507	97,701
Sanitation	175,904	175,904	150,585	25,319
Health and welfare	118,351	118,351	62,153	56,198
Culture and recreation	269,228	269,228	232,272	36,956
Economic development	890	890	436	454
Capital outlay	164,938	68,109	56,809	11,300
Debt service:				
Interest and fiscal charges	5,000	5,000	-	5,000
Total Expenditures	<u>3,440,403</u>	<u>3,358,063</u>	<u>3,119,719</u>	<u>238,344</u>
Excess revenues over (under) expenditures	<u>(518,362)</u>	<u>(421,533)</u>	<u>37,671</u>	<u>459,204</u>
Other financing sources (uses):				
Transfers in	166,738	69,909	69,880	(29)
Transfers out	<u>(90,648)</u>	<u>(90,648)</u>	<u>(90,648)</u>	<u>-</u>
Total other financing sources (uses)	<u>76,090</u>	<u>(20,739)</u>	<u>(20,768)</u>	<u>(29)</u>
Net change in fund balance	(442,272)	(442,272)	16,903	459,175
Fund balance at beginning of year				
- Budgetary Basis	<u>1,595,523</u>	<u>1,595,523</u>	<u>1,595,523</u>	<u>-</u>
Fund balance at end of year				
- Budgetary Basis	<u>\$ 1,153,251</u>	<u>\$ 1,153,251</u>	<u>\$ 1,612,426</u>	<u>\$ 459,175</u>

See accompanying notes to the required supplementary information

TOWN OF NORTHWOOD, NEW HAMPSHIRE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2012

NOTE 1— BUDGET TO ACTUAL RECONCILIATION

Amounts recorded as budgetary amounts in the Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budgetary Basis) – General Fund (Schedule 1) are reported on the basis budgeted by the Town. Those amounts differ from those reported in conformity with accounting principles generally accepted in the United States of America in the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds (Exhibit D). Budgetary information in these financial statements has been presented only for the General Fund. Property tax budgetary revenues are recognized when levied rather than when susceptible to accrual. Budgetary revenues and expenditures were adjusted for non-budgetary revenues and expenditures, budgetary transfers in and out, and encumbrances as follows:

	Revenues and Other Financing <u>Sources</u>	Expenditures and Other Financing <u>Uses</u>
Per Exhibit D	\$ 3,434,452	\$ 3,214,589
Difference in property taxes meeting susceptible to accrual criteria	(191,402)	
Encumbrances, December 31, 2012		11,972
Encumbrances, December 31, 2011		(41,187)
Budgetary transfers in and out	9,771	90,648
Non-budgetary revenues and expenditures	<u>(25,551)</u>	<u>(65,655)</u>
Per Schedule 1	<u>\$ 3,227,270</u>	<u>\$ 3,210,367</u>

NOTE 2— BUDGETARY FUND BALANCES

The components of the budgetary fund balance for the General Fund are as follows:

<i>Unassigned:</i>	
Unassigned- general operations	<u>\$ 1,612,426</u>

SCHEDULE A
TOWN OF NORTHWOOD, NEW HAMPSHIRE
Combining Balance Sheet
Governmental Funds - All Nonmajor Funds
December 31, 2012

	Special Revenue Funds					Total Special Revenue Funds	Permanent Funds	Combining Totals
	Library Fund	Recreation Revolving Fund	Conservation Commission Fund	Ambulance Replacement Fund	Lagoon Fees Fund			
ASSETS								
Cash and cash equivalents	\$ 11,678			\$ 340,721		\$ 352,399	\$ 13,623	\$ 366,022
Investments		\$ 17,110	\$ 76,110		\$ 14,275	107,495	407,636	515,131
Accounts receivable, net				25,025		25,025		25,025
Due from other funds	205	197	29,474			29,876		29,876
Total Assets	<u>11,883</u>	<u>17,307</u>	<u>105,584</u>	<u>365,746</u>	<u>14,275</u>	<u>514,795</u>	<u>421,259</u>	<u>936,054</u>
DEFERRED OUTFLOWS OF RESOURCES								
Total Deferred Outflows of Resources								
Total Assets and Deferred Outflows of Resources	<u>\$ 11,883</u>	<u>\$ 17,307</u>	<u>\$ 105,584</u>	<u>\$ 365,746</u>	<u>\$ 14,275</u>	<u>\$ 514,795</u>	<u>\$ 421,259</u>	<u>\$ 936,054</u>
LIABILITIES								
Due to other funds						-	\$ 205	\$ 205
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>205</u>	<u>205</u>
DEFERRED INFLOWS OF RESOURCES								
Total Deferred Inflows of Resources								
Total Liabilities and Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>205</u>	<u>205</u>
FUND BALANCES								
Nonspendable							302,262	302,262
Restricted							118,792	118,792
Committed		17,307				17,307		17,307
Assigned	11,883		105,584	365,746	14,275	497,488		497,488
Total Fund Balances	<u>11,883</u>	<u>17,307</u>	<u>105,584</u>	<u>365,746</u>	<u>14,275</u>	<u>514,795</u>	<u>421,054</u>	<u>935,849</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 11,883</u>	<u>\$ 17,307</u>	<u>\$ 105,584</u>	<u>\$ 365,746</u>	<u>\$ 14,275</u>	<u>\$ 514,795</u>	<u>\$ 421,259</u>	<u>\$ 936,054</u>

SCHEDULE B
TOWN OF NORTHWOOD, NEW HAMPSHIRE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds - All Nonmajor Funds
For the Year Ended December 31, 2012

	Special Revenue Funds						Total Special Revenue Funds	Permanent Funds	Combining Totals
	Library Fund	Recreation Revolving Fund	Conservation Commission Fund	Ambulance Replacement Fund	Lagoon Fees Fund	CDBG Fund			
Revenues:									
Taxes			\$ 29,474				\$ 29,474		\$ 29,474
Intergovernmental						\$ 292,323	292,323		292,323
Charges for services		\$ 22,230		\$ 106,015	\$ 13,440		141,685		141,685
Interest and investment income		38	199	370	21		628	\$ 40,369	40,997
Miscellaneous	\$ 4,945	202	50				5,197		5,197
Total Revenues	<u>4,945</u>	<u>22,470</u>	<u>29,723</u>	<u>106,385</u>	<u>13,461</u>	<u>292,323</u>	<u>469,307</u>	<u>40,369</u>	<u>509,676</u>
Expenditures:									
Current operations:									
General government							-	11,894	11,894
Public safety				314			314		314
Sanitation					90		90		90
Culture and recreation	3,925	26,371	109,006				139,302		139,302
Redevelopment and housing						292,323	292,323		292,323
Total Expenditures	<u>3,925</u>	<u>26,371</u>	<u>109,006</u>	<u>314</u>	<u>90</u>	<u>292,323</u>	<u>432,029</u>	<u>11,894</u>	<u>443,923</u>
Excess revenues over (under) expenditures	<u>1,020</u>	<u>(3,901)</u>	<u>(79,283)</u>	<u>106,071</u>	<u>13,371</u>	<u>-</u>	<u>37,278</u>	<u>28,475</u>	<u>65,753</u>
Other financing sources (uses):									
Transfers in	723						723		723
Transfers out				(60,109)	(22,500)		(82,609)	(723)	(83,332)
Total other financing sources (uses)	<u>723</u>	<u>-</u>	<u>-</u>	<u>(60,109)</u>	<u>(22,500)</u>	<u>-</u>	<u>(81,886)</u>	<u>(723)</u>	<u>(82,609)</u>
Net change in fund balances	1,743	(3,901)	(79,283)	45,962	(9,129)	-	(44,608)	27,752	(16,856)
Fund balances at beginning of year	<u>10,140</u>	<u>21,208</u>	<u>184,867</u>	<u>319,784</u>	<u>23,404</u>	<u>-</u>	<u>559,403</u>	<u>393,302</u>	<u>952,705</u>
Fund balances at end of year	<u>\$ 11,883</u>	<u>\$ 17,307</u>	<u>\$ 105,584</u>	<u>\$ 365,746</u>	<u>\$ 14,275</u>	<u>\$ -</u>	<u>\$ 514,795</u>	<u>\$ 421,054</u>	<u>\$ 935,849</u>