

**TOWN OF ALEXANDRIA,
NEW HAMPSHIRE**

ANNUAL FINANCIAL REPORT

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

TOWN OF ALEXANDRIA, NEW HAMPSHIRE
ANNUAL FINANCIAL REPORT
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DECEMBER 31, 2012

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PLODZIK & SANDERSON

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Management has omitted a Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by the missing information.

*Town of Alexandria
Independent Auditor's Report*

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Alexandria's basic financial statements. The combining and individual fund financial schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

August 28, 2013

*Plodzik & Sanderson
Professional Association*

BASIC FINANCIAL STATEMENTS

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

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 1,612,004
Investments	463,357
Receivables, net of allowances for uncollectible	478,148
Intergovernmental receivable	16,500
Prepaid items	1,238
Tax dedeed property, subject to resale	4,428
Capital assets, not being depreciated:	
Land	140,331
Capital assets, net of accumulated depreciation:	
Land improvements	4,016
Buildings and building improvements	1,373,478
Machinery, equipment, and vehicles	703,443
Infrastructure	2,056,412
Total assets	6,853,355
LIABILITIES	
Accounts payable	60,007
Accrued salaries and benefits	8,137
Intergovernmental payable	1,359,455
Escrow performance deposits	3,421
Unearned revenue	4,637
Noncurrent liabilities:	
Due within one year:	
Bond payable	25,000
Due in more than one year:	
Bond payable	225,000
Compensated absences	5,888
Total liabilities	1,691,545
NET POSITION	
Net investment in capital assets	4,027,678
Restricted	510,556
Unrestricted	623,576
Total net position	\$ 5,161,810

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

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

	Expenses	Program Revenues		Net (Expense) Revenue and Change in Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental activities:				
General government	\$ 317,948	\$ 3,608	\$ -	\$ (314,340)
Public safety	242,817	1,884	54,689	(186,244)
Highways and streets	617,879	8,750	74,457	(534,672)
Sanitation	142,328	13,996	-	(128,332)
Health	22,505	-	-	(22,505)
Welfare	22,834	-	-	(22,834)
Culture and recreation	26,432	-	-	(26,432)
Conservation	7,736	-	1,435	(6,301)
Interest on long-term debt	33,616	-	-	(33,616)
Capital outlay	6,815	-	-	(6,815)
Total governmental activities	<u>\$ 1,440,910</u>	<u>\$ 28,238</u>	<u>\$ 130,581</u>	<u>(1,282,091)</u>
General revenues:				
Taxes:				
Property				786,745
Other				72,105
Motor vehicle permit fees				239,138
Licenses and other fees				9,113
Grants and contributions not restricted to specific programs				72,045
Miscellaneous				60,946
Total general revenues				<u>1,240,092</u>
Change in net position				(41,999)
Net position, beginning				<u>5,203,809</u>
Net position, ending				<u>\$ 5,161,810</u>

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

EXHIBIT C-1
TOWN OF ALEXANDRIA, NEW HAMPSHIRE
Governmental Funds
Balance Sheet
December 31, 2012

	General	Permanent	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 1,576,202	\$ 16,513	\$ 15,868	\$ 1,608,583
Investments	34,470	428,887	-	463,357
Restricted assets - developer deposits	3,421	-	-	3,421
Receivables, net of allowance for uncollectible:				
Taxes	478,148	-	-	478,148
Intergovernmental	16,500	-	-	16,500
Interfund receivable	4,432	-	74,258	78,690
Prepaid items	1,238	-	-	1,238
Tax deeded property, subject to resale	4,428	-	-	4,428
Total assets	<u>\$ 2,118,839</u>	<u>\$ 445,400</u>	<u>\$ 90,126</u>	<u>\$ 2,654,365</u>
LIABILITIES				
Accounts payable	\$ 60,007	\$ -	\$ -	\$ 60,007
Accrued salaries and benefits	8,137	-	-	8,137
Intergovernmental payable	1,359,455	-	-	1,359,455
Interfund payable	74,258	4,432	-	78,690
Escrow and performance deposits	3,421	-	-	3,421
Unearned revenue	4,637	-	-	4,637
Total liabilities	<u>1,509,915</u>	<u>4,432</u>	<u>-</u>	<u>1,514,347</u>
FUND BALANCES				
Nonspendable	5,666	305,813	-	311,479
Restricted	-	135,155	69,588	204,743
Committed	60,339	-	20,538	80,877
Unassigned	542,919	-	-	542,919
Total fund balances	<u>608,924</u>	<u>440,968</u>	<u>90,126</u>	<u>1,140,018</u>
Total liabilities and fund balances	<u>\$ 2,118,839</u>	<u>\$ 445,400</u>	<u>\$ 90,126</u>	<u>\$ 2,654,365</u>

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

EXHIBIT C-2
TOWN OF ALEXANDRIA, NEW HAMPSHIRE
Reconciliation of Total Governmental Fund Balances to the Statement of Net Position
December 31, 2012

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

Total fund balances of governmental funds (Exhibit C-1)		\$ 1,140,018
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.		
Cost	\$ 5,782,561	
Less accumulated depreciation	<u>(1,504,881)</u>	
		4,277,680
Interfund receivables and payables between governmental funds are eliminated on the Statement of Net Position.		
Receivables	\$ (78,690)	
Payables	<u>78,690</u>	
		-
Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the funds.		
Bond	\$ 250,000	
Compensated absences	<u>5,888</u>	
		<u>(255,888)</u>
Net position of governmental activities (Exhibit A)		<u><u>\$ 5,161,810</u></u>

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

EXHIBIT C-3
TOWN OF ALEXANDRIA, NEW HAMPSHIRE
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended December 31, 2012

	General	Permanent	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 858,225	\$ -	\$ 625	\$ 858,850
Licenses and permits	248,254	-	-	248,254
Intergovernmental	202,626	-	-	202,626
Charges for services	28,238	-	-	28,238
Miscellaneous	10,298	50,607	38	60,943
Total revenues	<u>1,347,641</u>	<u>50,607</u>	<u>663</u>	<u>1,398,911</u>
EXPENDITURES				
Current:				
General government	303,307	2,306	-	305,613
Public safety	230,739	-	-	230,739
Highways and streets	494,149	-	-	494,149
Sanitation	142,715	-	-	142,715
Health	22,505	-	-	22,505
Welfare	22,834	-	-	22,834
Culture and recreation	26,432	-	-	26,432
Conservation	936	-	6,800	7,736
Debt service:				
Principal	25,000	-	-	25,000
Interest	11,555	-	-	11,555
Capital outlay	177,116	-	-	177,116
Total expenditures	<u>1,457,288</u>	<u>2,306</u>	<u>6,800</u>	<u>1,466,394</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(109,647)</u>	<u>48,301</u>	<u>(6,137)</u>	<u>(67,483)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	4,432	-	-	4,432
Transfers out	-	(4,432)	-	(4,432)
Total other financing sources (uses)	<u>4,432</u>	<u>(4,432)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(105,215)	43,869	(6,137)	(67,483)
Fund balances, beginning	714,139	397,099	96,263	1,207,501
Fund balances, ending	<u>\$ 608,924</u>	<u>\$ 440,968</u>	<u>\$ 90,126</u>	<u>\$ 1,140,018</u>

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

EXHIBIT C-4
TOWN OF ALEXANDRIA, NEW HAMPSHIRE
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended December 31, 2012

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

Net change in fund balances of governmental funds (Exhibit C-3)		\$ (67,483)
Governmental funds report capital outlays as expenditures. In the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capitalized capital outlay in the current period.		
Capitalized capital outlay	\$ 178,812	
Depreciation expense	<u>(183,490)</u>	(4,678)
Transfers in and out between governmental funds are eliminated on the Statement of Activities.		
Transfers in	\$ (4,432)	
Transfers out	<u>4,432</u>	-
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds, but has no effect on net position.		
Repayment of bond principal		25,000
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	\$ 4,740	
Decrease in compensated absences payable	<u>422</u>	5,162
Changes in net position of governmental activities (Exhibit B)		<u><u>\$ (41,999)</u></u>

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

EXHIBIT D
TOWN OF ALEXANDRIA, NEW HAMPSHIRE
Statement of Revenues, Expenditures, and Change in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Fiscal Year Ended December 31, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 852,013	\$ 852,013	\$ 858,225	\$ 6,212
Licenses and permits	237,700	237,700	248,254	10,554
Intergovernmental	168,288	206,477	202,626	(3,851)
Charges for services	30,000	30,000	28,238	(1,762)
Miscellaneous	5,837	5,837	10,242	4,405
Total revenues	<u>1,293,838</u>	<u>1,332,027</u>	<u>1,347,585</u>	<u>15,558</u>
EXPENDITURES				
Current:				
General government	319,522	319,522	303,307	16,215
Public safety	218,906	257,095	230,739	26,356
Highways and streets	545,356	545,356	494,149	51,207
Sanitation	139,895	139,895	142,715	(2,820)
Health	25,857	25,857	22,505	3,352
Welfare	19,500	19,500	22,834	(3,334)
Culture and recreation	26,475	26,475	26,432	43
Conservation	1,050	1,050	936	114
Debt service:				
Principal	25,000	25,000	25,000	-
Interest	12,751	12,751	11,555	1,196
Capital outlay	143,500	143,500	145,298	(1,798)
Total expenditures	<u>1,477,812</u>	<u>1,516,001</u>	<u>1,425,470</u>	<u>90,531</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(183,974)</u>	<u>(183,974)</u>	<u>(77,885)</u>	<u>106,089</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	136,975	136,974	134,932	(2,042)
Transfers out	(30,000)	(30,000)	(30,000)	-
Total other financing sources (uses)	<u>106,975</u>	<u>106,974</u>	<u>104,932</u>	<u>(2,042)</u>
Net change in fund balances	<u>\$ (76,999)</u>	<u>\$ (77,000)</u>	27,047	<u>\$ 104,047</u>
Increase in nonspendable fund balance			(846)	
Unassigned fund balance, beginning			<u>516,718</u>	
Unassigned fund balance, ending			<u>\$ 542,919</u>	

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

EXHIBIT E-1
TOWN OF ALEXANDRIA, NEW HAMPSHIRE
Fiduciary Funds
Statement of Net Position
December 31, 2012

	Private Purpose Trust Fund	Agency Fund
ASSETS		
Cash and cash equivalents	\$ 17,739	\$ 4,853
Investments	460,735	-
Total assets	<u>478,474</u>	<u>4,853</u>
LIABILITIES		
Accounts payable	2,019	-
Due to others	-	4,853
Total liabilities	<u>2,019</u>	<u>4,853</u>
NET POSITION		
Held in trust for special purposes	<u>\$ 476,455</u>	<u>\$ -</u>

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

EXHIBIT E-2
TOWN OF ALEXANDRIA, NEW HAMPSHIRE
Fiduciary Funds
Statement of Changes in Net Position
For the Fiscal Year Ended December 31, 2012

	Private Purpose Trust Fund
ADDITIONS	
Investment earnings:	
Interest and dividends	\$ 11,235
Net change in the fair value of investments	42,599
Total additions	53,834
DEDUCTIONS	
Trust income distributions	(13,007)
Change in net position	40,827
Net position, beginning	435,628
Net position, ending	\$ 476,455

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

1-A Reporting Entity

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

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

1-B Basis of Presentation

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

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

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

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

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

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

Governmental Activities – Governmental funds are identified as general, special revenue, capital projects, and permanent funds, based upon the following guidelines:

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

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

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

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

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

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

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

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

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

Permanent Funds – are held in the custody of the Trustees of Trust Funds and are used to account for resources held in trust for use by the Town.

Nonmajor Funds – The Town reports the following nonmajor governmental funds:

Special Revenue Funds:

Conservation Commission Fund – is established to capture the activity of the Conservation Commission.

Police Special Detail Fund – accounts for the revenues and expenditures related to police outside details.

Capital Projects Funds:

Town Hall Fund – accounts for the building and maintenance of the new town hall.

Fiduciary Funds - The Town reports the following fiduciary funds:

Private Purpose Trust Funds:

Scholarship Funds – accounts for money left for the benefit of students.

Church Funds – accounts for money left for the benefit of the church.

Agency Funds:

Newfound Area School District Expendable Trust Fund – accounts for legally established funds to be used by the school district for future costs.

Planning Board Escrow Funds – account for funds held in a custodial capacity for work done by developers in Town.

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

1-C Measurement Focus

Government-wide and Fiduciary Fund Financial Statements – The government-wide and fiduciary fund financial statements, except for agency funds which have no measurement focus, are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Fund Financial Statements – Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are susceptible to accrual, that is, when they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues (except property taxes mentioned below under Revenues-Nonexchange Transactions) to be available if they are collected within 60 days of the end of the current period. Property taxes, grants and contracts, and interest associated with the current period are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the Town. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Revenues – Exchange Transactions – Revenue resulting from exchange transactions in which each party gives and receives essentially equal value is recorded on the accrual basis when the exchange takes place. On the modified accrual basis revenue is recorded when the exchange takes place in the fiscal year in which the resources are measurable and become available.

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

1-D Cash and Cash Equivalents

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

The treasurer is required to deposit such moneys in solvent banks in state or the Public Deposit Investment Pool pursuant to New Hampshire RSA 383.22. Funds may be deposited in banks outside the state if such banks pledge and deliver to a third party custodial bank or the Federal Reserve Bank, collateral security for such deposits, United States government or government agency obligations or obligations of the State of New Hampshire in value at least equal to the amount of the deposit in each case.

1-E Restricted Assets

Cash received for developers performance bond deposits are classified as restricted assets on the balance sheet because their use is designated for a specific purpose and therefore not available for immediate and general use by the Town.

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1-F Investments

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

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

- Obligations of the United States government,
- The public deposit investment pool established pursuant to RSA 383:22,
- Savings bank deposits,
- Certificates of deposit and repurchase agreements of banks incorporated under the laws of the State of New Hampshire or in banks recognized by the State treasurer.

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

Investments for the Town are reported at fair value generally based on quoted market prices.

1-G Receivables

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

1-H Interfund Balances

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

1-I Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures when consumed rather than when purchased.

1-J Capital Assets

Capital assets, which include property, plant and equipment (infrastructure is not included), are reported in the applicable governmental column in the government-wide financial statements. Infrastructure has not been capitalized as the Town has not determined the historical cost for the initial reporting of these assets and does not maintain adequate records to capture annual capital outlay for infrastructure.

Capital assets are defined by the Town as assets with an initial, individual cost of more than \$5,000 and an estimated minimum useful life in excess of one year. As the Town constructs or acquires additional capital assets each year, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated fair value at the date of donation.

Land and construction in progress are not depreciated. The other property, plant, and equipment of the Town are depreciated using the straight line method over the following estimated useful lives:

	Years
Land improvements	30
Buildings and building improvements	50-126
Machinery, equipment, and vehicles	8-30
Infrastructure	50

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

1-K Net Position Flow Assumption

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

1-L Fund Balance Flow Assumptions

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

1-M Revenues and Expenditures/Expenses

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

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

Property Taxes - Property tax billings occur semiannually and are based on the assessed inventory values as of April 1 of each year. Billings for the year were on May 15, 2012 and October 31, 2012. Interest accrues at a rate of 12% on bills outstanding after the due date and 18% on tax liens outstanding.

In connection with the setting of the tax rate, Town officials with the approval of the Department of Revenue Administration, establish and raise through taxation an amount for tax abatement and refunds, known as overlay. This amount is reported as a reduction in tax revenue and is adjusted by management for any reserve for uncollectable at year end. The property taxes collected by the Town include taxes levied for the State of New Hampshire, Newfound Area School District, and Grafton County, which are remitted to these entities as required by law.

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

For the New Hampshire education tax	\$ 183,277,153
For all other taxes	\$ 200,292,253

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

	Per \$1,000 of Assessed Valuation	Property Taxes Assessed
Municipal portion	\$4.28	\$ 856,570
School portion:		
State of New Hampshire	\$2.52	461,096
Local	\$11.60	2,324,359
County portion	\$1.56	312,930
Total		\$ 3,954,955

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1-N Deferred/Unearned Revenue

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

1-O Compensated Absences

Vacation - The Town’s policy allows certain employees to earn varying amounts of vacation based on the employee’s length of employment. Upon separation from service, employees are paid in full for any accrued leave earned as set forth by personnel policy. The liability for such leave is reported as incurred in the government-wide and fund financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable.

Sick Leave - Accumulated sick leave lapses when employees leave the employ of the Town and, upon separation from service, no monetary obligation exists.

1-P Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the government-wide financial statements.

1-Q Claims and Judgments

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

1-R Interfund Activities

Interfund activities are reported as follows:

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

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

1-S Equity/Fund Balance Policy/Classifications

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

- a) ***Net investment in capital assets*** – Consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets.

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- b) *Restricted net position* – Consists of net position with constraints placed on use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c) *Unrestricted net position* – All other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

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

Nonspendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form; or (b) are legally or contractually required to be maintained intact. The Town has classified prepaid items, tax deeded property subject to resale, and the principal portion of permanent funds as being nonspendable.

Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation. The Town has classified its capital improvements, and the income portion of permanent funds as being restricted.

Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the legislative body (Town Meeting). These amounts cannot be used for any other purpose unless the legislative body removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. Expendable trust funds and all special revenue funds are included in this classification.

Assigned – This classification includes amounts that are constrained by the Town’s intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Selectmen through the budgetary process. There are no assigned funds at year-end.

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

1-T Impact of Recently Issued Accounting Principles

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

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

2-A Budgetary Information

General governmental revenues and expenditures accounted for in budgetary funds are controlled by a formal integrated budgetary accounting system in accordance with various legal requirements which govern the Town’s operations. At its annual meeting, the Town adopts a budget for the current year for the general fund. Except as reconciled below, the budget was adopted on a basis consistent with US generally accepted accounting principles.

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

Encumbrance accounting, under which purchase orders, contracts, and continuing appropriations (certain projects and specific items not fully expended at year-end) are recognized, is employed in the governmental funds. Encumbrances are not the equivalent of expenditures, and are therefore, reported as part of the assigned fund balance at year-end, and are carried forward to supplement appropriations of the subsequent year.

State statutes require balanced budgets, but provide for the use of beginning unassigned fund balance to achieve that end. In the fiscal year 2012, \$77,000 of the beginning general fund unassigned fund balance was applied for this purpose.

2-B Budgetary Reconciliation to GAAP Basis

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

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

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

Revenues and other financing sources:	
Per Exhibit D (budgetary basis)	\$ 1,482,517
Adjustment:	
Basis difference:	
GASB Statement No. 54:	
Interest income earned on eliminated expendable trust fund(s)	56
To eliminate transfers between general and expendable trust funds	<u>(130,500)</u>
Per Exhibit C-3 (GAAP basis)	<u>\$ 1,352,073</u>
Expenditures and other financing uses:	
Per Exhibit D (budgetary basis)	\$ 1,455,469
Adjustment:	
Basis differences:	
Encumbrances, beginning	31,819
GASB Statement No. 54:	
To eliminate transfers between general and expendable trust funds	<u>(30,000)</u>
Per Exhibit C-3 (GAAP basis)	<u>\$ 1,457,288</u>

DETAILED NOTES ON ALL FUNDS

NOTE 3 – INVESTMENTS

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

	Governmental
	Activities
New Hampshire Public Deposit Investment Pool	\$ 34,470
Fixed income money market mutual funds	889,622
	<u>\$ 924,092</u>

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

Investment reconciliation:

Investment per Statement of Net Position (Exhibit A)	\$ 463,357
Investment per Statement of Fiduciary Net Position (Exhibit E-1)	460,735
Total investments	<u>\$ 924,092</u>

NOTE 4 – TAXES RECEIVABLE

Taxes receivable represent the amount of current and prior year taxes which have not been collected as of December 31, 2012. The amount has been reduced by an allowance for an estimated uncollectible amount of \$30,000. Taxes receivable by year are as follows:

Property:	
Levy of 2012	\$ 325,623
Unredeemed (under tax lien):	
Levy of 2011	126,657
Levy of 2010	49,290
Levies of 2009 and prior	5,319
Yield	1,259
Less: allowance for estimated uncollectible taxes	(30,000)
Net taxes receivable	<u>\$ 478,148</u>

NOTE 5 – OTHER RECEIVABLES

Receivables at December 31, 2012, consisted of intergovernmental amounts arising from grants. Receivables are recorded on the Town's financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and collectability.

NOTE 6 – CAPITAL ASSETS

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

	Balance, beginning	Additions	Disposals	Balance, ending
At cost:				
Not being depreciated:				
Land	\$ 140,331	\$ -	\$ -	\$ 140,331
Construction in progress	23,312	-	(23,312)	-
Total capital assets not being depreciated	163,643	-	(23,312)	140,331
Being depreciated:				
Land improvements	54,675	-	-	54,675
Buildings and building improvements	1,634,713	-	-	1,634,713
Machinery, equipment, and vehicles	1,268,182	153,500	-	1,421,682
Infrastructure	2,482,536	48,624	-	2,531,160
Total capital assets being depreciated	5,440,106	202,124	-	5,642,230
Total all capital assets	5,603,749	202,124	(23,312)	5,782,561

(Continued)

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Capital Assets Continued:

	Balance, beginning	Additions	Disposals	Balance, ending
Less accumulated depreciation:				
Land improvements	(49,883)	(776)	-	(50,659)
Buildings and building improvements	(234,187)	(27,048)	-	(261,235)
Machinery, equipment, and vehicles	(644,346)	(73,893)	-	(718,239)
Infrastructure	(392,977)	(81,773)	-	(474,750)
Total accumulated depreciation	<u>(1,321,393)</u>	<u>(183,490)</u>	<u>-</u>	<u>(1,504,883)</u>
Net book value, capital assets being depreciated	4,118,713	18,634	-	4,137,347
Net book value, all governmental activities capital assets	<u>\$ 4,282,356</u>	<u>\$ 18,634</u>	<u>\$ (23,312)</u>	<u>\$ 4,277,678</u>

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

General government	\$ 12,845
Public safety	12,482
Highways and streets	157,612
Sanitation	551
Total depreciation expense	<u>\$ 183,490</u>

NOTE 7 – INTERFUND BALANCES AND TRANSFERS

Interfund Balances - The composition of interfund balances as of December 31, 2012 is as follows:

Receivable Fund	Payable Fund	Amount
General	Permanent	\$ 4,432
Nonmajor	General	74,258
		<u>\$ 78,690</u>

The outstanding balances among funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund Transfers - The composition of interfund transfers in the amount of \$4,432 for the year ended December 31, 2012 consists of transfers from the permanent fund to the general fund.

During the year, transfers are used to (1) move revenues from the fund with collection authority to the fund responsible for expenditure and (2) move general fund resources to provide an annual subsidy.

NOTE 8 – INTERGOVERNMENTAL PAYABLE

The amount due to other governments of \$1,359,455 at December 31, 2012 consists of the balance of the 2012-2013 district assessment due to the Newfound Area School District.

NOTE 9 – LONG-TERM LIABILITIES

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

	General Obligation Bond Payable	Compensated Absences Payable	Total
Balance, beginning	\$ 275,000	\$ 6,310	\$ 281,310
Reductions	(25,000)	(422)	(25,422)
Balance, ending	<u>\$ 250,000</u>	<u>\$ 5,888</u>	<u>\$ 255,888</u>

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Long-term liabilities payable are comprised of the following:

	<u>Original Amount</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate %</u>	<u>Outstanding at December 31, 2012</u>	<u>Current Portion</u>
General obligation bond payable:						
Town shed	\$ 500,000	2002	2022	3.0-5.0	\$ 250,000	\$ 25,000
Compensated absences payable:						
Accrued vacation leave					5,888	-
Total					<u>\$ 255,888</u>	<u>\$ 25,000</u>

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

<u>Fiscal Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 25,000	\$ 10,736	\$ 35,736
2014	25,000	9,711	34,711
2015	25,000	8,649	33,649
2016	25,000	7,574	32,574
2017	25,000	6,475	31,475
2018-2022	125,000	17,724	142,724
Totals	<u>\$ 250,000</u>	<u>\$ 60,869</u>	<u>\$ 310,869</u>

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

NOTE 10 – GOVERNMENTAL ACTIVITIES NET POSITION

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

Net investment in capital assets:	
Capital assets, net of accumulated depreciation	\$ 4,277,678
Less:	
General obligation bond payable	<u>(250,000)</u>
Total net investment in capital assets	<u>4,027,678</u>
Restricted for special purposes:	
Perpetual care	440,968
Capital projects	69,588
Total restricted for special purposes	<u>510,556</u>
Unrestricted	<u>623,576</u>
Total net assets	<u>\$ 5,161,810</u>

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NOTE 11 – GOVERNMENTAL FUND BALANCES

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

Nonspendable:		
Major funds:		
General:		
Prepaid items	\$ 1,238	
Tax deeded property held for resale	4,428	
	<u>5,666</u>	
Permanent:		
Principal balance	<u>305,813</u>	
Total nonspendable fund balance		\$ 311,479
Restricted:		
Major fund:		
Permanent:		
Income balance	\$ 135,155	
Nonmajor fund		
Capital project:		
Town Hall	<u>69,588</u>	
Total restricted fund balance		204,743
Committed:		
Major fund:		
General:		
Expendable trust	<u>\$ 60,339</u>	
Nonmajor funds:		
Special revenue:		
Police detail	10,161	
Conservation commission	<u>10,377</u>	
	<u>20,538</u>	
Total committed fund balance		80,877
Unassigned:		
Major fund:		
General		
		<u>542,919</u>
Total governmental fund balances		<u><u>\$ 1,140,018</u></u>

NOTE 12 – EMPLOYEE RETIREMENT PLAN

The Town participates in the New Hampshire Retirement System (the System) which is the administrator of a cost-sharing multiple-employer contributory pension plan and trust established in 1967 by RSA 100-A:2 and is qualified as a tax-exempt organization under Sections 401(a) and 501(a) of the Internal Revenue Code. The plan is a contributory, defined benefit plan providing service, disability, death and vested retirement benefits to members and their beneficiaries. Provision for benefits and contributions are established and can be amended by the New Hampshire Legislature. The System issues a publicly available financial report that may be obtained by writing the New Hampshire Retirement System, 54 Regional Drive, Concord, NH 03301.

The System is financed by contributions from both the employees and the Town. Member contribution rates are established and may be amended by the State legislature while employer contribution rates are set by the System trustees based on an actuarial valuation. For fiscal year 2012, all employees except police officers and firefighters were required to contribute 7% of earnable compensation. The contribution rates were 11.55% for police officers and 11.80% for firefighters. The Town's contribution rates for 2012 for pension and medical subsidy were as follows; police officers 19.95%; firefighter, 22.89%; all other employees, 8.80%.

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The contribution requirements for the Town of Alexandria for the fiscal years 2010, 2011, and 2012 were \$34,446, \$33,884, and \$28,007, respectively, which were paid in full in each year.

NOTE 13 – RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. During fiscal year 2012, the Town was a member of the Local Government Center Property-Liability Trust, LLC, and the New Hampshire Public Risk Management Exchange (Primex³) Workers' Compensation and Property/Liability Programs. These entities are public entity risk pools, currently operating as common risk management and insurance programs for member Towns and cities.

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

Contributions paid in fiscal year ending December 31, 2012, to be recorded as an property/liability insurance expenditure totaled \$18,675. There were no unpaid contributions for the year ended December 31, 2012.

The New Hampshire Public Risk Management Exchange (Primex³) Workers' Compensation Programs is a pooled risk management program under RSAs 5-B and 281-A. Coverage was provided from January 1, 2012 to December 31, 2012 by Primex³, which retained \$1,000,000 of each workers' compensation loss, \$500,000 of each liability loss, and \$200,000 of each property loss. The Board has decided to self-insure the aggregate exposure and has allocated funds based on actuarial analysis for that purpose. The estimated net contribution from the Town of Alexandria billed and paid for the year ended December 31, 2012 was \$13,340 for workers' compensation.

NOTE 14 – CONTINGENCIES

There are various legal claims and suits pending against the Town which arose in the normal course of the governments activities. In the opinion of management, the ultimate disposition of these various claims and suits will not have a material effect on the financial position of the Town.

The Town participates in various federal grant programs, the principal of which are subject to program compliance audits pursuant to the Single Audit Act as amended. Accordingly, the government's compliance with applicable grant requirements will be established at a future date. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the government anticipates such amounts, if any, will be immaterial.

NOTE 15 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

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

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

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

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

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

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

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

NOTE 16 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the balance sheet date, but before the financial statements are issued. Recognized subsequent events are events or transactions that provided additional evidence about conditions that existed at the balance sheet date, including the estimates inherent in the process of preparing the financial statements. Nonrecognized subsequent events are events that provide evidence about conditions that did not exist at the balance sheet date, but arose after the date. Management has evaluated subsequent events through August 28, 2013, the date the December 31, 2012 financial statements were issued, and no events occurred that require recognition or disclosure.

COMBINING AND INDIVIDUAL FUND SCHEDULES

SCHEDULE 1
TOWN OF ALEXANDRIA, NEW HAMPSHIRE
Major General Fund
Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2012

	Estimated	Actual	Variance Positive (Negative)
Taxes:			
Property	\$ 787,813	\$ 786,745	\$ (1,068)
Land use change	-	625	625
Timber	15,000	17,726	2,726
Payment in lieu of taxes	3,200	85	(3,115)
Interest and penalties on taxes	46,000	53,044	7,044
Total from taxes	<u>852,013</u>	<u>858,225</u>	<u>6,212</u>
Licenses, permits, and fees:			
Motor vehicle permit fees	230,000	239,138	9,138
Building permits	1,200	700	(500)
Other	6,500	8,416	1,916
Total from licenses, permits, and fees	<u>237,700</u>	<u>248,254</u>	<u>10,554</u>
Intergovernmental:			
State:			
Meals and rooms distribution	72,056	72,045	(11)
Highway block grant	74,457	74,457	-
State and federal forest land reimbursement	1,435	1,435	-
Other	-	16,500	16,500
Federal:			
FEMA	20,340	20,340	-
Other	38,189	17,849	20,340
Total from intergovernmental	<u>206,477</u>	<u>202,626</u>	<u>3,851</u>
Charges for services:			
Income from departments	30,000	28,238	(1,762)
Miscellaneous:			
Sale of municipal property	137	138	1
Other	5,700	10,104	4,404
Total from miscellaneous	<u>5,837</u>	<u>10,242</u>	<u>4,405</u>
Other financing sources:			
Transfers in	136,974	134,932	(2,042)
Total revenues and other financing sources	1,469,001	<u>\$ 1,482,517</u>	<u>\$ 13,516</u>
Unassigned fund balance used to reduce tax rate	77,000		
Total revenues, other financing sources, and use of fund balance	<u>\$ 1,546,001</u>		

SCHEDULE 2
TOWN OF ALEXANDRIA, NEW HAMPSHIRE
Major General Fund
Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2012

	Encumbered from Prior Year	Appropriations	Expenditures	Variance Positive (Negative)
Current:				
General government:				
Executive	\$ -	\$ 78,704	\$ 62,711	\$ 15,993
Election and registration	-	9,903	12,068	(2,165)
Financial administration	-	107,260	103,398	3,862
Revaluation of property	-	15,000	8,014	6,986
Legal	-	21,000	28,515	(7,515)
Personnel administration	-	-	46	(46)
Planning and zoning	-	8,028	5,770	2,258
General government buildings	-	24,300	31,458	(7,158)
Cemeteries	-	15,339	13,398	1,941
Insurance, not otherwise allocated	-	20,000	18,808	1,192
Advertising and regional associations	-	17,038	17,213	(175)
Other	-	2,950	1,908	1,042
Total general government	-	319,522	303,307	16,215
Public safety:				
Police	-	195,481	184,513	10,968
Ambulance	-	42,514	42,514	-
Fire	-	16,500	-	16,500
Emergency management	-	2,600	1,290	1,310
Other	-	-	2,422	(2,422)
Total public safety	-	257,095	230,739	26,356
Highways and streets:				
Highways and streets	-	512,756	479,926	32,830
Bridges	-	30,000	11,771	18,229
Street lighting	-	2,600	2,452	148
Total highways and streets	-	545,356	494,149	51,207
Sanitation:				
Solid waste disposal	-	139,895	142,715	(2,820)
Health:				
Administration	-	4,314	3,463	851
Health agencies	-	21,543	19,042	2,501
Total health	-	25,857	22,505	3,352
Welfare:				
Direct assistance	-	19,500	22,834	(3,334)
Culture and recreation:				
Parks and recreation	-	25,475	25,975	(500)
Patriotic purposes	-	1,000	457	543
Total culture and recreation	-	26,475	26,432	43
Conservation	-	1,050	936	114

(Continued)

SCHEDULE 2 (Continued)
TOWN OF ALEXANDRIA, NEW HAMPSHIRE
Major General Fund
Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2012

	Encumbered from Prior Year	Appropriations	Expenditures	Variance Positive (Negative)
Debt service:				
Principal of long-term debt	-	25,000	25,000	-
Interest on long-term debt	-	12,551	11,237	1,314
Interest on tax anticipation notes	-	200	318	(118)
Total debt service	-	<u>37,751</u>	<u>36,555</u>	<u>1,196</u>
Capital outlay:				
Land	31,819	-	165,447	(133,628)
Machinery, Equipment, and Vehicles	-	143,500	-	143,500
Buildings	-	-	11,670	(11,670)
Total capital outlay	<u>31,819</u>	<u>143,500</u>	<u>177,117</u>	<u>(1,798)</u>
Other financing uses:				
Transfers out	-	30,000	30,000	-
Total appropriations, expenditures, other financing uses, and encumbrances	<u>\$ 31,819</u>	<u>\$ 1,546,001</u>	<u>\$ 1,487,289</u>	<u>\$ 90,531</u>

*SCHEDULE 3
TOWN OF ALEXANDRIA, NEW HAMPSHIRE
Major General Fund
Schedule of Changes in Unassigned Fund Balance (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2012*

Unassigned fund balance, beginning		\$ 516,718
Changes:		
Unassigned fund balance used to reduce 2012 tax rate		(77,000)
2012 Budget summary:		
Revenue surplus (Schedule 1)	\$ 13,516	
Unexpended balance of appropriations (Schedule 2)	<u>90,531</u>	
2012 Budget surplus		104,047
Increase in nonspendable fund balance		<u>(846)</u>
Unassigned fund balance, ending		<u><u>\$ 542,919</u></u>

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

	Special Revenue Funds		Capital Project Fund	Total
	Conservation Commission	Police Special Detail	Town Hall	
ASSETS				
Cash and cash equivalents	\$ 6,202	\$ 9,666	\$ -	\$ 15,868
Interfund receivable	4,175	495	69,588	74,258
Total assets	<u>\$ 10,377</u>	<u>\$ 10,161</u>	<u>\$ 69,588</u>	<u>\$ 90,126</u>
Fund balances:				
Restricted	\$ -	\$ -	\$ 69,588	\$ 69,588
Committed	10,377	10,161	-	20,538
Total fund balances	<u>\$ 10,377</u>	<u>\$ 10,161</u>	<u>\$ 69,588</u>	<u>\$ 90,126</u>

SCHEDULE 5
TOWN OF ALEXANDRIA, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended December 31, 2012

	Special Revenue Funds		Capital Project Fund	Total
	Conservation Commission	Police Special Detail	Town Hall	
Revenues:				
Taxes	\$ 625	\$ -	\$ -	\$ 625
Miscellaneous	12	26	-	38
Total revenues	<u>637</u>	<u>26</u>	<u>-</u>	<u>663</u>
Expenditures:				
Current:				
Conservation	<u>6,800</u>	<u>-</u>	<u>-</u>	<u>6,800</u>
Net change in fund balances	(6,163)	26	-	(6,137)
Fund balances, beginning	<u>16,540</u>	<u>10,135</u>	<u>69,588</u>	<u>96,263</u>
Fund balances, ending	<u>\$ 10,377</u>	<u>\$ 10,161</u>	<u>\$ 69,588</u>	<u>\$ 90,126</u>



PLODZIK & SANDERSON

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INDEPENDENT AUDITOR'S COMMUNICATION OF SIGNIFICANT DEFICIENCY

To the Members of the Board of Selectmen
Town of Alexandria
Alexandria, 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 Alexandria as of and for the year ended December 31, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered the Town's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Alexandria's internal control.

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

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

Transfer Station Cash Receipts

During review of internal controls over the Transfer Station it was noted that cash receipts were not kept in a secure location prior to deposit. The Transfer Station attendants will take funds home with them to avoid leaving funds at the Transfer Station. We recommend that all receipts be kept in a secure location (at Town Hall, or secured at the Transfer Station) prior to deposit to the Town's bank account.

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

August 28, 2013

*Plodzik & Sanderson
Professional Association*