

TOWN OF BELMONT, NEW HAMPSHIRE
Financial Statements
With Schedule of Expenditures of Federal Awards
December 31, 2012
and
Independent Auditor's Report

**Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit
of Financial Statements Performed in Accordance
With *Government Auditing Standards***

**Report on Compliance for Each Major Federal Program and
Report on Internal Control Over Compliance**

Schedule of Findings and Questioned Costs

**TOWN OF BELMONT, NEW HAMPSHIRE
FINANCIAL STATEMENTS
December 31, 2012**

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FINANCIAL STATEMENTS
December 31, 2012**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Selectmen
Town of Belmont, New Hampshire

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Belmont, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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.

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and the schedule of funding progress for other post-employment benefits on pages i-vii and 30-33 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Belmont, New Hampshire's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Additionally, the combining nonmajor governmental fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditures of federal awards and the combining nonmajor governmental 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 schedule of expenditures of federal awards and the combining nonmajor governmental fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 9, 2013 on our consideration of the Town of Belmont, New Hampshire's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Belmont, New Hampshire's internal control over financial reporting and compliance.

Vachon Clukey & Company PC
Manchester, New Hampshire
September 9, 2013

TOWN OF BELMONT, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ending December 31, 2012

Presented herewith please find the Management Discussion and Analysis Report for the Town of Belmont, New Hampshire for the year ended December 31, 2012. The responsibility for accuracy of the data, the completeness and fairness of this documentation (including all disclosures) rests with management. To the best of our knowledge and belief, the data contained herein is accurate in all material aspects. This report and its content have been designed to fairly present the Town's financial position, including the results of operations of all the funds of the Town. All the disclosures necessary to enable and to assist the reader in acquiring an accurate understanding of the Town's financial activities have been included.

The Town's management is responsible for establishing accounting and internal control structures designed to ensure that the physical, data, informational, intellectual, and human resource assets of the Town are protected from loss, theft and misuse, and to ensure that adequate accounting information is maintained and reported in conformity with generally accepted accounting principles (GAAP). Management also strives to ensure that these assets are put to good and effective use. The internal control structure is designed to provide reasonable assurances that these objectives are attained.

Overview of the Financial Statements

The financial statements presented herein include all of the activities of the Town of Belmont, New Hampshire using the integrated approach as prescribed by GASB Statement 34.

This discussion and analysis is intended to serve as an introduction to the Town of Belmont, New Hampshire's financial statements. The basic financial statements are comprised of three components:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the basic financial statements

Additionally, during the year 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. See the notes to the basic financial statements for further information.

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 most private-sector companies.

The statement of net position presents information on all of the Town's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

TOWN OF BELMONT, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ending December 31, 2012

The statement of activities presents information showing how the Town's net position changed during the most recent fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The government-wide financial statements have separate columns for the following two fund types:
Governmental activities -- Represent most of the Town's basic services.

Business-type activities -- Account for the Town's water and sewer operations and receive the majority of their revenue from user fees.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain the control over resources that have been segregated for specific activities or objectives. The Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Town maintains three fund types: governmental, proprietary and fiduciary funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Town's near-term financing requirements.

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

The Town maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and the statement of revenues, expenditures and changes in fund balances for the General Fund and Permanent Funds, which are considered major funds. Other governmental funds are aggregated and reported as nonmajor governmental funds.

The Town adopts an annual appropriation budget for its governmental funds. A budgetary comparison has been provided for the General Fund to demonstrate compliance with this budget.

Proprietary funds provide water and sewer services to customers and charge a user fee. They are presented on the accrual basis of accounting.

Fiduciary funds are used to account for resources held for the benefit of parties outside of the Town. Fiduciary Funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's own programs.

TOWN OF BELMONT, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ending December 31, 2012

Notes to the Basic Financial Statements

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

Required Supplementary Information

The basic financial statements and accompanying notes are followed by a section of required supplementary information. This section includes a budgetary comparison schedule for the General Fund, the Town's only major governmental fund with an adopted budget, and the schedule of funding progress for other post-employment benefits.

Other Supplementary Information

Other supplementary information includes combining financial statements for the nonmajor governmental funds.

Government-Wide Financial Analysis

Governmental Activities

Statement of Net position

Net position of the governmental activities as of December 31, 2012 and 2011 is as follows:

	<u>2012</u>	<u>2011</u>
Capital assets, net	\$ 11,054,268	\$ 10,664,251
Other assets	<u>11,635,694</u>	<u>10,941,519</u>
Total Assets	<u>22,689,962</u>	<u>21,605,770</u>
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>
Long-term liabilities	1,516,823	1,485,981
Other liabilities	<u>4,996,488</u>	<u>4,552,706</u>
Total Liabilities	<u>6,513,311</u>	<u>6,038,687</u>
Unearned revenue	<u>9,048</u>	<u>11,446</u>
Total Deferred Inflows of Resources	<u>9,048</u>	<u>11,446</u>
Net position:		
Net investment in capital assets	10,049,109	9,569,769
Restricted	2,081,548	1,956,177
Unrestricted	<u>4,036,946</u>	<u>4,029,691</u>
Total Net Position	<u>\$ 16,167,603</u>	<u>\$ 15,555,637</u>

TOWN OF BELMONT, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ending December 31, 2012

The Town's net position for its governmental activities totaled \$16,167,603 at the end of fiscal year 2012, an increase of \$611,966 when compared to the previous fiscal year.

Approximately 63% of the Town's net position reflects its net investment in capital assets such as land, infrastructure, buildings and equipment, less any related outstanding debt used to acquire those assets. Another 13% of the Town's net position is restricted in regard to how it may be used by the Town. The majority of the restrictions consist of the balances of the permanent funds. The remaining unrestricted portion of 24% represents the part of net position available to finance the day-to-day operations.

Statement of Activities

Changes in net position of the governmental activities for the years ended December 31, 2012 and 2011 are as follows:

	<u>2012</u>	<u>2011</u>
Revenues		
Program revenues:		
Charges for services	\$ 372,682	\$ 299,565
Operating grants and contributions	486,250	282,430
Capital grants and contributions	14,383	195,910
General revenues:		
Property and other taxes	5,357,680	5,368,851
Licenses and permits	1,321,552	1,311,805
Intergovernmental	327,584	328,596
Interest and investment earnings	158,449	48,882
Miscellaneous	133,688	184,128
Total revenues	<u>8,172,268</u>	<u>8,020,167</u>
Expenses		
General government	1,628,420	1,663,767
Public safety	3,367,182	3,225,984
Highways and streets	1,402,624	1,375,891
Sanitation	545,418	549,929
Health and welfare	251,822	261,946
Culture and recreation	287,128	269,655
Conservation	43,616	56,599
Economic development		615
Interest and fiscal charges	34,092	36,224
Total expenses	<u>7,560,302</u>	<u>7,440,610</u>
Increase in net position	611,966	579,557
Net position, beginning of year	<u>15,555,637</u>	<u>14,976,080</u>
Net position, end of year	<u>\$ 16,167,603</u>	<u>\$ 15,555,637</u>

**TOWN OF BELMONT, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ending December 31, 2012**

As shown in the above statement the Town's governmental activities experienced an improvement in financial position of \$611,966 on the full accrual basis of accounting.

Business-type Activities

Statement of Net position

Net position of the business type activities as of December 31, 2012 and 2011 are as follows:

	2012	2011
Capital assets, net	\$ 5,956,661	\$ 5,160,791
Other assets	1,412,228	1,041,260
Total Assets	7,368,889	6,202,051
Total Deferred Outflows of Resources	-	-
Long-term liabilities	1,542,442	782,591
Other liabilities	177,997	52,373
Total Liabilities	1,720,439	834,964
Total Deferred Inflows of Resources	-	-
Net position:		
Net investment in capital assets	4,584,586	4,556,445
Unrestricted	1,063,864	810,642
Total Net Position	\$ 5,648,450	\$ 5,367,087

The largest portion of the Town's net position for its business-type activities reflects its net investment in capital assets, primarily utility plants (Water and Wastewater) in service and equipment, less any related outstanding debt used to acquire those assets. These assets are not available for future spending.

Statement of Activities

Changes in net position of the business-type activities for the years ended December 31, 2012 and 2011 are as follows:

	2012	2011
Revenues		
Program revenues:		
Charges for services	\$ 837,281	\$ 726,233
Capital grants and contributions	184,846	17,530

**TOWN OF BELMONT, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ending December 31, 2012**

General revenues:		
Interest and investment earnings	2,029	2,010
Miscellaneous	5,107	3,981
Total revenues	<u>1,029,263</u>	<u>749,754</u>
Expenses		
Water Department	267,709	266,302
Sewer Department	480,191	486,000
Total expenses	<u>747,900</u>	<u>752,302</u>
Increase in net position	281,363	(2,548)
Net position, beginning of year	<u>5,367,087</u>	<u>5,369,635</u>
Net position, end of year	<u>\$ 5,648,450</u>	<u>\$ 5,367,087</u>

The main funding source for the business-type activities is charges for services, which provided for 100% and 97% of the expenses in fiscal years 2012 and 2011, respectively. Net position increased by \$281,363 from the prior year.

Governmental Funds

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

General Fund and Budgetary Highlights

The General Fund is the main operating fund of the Town. At the end of the current fiscal year, the general fund had a fund balance of \$1,981,925 on the modified accrual basis of accounting, a decrease of (\$330,605). This decrease is primarily due to an excess of appropriations over revenues, which was partially offset by authorized transfers from the Nonmajor Governmental Funds.

During the year, the original budget for appropriations and revenues decreased by (\$845,676) and (\$731,007), respectively. This decrease is the result of approved appropriations and revenues being carried forward to the 2013 budget.

Permanent Funds

Permanent funds 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, a balance of \$1,425,385 was nonspendable for endowments and \$638,903 was restricted for income. The total fund balance in the permanent funds increased \$125,371 from the prior year, largely due to realized and unrealized gains on investments.

**TOWN OF BELMONT, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ending December 31, 2012**

Proprietary Funds

The focus of the Town's proprietary funds is on total economic resources, and changes to net position, much as it might be for a private-sector business. The Town's proprietary funds had total unrestricted net position of \$1,063,864 at December 31, 2012, which increased by approximately 31% from 2011.

Capital Assets

The Town of Belmont considers a capital asset to be an asset whose costs exceed or equal \$15,000 and has a useful life of greater than one year. Assets are depreciated using the straight-line method over the course of their useful life. During the year the Town's net capital assets for governmental and business type activities increased by a total of \$390,017 and \$795,870, respectively, which was primarily due to Town road reconstruction and improvements to water lines and sewer pump station, respectively. Additional information on capital assets can be found in Note 6 of the Notes to the Basic Financial Statements.

Long-Term Obligations

During fiscal year 2012 the Town had a decrease in general obligation bonds payable for governmental and business-type activities of \$66,759 and \$49,133, respectively. Scheduled payments of \$69,759 were made during 2012 on general obligation bonds outstanding for governmental activities. The amount of general obligation bonds outstanding for business-type activities decreased by \$49,133 due to scheduled payments and the net impact of the issuance of \$432,000 of general obligations bonds to refund \$467,229 of old debt. Additional information on the current refunding of debt can be found in Note 11 of the Notes to the Basic Financial Statements.

With the implementation of GASB Statement 45, the Town is required to account for other post-employment benefits (OPEB) on an accrual basis rather than a pay-as-you-go basis. Although the Town is not required to fund this contribution, it is recognized as a liability in these financial statements. The net OPEB obligation as of December 31, 2012 is \$427,073. Additional information on long-term obligations can be found in Note 10 of the Notes to the Basic Financial Statements.

Contacting the Town of Belmont's Financial Management

This financial report is intended to provide our citizens and creditors with a general overview of the Town's finances and to show a measure of accountability for the money it receives. If you have any questions about this report or need to get additional information, contact the Board of Selectmen at, PO Box 310, Belmont, NH 03220, telephone number (603) 267-8300.

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

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 5,613,993	\$ 468,327	\$ 6,082,320
Investments	3,566,319	367,789	3,934,108
Taxes receivable, net	2,168,880		2,168,880
Accounts receivable, net	236,444	294,871	531,315
Due from other governments	40,395	121,010	161,405
Prepaid expenses	18,977		18,977
Internal balances	(9,314)	9,314	-
Total Current Assets	<u>11,635,694</u>	<u>1,261,311</u>	<u>12,897,005</u>
Noncurrent Assets:			
Due from other governments		150,917	150,917
Capital assets:			
Non-depreciable capital assets	4,248,569	1,038,339	5,286,908
Depreciable capital assets, net	6,805,699	4,918,322	11,724,021
Total Noncurrent Assets	<u>11,054,268</u>	<u>6,107,578</u>	<u>17,161,846</u>
Total Assets	<u>22,689,962</u>	<u>7,368,889</u>	<u>30,058,851</u>
DEFERRED OUTFLOWS OF RESOURCES			
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	140,481	113,081	253,562
Accrued expenses	93,047	10,961	104,008
Retainage payable	63,157	53,955	117,112
Due to other governments	4,699,803		4,699,803
Current portion of bonds payable	69,161	75,845	145,006
Current portion of capital leases payable	23,543		23,543
Current portion of compensated absences payable	10,000		10,000
Total Current Liabilities	<u>5,099,192</u>	<u>253,842</u>	<u>5,353,034</u>
Noncurrent Liabilities:			
Bonds payable	887,891	652,154	1,540,045
Capital leases payable	24,564		24,564
Other long-term obligations		799,966	799,966
Compensated absences payable	89,068		89,068
Other post-employment benefits payable	412,596	14,477	427,073
Total Noncurrent Liabilities	<u>1,414,119</u>	<u>1,466,597</u>	<u>2,880,716</u>
Total Liabilities	<u>6,513,311</u>	<u>1,720,439</u>	<u>8,233,750</u>
DEFERRED INFLOWS OF RESOURCES			
Unearned revenue	9,048		9,048
Total Deferred Inflows of Resources	<u>9,048</u>	<u>-</u>	<u>9,048</u>
NET POSITION			
Net investment in capital assets	10,049,109	4,584,586	14,633,695
Restricted	2,081,548		2,081,548
Unrestricted	4,036,946	1,063,864	5,100,810
Total Net Position	<u>\$ 16,167,603</u>	<u>\$ 5,648,450</u>	<u>\$ 21,816,053</u>

See accompanying notes to the basic financial statements

EXHIBIT B
TOWN OF BELMONT, NEW HAMPSHIRE
Statement of Activities

For the Year Ended December 31, 2012

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
General government	\$ 1,628,420	\$ 21,613	\$ 241,506		\$ (1,365,301)		\$ (1,365,301)
Public safety	3,367,182	287,664	46,646		(3,032,872)		(3,032,872)
Highways and streets	1,402,624		173,911		(1,228,713)		(1,228,713)
Sanitation	545,418				(545,418)		(545,418)
Health and welfare	251,822				(251,822)		(251,822)
Culture and recreation	287,128	63,405		\$ 14,383	(209,340)		(209,340)
Conservation	43,616		24,187		(19,429)		(19,429)
Interest and fiscal charges	34,092				(34,092)		(34,092)
Total governmental activities	<u>7,560,302</u>	<u>372,682</u>	<u>486,250</u>	<u>14,383</u>	<u>(6,686,987)</u>	<u>-</u>	<u>(6,686,987)</u>
Business-type activities:							
Sewer Department	480,191	539,899		7,344		67,052	67,052
Water Department	267,709	297,382		177,502		207,175	207,175
Total business-type activities	<u>747,900</u>	<u>837,281</u>	<u>-</u>	<u>184,846</u>	<u>-</u>	<u>274,227</u>	<u>274,227</u>
Total primary government	<u>\$ 8,308,202</u>	<u>\$ 1,209,963</u>	<u>\$ 486,250</u>	<u>\$ 199,229</u>	<u>(6,686,987)</u>	<u>274,227</u>	<u>(6,412,760)</u>
General revenues:							
Property and other taxes					5,357,680		5,357,680
Licenses and permits					1,321,552		1,321,552
Grants and contributions:							
Rooms and meals tax distribution					327,569		327,569
State and federal forest land reimbursement					15		15
Interest and investment earnings					158,449	2,029	160,478
Miscellaneous					133,688	5,107	138,795
Total general revenues					<u>7,298,953</u>	<u>7,136</u>	<u>7,306,089</u>
Change in net position					611,966	281,363	893,329
Net position - beginning					15,555,637	5,367,087	20,922,724
Net position - ending					<u>\$ 16,167,603</u>	<u>\$ 5,648,450</u>	<u>\$ 21,816,053</u>

See accompanying notes to the basic financial statements

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

	General <u>Fund</u>	Permanent <u>Funds</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
ASSETS				
Cash and cash equivalents	\$ 5,041,332		\$ 572,661	\$ 5,613,993
Investments	1,502,031	\$ 2,064,288		3,566,319
Taxes receivable, net	2,168,880			2,168,880
Accounts receivable, net	33,419		203,025	236,444
Due from other governments	40,395			40,395
Due from other funds			23,664	23,664
Prepaid expenses	18,977			18,977
Total Assets	<u>8,805,034</u>	<u>2,064,288</u>	<u>799,350</u>	<u>11,668,672</u>
DEFERRED OUTFLOWS OF RESOURCES				
Total Deferred Outflows of Resources	-	-	-	-
Total Assets and Deferred Outflows of Resources	<u>\$ 8,805,034</u>	<u>\$ 2,064,288</u>	<u>\$ 799,350</u>	<u>\$ 11,668,672</u>
LIABILITIES				
Accounts payable	\$ 140,481			\$ 140,481
Accrued expenses	93,047			93,047
Retainage payable	63,157			63,157
Due to other governments	4,699,803			4,699,803
Due to other funds	32,978			32,978
Total Liabilities	<u>5,029,466</u>	<u>\$ -</u>	<u>\$ -</u>	<u>5,029,466</u>
DEFERRED INFLOWS OF RESOURCES				
Unearned property taxes	1,784,595			1,784,595
Unearned revenue	9,048			9,048
Total Deferred Inflows of Resources	<u>1,793,643</u>	<u>-</u>	<u>-</u>	<u>1,793,643</u>
FUND BALANCES				
Nonspendable	18,977	1,425,385		1,444,362
Restricted		638,903	17,260	656,163
Committed	2,003,057		782,090	2,785,147
Unassigned (Deficit)	(40,109)			(40,109)
Total Fund Balances	<u>1,981,925</u>	<u>2,064,288</u>	<u>799,350</u>	<u>4,845,563</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 8,805,034</u>	<u>\$ 2,064,288</u>	<u>\$ 799,350</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 11,054,268

Property taxes are recognized on an accrual basis in the statement of net position, not the modified accrual basis 1,784,595

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:

Bonds payable (957,052)
Capital leases payable (48,107)
Compensated absences payable (99,068)
Other post-employment benefits payable (412,596)

Net position of governmental activities \$ 16,167,603

See accompanying notes to the basic financial statements

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

TOWN OF BELMONT, 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

	General Fund	Permanent Funds	Nonmajor Governmental Funds	Total Governmental Funds	
Revenues:					
Taxes	\$ 5,053,639		\$ 15,590	\$ 5,069,229	
Licenses and permits	1,321,552			1,321,552	
Intergovernmental	813,736		14,481	828,217	
Charges for services	111,419		261,263	372,682	
Interest and investment income	3,372	\$ 154,837	240	158,449	
Miscellaneous	133,088	600		133,688	
Total Revenues	<u>7,436,806</u>	<u>155,437</u>	<u>291,574</u>	<u>7,883,817</u>	
Expenditures:					
Current operations:					
General government	1,283,251			1,307,156	
Public safety	3,100,119	23,905	692	3,100,811	
Highways and streets	1,104,476			1,104,476	
Sanitation	545,418			545,418	
Health and welfare	249,885			249,885	
Culture and recreation	243,236	6,161	32,746	282,143	
Conservation	26,612		529	27,141	
Capital outlay	1,201,596			1,201,596	
Debt service:					
Principal retirement	66,759			66,759	
Interest and fiscal charges	34,092			34,092	
Total Expenditures	<u>7,855,444</u>	<u>30,066</u>	<u>33,967</u>	<u>7,919,477</u>	
Excess revenues over (under) expenditures	(418,638)	125,371	257,607	(35,660)	
Other financing sources (uses):					
Transfers in	97,091		9,058	106,149	
Transfers out	(9,058)		(97,091)	(106,149)	
Total other financing sources (uses)	<u>88,033</u>		<u>(88,033)</u>		
Net change in fund balances	(330,605)	125,371	169,574	(35,660)	
Fund balances at beginning of year	<u>2,312,530</u>	<u>1,938,917</u>	<u>629,776</u>	<u>4,881,223</u>	
Fund balances at end of year	<u>\$ 1,981,925</u>	<u>\$ 2,064,288</u>	<u>\$ 799,350</u>	<u>\$ 4,845,563</u>	
Net Change in Fund Balances--Total Governmental Funds					\$ (35,660)
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 capital outlays exceeded depreciation expense in the current period.					390,017
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.					288,451
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.					22,564
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.					66,759
Some expenses reported in the statement of activities, such as compensated absences and other post-employment benefits, do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.					(120,165)
Change in Net Position of Governmental Activities					\$ 611,966

EXHIBIT E
TOWN OF BELMONT, NEW HAMPSHIRE
Statement of Net Position
Proprietary Funds
December 31, 2012

	Business-type Activities		
	Water Fund	Sewer Fund	Totals
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 161,253	\$ 307,074	\$ 468,327
Investments	17,806	349,983	367,789
Accounts receivable	116,012	178,859	294,871
Due from other governments		121,010	121,010
Due from other funds	12,114		12,114
Total Current Assets	<u>307,185</u>	<u>956,926</u>	<u>1,264,111</u>
Noncurrent Assets:			
Due from other governments		150,917	150,917
Non-depreciable capital assets	238,553	799,786	1,038,339
Depreciable capital assets, net	1,664,837	3,253,485	4,918,322
Total Noncurrent Assets	<u>1,903,390</u>	<u>4,204,188</u>	<u>6,107,578</u>
Total Assets	<u>2,210,575</u>	<u>5,161,114</u>	<u>7,371,689</u>
DEFERRED OUTFLOWS OF RESOURCES			
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	705	112,376	113,081
Accrued expenses	5,867	5,094	10,961
Retainage payable		53,955	53,955
Due to other funds		2,800	2,800
Current portion of bonds payable	56,100	19,745	75,845
Total Current Liabilities	<u>62,672</u>	<u>193,970</u>	<u>256,642</u>
Noncurrent Liabilities:			
Bonds payable	184,035	468,119	652,154
Other long-term obligations	60,180	739,786	799,966
Other post-employment benefits payable	7,238	7,239	14,477
Total Noncurrent Liabilities	<u>251,453</u>	<u>1,215,144</u>	<u>1,466,597</u>
Total Liabilities	<u>314,125</u>	<u>1,409,114</u>	<u>1,723,239</u>
DEFERRED INFLOWS OF RESOURCES			
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION			
Net investment in capital assets	1,603,075	2,981,511	4,584,586
Unrestricted	293,375	770,489	1,063,864
Total Net Position	<u>\$ 1,896,450</u>	<u>\$ 3,752,000</u>	<u>\$ 5,648,450</u>

See accompanying notes to the basic financial statements

EXHIBIT F
TOWN OF BELMONT, NEW HAMPSHIRE
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2012

	Business-type Activities		
	Water Fund	Sewer Fund	Totals
Operating revenues:			
Charges for services	\$ 297,382	\$ 539,899	\$ 837,281
Miscellaneous	4,050	1,057	5,107
Total operating revenues	<u>301,432</u>	<u>540,956</u>	<u>842,388</u>
Operating expenses:			
Personnel services	88,061	80,742	168,803
Contractual services	73,194	189,612	262,806
Materials and supplies	20,432	19,577	40,009
Utilities	19,793	11,437	31,230
Depreciation	54,893	127,633	182,526
Total operating expenses	<u>256,373</u>	<u>429,001</u>	<u>685,374</u>
Operating income	<u>45,059</u>	<u>111,955</u>	<u>157,014</u>
Non-operating revenues (expenses):			
Interest revenue	150	1,879	2,029
Interest expense	(11,336)	(51,190)	(62,526)
Net non-operating revenues (expenses)	<u>(11,186)</u>	<u>(49,311)</u>	<u>(60,497)</u>
Income before capital contributions	33,873	62,644	96,517
Capital contributions	<u>177,502</u>	<u>7,344</u>	<u>184,846</u>
Change in net position	211,375	69,988	281,363
Total net position at beginning of year	<u>1,685,075</u>	<u>3,682,012</u>	<u>5,367,087</u>
Total net position at end of year	<u>\$ 1,896,450</u>	<u>\$ 3,752,000</u>	<u>\$ 5,648,450</u>

See accompanying notes to the basic financial statements

EXHIBIT G
TOWN OF BELMONT, NEW HAMPSHIRE
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2012

	Business-type Activities		
	Water Fund	Sewer Fund	Totals
Cash flows from operating activities:			
Cash received from customers	\$ 262,472	\$ 470,613	\$ 733,085
Other operating cash receipts	4,050	1,057	5,107
Cash paid to suppliers	(114,374)	(224,857)	(339,231)
Cash paid to employees	(84,924)	(72,791)	(157,715)
Net cash provided by operating activities	<u>67,224</u>	<u>174,022</u>	<u>241,246</u>
Cash flows from capital and related financing activities:			
Capital contributions	177,502	11,920	189,422
Purchases of capital assets	(238,553)	(608,886)	(847,439)
Proceeds from debt refunding		487,864	487,864
Payments on refunded debt		(487,864)	(487,864)
Proceeds from other long-term obligations	60,180	623,749	683,929
Principal paid on long-term debt	(56,097)	(13,671)	(69,768)
Interest paid on long-term debt	(11,337)	(20,451)	(31,788)
Net cash (used) for capital and related financing activities	<u>(68,305)</u>	<u>(7,339)</u>	<u>(75,644)</u>
Cash flows from investing activities:			
Purchase of investments	(20)		(20)
Redemption of investments		33,150	33,150
Interest on investments	150	1,879	2,029
Net cash provided by investing activities	<u>130</u>	<u>35,029</u>	<u>35,159</u>
Net increase (decrease) in cash and cash equivalents	(951)	201,712	200,761
Cash and cash equivalents at beginning of year	<u>174,318</u>	<u>102,562</u>	<u>276,880</u>
Cash and cash equivalents at end of year	<u>\$ 173,367</u>	<u>\$ 304,274</u>	<u>\$ 477,641</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 45,059	\$ 111,955	\$ 157,014
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	54,893	127,633	182,526
Changes in assets and liabilities:			
Accounts receivable	(34,910)	(69,286)	(104,196)
Accounts payable	403	(3,519)	(3,116)
Other post-employment benefits payable	1,779	7,239	9,018
Net cash provided by operating activities	<u>\$ 67,224</u>	<u>\$ 174,022</u>	<u>\$ 241,246</u>
Noncash Transactions Affecting Financial Position:			
Capital asset additions included in year end liabilities	<u>\$ -</u>	<u>\$ 165,891</u>	<u>\$ 165,891</u>

See accompanying notes to the basic financial statements

EXHIBIT H
TOWN OF BELMONT, NEW HAMPSHIRE
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2012

	Agency Funds
ASSETS	
Cash and cash equivalents	\$ 201,154
Investments	992,430
Total Assets	<u>\$ 1,193,584</u>
LIABILITIES	
Deposits	\$ 201,154
Due to other governments	992,430
Total Liabilities	<u>\$ 1,193,584</u>

See accompanying notes to the basic financial statements

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

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Belmont, 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 Belmont, New Hampshire (the Town) was incorporated in 1727. The Town operates under the Town Meeting/Board of Selectmen 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 and business-type 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 and business-type 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

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

with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Town.

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 and proprietary 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 fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The Town employs the use of three categories of funds: governmental, proprietary 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 plus deferred outflows of resources and liabilities plus deferred inflows of resources is reported as fund balance. The following are the Town's major governmental funds:

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.

The *Permanent Funds* are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the Town's programs.

2. Proprietary Funds:

Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. Proprietary funds are classified as enterprise or internal service. The Town has no internal service funds. The following are the Town's major proprietary funds:

The *Water and Sewer Funds* account for all revenues and expenses pertaining to the Town's water and wastewater operations, respectively. The Water and Sewer Funds are utilized to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that the cost (i.e. expenses including depreciation) of providing goods or services to the residents on a continuing basis are financed or recovered primarily through user charges.

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

3. Fiduciary Funds:

Fiduciary fund reporting focuses on net position and changes in net position. The Town's fiduciary fund category has one classification: agency funds. The Town's agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. The Town's agency funds account for capital reserve and scholarship funds of the Shaker Regional School District, which are held by the Town's Trustees of Trust Funds in accordance with State law. The Town also accounts for certain performance deposits in its agency funds.

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, liabilities and deferred inflows of resources associated with the operation of the Town are included on the Statement of Net Position.

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.

Like the government-wide statements, the proprietary fund type is accounted for on a flow of economic resources measurement focus. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of these funds are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the Town finances and meets the cash flow needs of its proprietary activities.

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. Proprietary and 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 unearned revenue, and in the presentation of expenses versus expenditures.

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

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 2). 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.

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.

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

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 \$400,000 of its unappropriated fund balance to reduce taxes.

Cash and Cash Equivalents

For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of the following:

	Water <u>Fund</u>	Sewer <u>Fund</u>	<u>Totals</u>
Cash and cash equivalents	\$ 161,253	\$ 307,074	\$ 468,327
Due from other funds	12,114		12,114
Due to other funds		(2,800)	(2,800)
Total cash and cash equivalents	<u>\$ 173,367</u>	<u>\$ 304,274</u>	<u>\$ 477,641</u>

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.

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 uncollectibles of \$174,000.

Accounts Receivable

Charges for services billed during the current year and prior and uncollected at December 31, 2012 are recorded as receivables net of reserves for estimated uncollectibles of \$78,519 in the Nonmajor Governmental Funds.

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 fair values as of the date received. The Town maintains a capitalization threshold of \$15,000. The Town's infrastructure consists of roads, water purification and distribution system, sewer collection and treatment system, and similar items. Intangible assets of the Town consist of land easements which are reported as non-depreciable capital assets. 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. Interest incurred during the construction phase of capital assets of business-type activities is also capitalized.

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

The Town is not required to retroactively report its general infrastructure (e.g. roads, bridges, and sidewalks). Infrastructure records have been maintained effective January 1, 2004 and are included in these financial statements.

All reported capital assets except for land, easements with an indefinite life 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	15
Infrastructure	20-75
Buildings and improvements	10-30
Vehicles and equipment	3-15
Computer software	5

Bond Premium

Bond premiums are amortized as a component of interest expense over the life of the related bond using the effective interest rate method. Bonds payable are reported in the accompanying financial statements gross of any applicable unamortized bond premium. The balance of the unamortized bond premium recorded in the Sewer Fund as of December 31, 2012 is \$55,864.

Compensated Absences

Full time employees accrue sick leave days at a rate of one day per month, cumulative to a maximum of 60 days. Upon retirement, employees may receive a payout of 50% of their accumulated sick time at current rates of pay, up to a maximum of 225 hours. Town employees earn vacation at 5-25 days per year dependent upon length of service. Upon retirement, employees shall be compensated for unused vacation leave at current rates of pay, up to a maximum of 10 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 death or retirement. The entire compensated absence liability is reported on the government-wide financial statements.

Accrued Liabilities and Long-Term Obligations

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. General obligation bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

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

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 investment 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 has implemented GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Statement 54 established new fund balance classifications and changed 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 that can only be spent for the specific purpose stipulated by external resource providers or enabling legislation. Restrictions may be changed or lifted only with the consent of the resource providers or enabling legislation.
- *Committed Fund Balance*: Includes amounts that can be used only for the specific purposes determined by a formal action of the Town's highest level of decision making authority (Town Meeting vote). Commitments may be changed or lifted only by taking the same formal action that imposed the constraint originally. The action must be approved or rescinded, as applicable, prior to the last day of the fiscal year for which the commitment is made. The amount subject to the constraint may be determined in the subsequent period.
- *Assigned Fund Balance*: Amounts the Town intends to use for a specific purpose. For all governmental funds other than the General Fund, any remaining positive amounts are to be classified as "Assigned". Items that fall under this classification for the General Fund would be encumbrances properly approved by contract, purchase order, or other such action as required.
- *Unassigned Fund Balance*: Amounts that are not obligated or specifically designated and is available for any purpose. The residual classification of any General Fund balance is to be reported here. Any deficit balance of another governmental fund is also classified as unassigned.

Spending Prioritizations

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.

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

When expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used, committed amounts should be reduced first, followed by assigned amounts and then unassigned amounts.

Minimum Level of Unassigned Fund Balance

The Town will strive to maintain an unassigned fund balance in its General Fund equal to 5-17% of the total appropriations of the community (which includes Town, School, and County). The Board of Selectmen will review this information each year in order to determine the amount, if any, of unassigned fund balance to use to balance the budget and to reduce the property tax rate.

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.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the water fund and sewer fund, these revenues are charges to customers for sales and services. Operating expenses, which include depreciation on capital assets, are necessary costs incurred to provide the service that is the primary activity of the proprietary fund. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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, the liability for other post-employment benefits and the allowances for uncollectible taxes and accounts receivable.

NOTE 2—PROPERTY TAXES

Taxes are levied on the assessed valuation of all taxable real property as of the prior April 1 (\$730,952,949 as of April 1, 2012) and are due in two installments on July 2, 2012 and December 7, 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 year after taxes were due for the amount of unpaid taxes, interest and costs. These 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 dedeed to the Town.

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

In accordance with State law, the Town collects taxes for the Shaker Regional School District and Belknap 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 \$9,549,098 and \$871,464 for the Shaker Regional School District and Belknap County, respectively. These taxes are not recognized as revenues in these financial statements. The Town bears responsibility for uncollected taxes.

NOTE 3—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 Local Government Center (LGC). The Town currently reports all of its risk management activities in its General Fund. The Trust is classified as a "Risk Pool" in accordance with accounting principles generally accepted in the United States of America.

The Trust agreements permit 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

The LGC provides certain property and liability insurance coverage to member towns, cities, and other qualified political subdivisions of New Hampshire. As a member of the LGC, the Town shares in contributing to the cost of and receiving benefit from a self-insured pooled risk management program. For the year ended December 31, 2012, the Trust retained \$500,000 of each loss, up to an aggregate of \$5,000,000. Each property loss is subject to a \$1,000 deductible. All losses over the aggregate are covered by insurance policies.

Worker's Compensation

The LGC 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 4—DEPOSITS AND INVESTMENTS

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

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

Statement of Net Position:	
Cash and cash equivalents	\$ 6,082,320
Investments	3,934,108
Statement of Fiduciary Net Position:	
Cash and cash equivalents	201,154
Investments	992,430
Total deposits and investments	<u>\$ 11,210,012</u>

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

Cash on hand	\$ 283,809
Deposits with financial institutions	1,911,233
Investments	9,014,970
Total deposits and investments	<u>\$ 11,210,012</u>

The Town's investment policy for governmental and business-type 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 United States Treasury securities maturing in less than one year, fully insured or collateralized certificates of deposits in either local or national banks and 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 Trust Funds is with the Board of Trustees. The Trustees of Trust Funds have employed professional banking assistance in accordance with New Hampshire State law (RSA 31:38a). Investments of the library funds are at the discretion of the Library Trustees.

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 more its fair value becomes sensitive to changes in market interest rates. The Town's investment policy for its governmental and business-type funds regarding interest rate risk indicates that investments shall be limited to those with maturity dates that meet projected cash flow needs or six months, whichever is shorter. The Trustees of Trust Funds do not have a 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:

Investment Type	Fair Value	Remaining Maturity (In Years)		
		0-1 Years	1-5 Years	> 5 Years
Municipal bonds & notes	\$ 251,704	\$ 40,204	\$ 89,948	\$ 121,552
Corporate bonds	732,590	72,073	525,196	135,321
	<u>\$ 984,294</u>	<u>\$ 112,277</u>	<u>\$ 615,144</u>	<u>\$ 256,873</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

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

rating organization. The Town's investment policy for its governmental and business-type funds regarding credit risk is to have each investment transaction seek to ensure that capital losses are avoided, whether they are from securities defaults or erosion of market value and that investment earnings are maximized based on the current investment options available. The Trustees of Trust Funds do not have a policy regarding credit risk.

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

	Investment Type				Totals
	Corporate bonds	Municipal bonds & notes	Money market funds	State investment pool	
Ratings as of year end					
AA+	\$ 35,098				\$ 35,098
AA		\$ 27,217			27,217
AA-	31,919				31,919
A+	67,527	59,689			127,216
A	61,523	124,594			186,117
A-	154,997				154,997
BBB+	70,613	40,204			110,817
BBB	170,679				170,679
BBB-	140,234				140,234
Unrated			\$ 261,689	\$ 2,277,468	2,539,157
Fair Value	<u>\$ 732,590</u>	<u>\$ 251,704</u>	<u>\$ 261,689</u>	<u>\$ 2,277,468</u>	<u>\$ 3,523,451</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. 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's investment policy for its governmental and business-type funds for assurance against custodial credit risk requires collateralization for all deposits not covered by Federal Deposit Insurance. The Trustees of Trust Funds have no policy regarding custodial credit risk.

Of the Town's deposits with financial institutions at year end, \$1,521,473 was collateralized by securities held by the bank in the bank's name. 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.

Investment Type	Reported Amount
Municipal bonds and notes	\$ 251,704
Corporate bonds	732,590
Equity securities	1,161,985
Foreign equity securities	64,863
Money market funds	261,689
Overnight repurchase agreement (Commercial Sweep)	4,264,671
	<u>\$ 6,737,502</u>

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

Foreign Currency Risk

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair values of an investment or deposit. As of December 31, 2012, the Town held \$64,863 in foreign equity securities. The Town and the Trustees of Trust Funds do not have an investment policy for assurance against foreign currency risk.

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.

NOTE 5—DUE FROM OTHER GOVERNMENTS

Receivables due from other governments at December 31, 2012 consist of various state and federal funding and reimbursements. All receivables are considered collectible in full. The state aid grant reimbursements of the business-type activities are received over the life of the related debt and as such, are classified as current and noncurrent in the financial statements. A summary of the principal items of intergovernmental receivables is as follows:

Governmental activities:	
USDA bond reimbursement	\$ 34,121
Transportation enhancement grant	6,274
Business-type activities:	
State of New Hampshire - State revolving funds	116,037
State of New Hampshire - State Aid Grants	<u>155,890</u>
	<u>\$ 312,322</u>

NOTE 6—CAPITAL ASSETS

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

	<u>Balance</u> <u>01/01/12</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/12</u>
Governmental activities:				
Capital assets not depreciated:				
Land	\$ 3,437,815	\$ 71,025		\$ 3,508,840
Intangible assets	109,975			109,975
Construction in progress	<u>138,057</u>	<u>491,697</u>		<u>629,754</u>
Total capital assets not being depreciated	<u>3,685,847</u>	<u>562,722</u>	<u>\$ -</u>	<u>4,248,569</u>

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

Other capital assets:

Land improvements	102,500			102,500
Infrastructure	4,202,383			4,202,383
Buildings and improvements	3,144,678	178,975		3,323,653
Vehicles and equipment	3,144,978	63,000		3,207,978
Computer software	62,290			62,290
Total other capital assets at historical cost	<u>10,656,829</u>	<u>241,975</u>	<u>-</u>	<u>10,898,804</u>
Less accumulated depreciation for:				
Land improvements	(6,833)	(6,834)		(13,667)
Infrastructure	(150,864)	(84,847)		(235,711)
Buildings and improvements	(1,623,049)	(112,051)		(1,735,100)
Vehicles and equipment	(1,835,389)	(210,948)		(2,046,337)
Computer software	(62,290)			(62,290)
Total accumulated depreciation	<u>(3,678,425)</u>	<u>(414,680)</u>	<u>-</u>	<u>(4,093,105)</u>
Total other capital assets, net	<u>6,978,404</u>	<u>(172,705)</u>	<u>-</u>	<u>6,805,699</u>
Total capital assets, net	<u>\$ 10,664,251</u>	<u>\$ 390,017</u>	<u>\$ -</u>	<u>\$ 11,054,268</u>

Depreciation expense was charged to governmental functions as follows:

General government	\$ 61,675
Public safety	177,100
Highways and streets	169,071
Culture and recreation	6,834
Total governmental activities depreciation expense	<u>\$ 414,680</u>

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

Vehicles and equipment	\$ 117,926
Less: Accumulated depreciation	<u>(24,568)</u>
	<u>\$ 93,358</u>

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

	Balance 1/1/2012	Additions	Reductions	Balance 12/31/2012
Business-type activities:				
Capital assets not depreciated:				
Land	\$ 15,009			\$ 15,009
Construction in progress	44,934	\$ 978,396		1,023,330
Total capital assets not being depreciated	<u>59,943</u>	<u>978,396</u>	<u>\$ -</u>	<u>1,038,339</u>
Other capital assets:				
Water infrastructure	2,453,845			2,453,845
Sewer infrastructure	6,225,423			6,225,423
Vehicles and equipment	42,227			42,227
Total other capital assets at historical cost	<u>8,721,495</u>	<u>-</u>	<u>-</u>	<u>8,721,495</u>

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

Less accumulated depreciation for:				
Water infrastructure	(734,115)	(54,893)		(789,008)
Sewer infrastructure	(2,844,305)	(127,633)		(2,971,938)
Vehicles and equipment	(42,227)			(42,227)
Total accumulated depreciation	<u>(3,620,647)</u>	<u>(182,526)</u>	<u>-</u>	<u>(3,803,173)</u>
Total other capital assets, net	<u>5,100,848</u>	<u>(182,526)</u>	<u>-</u>	<u>4,918,322</u>
Total capital assets, net	<u>\$ 5,160,791</u>	<u>\$ 795,870</u>	<u>\$ -</u>	<u>\$ 5,956,661</u>

Depreciation expense was charged to the proprietary funds as follows:

Water Fund	\$ 54,893
Sewer Fund	<u>127,633</u>
Total business-type activities depreciation expense	<u>\$ 182,526</u>

NOTE 7—DUE TO OTHER GOVERNMENTS

In accordance with State law, the Town collects taxes for the Shaker Regional School District and Belknap 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 Shaker Regional School District is \$4,699,803.

NOTE 8—DEFINED BENEFIT 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 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 8.80%. 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 \$430,478, \$392,899 and \$332,675, respectively, equal to the required contributions for each year.

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

NOTE 9—OTHER POST-EMPLOYMENT BENEFITS

In addition to providing pension benefits, the Town provides medical benefits to its eligible retirees and their spouses. Retirees under the age of 65 have a medical insurance plan with either Blue Choice or Matthew Thornton. Retirees over the age of 65 are covered by the Medicare supplemental plan. The following groups of retirees qualify for this benefit: Group I employees are required to reach age 60 with no minimum service requirement or any age with 20 years of service and age plus service is at least 70; Group II employees are eligible at age 45 with 20 years of service or at age 60 with no minimum service requirement. Retirees and surviving spouses pay the full cost of the medical premium. As of January 1, 2012, the actuarial valuation date, approximately 7 retirees and 52 active employees meet the eligibility requirements. The plan does not issue a separate financial report.

Annual OPEB Costs

The Town's December 31, 2012 annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid, on an ongoing basis, is projected to cover the normal cost each year and amortize the unfunded actuarial liability over a period of thirty years. The Town's annual OPEB cost for the year ending December 31, 2012 including the amount actually contributed to the plan, and the change in the Town's net OPEB obligation based on an actuarial valuation as of January 1, 2012 is as follows:

Annual Required Contribution (ARC)	\$ 118,587
Interest on net OPEB obligation	13,319
Adjustment to ARC	<u>(15,183)</u>
Annual OPEB cost	116,723
Contributions made	<u>(22,623)</u>
Increase in net OPEB obligation	94,100
Net OPEB obligation - beginning of year	<u>332,973</u>
Net OPEB obligation - end of year	<u>\$ 427,073</u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the years ended December 31, 2012, 2011, and 2010 are as follows:

Fiscal Year	Annual	Percentage of	Net OPEB	Covered	OPEB Cost
Ending	OPEB Cost	OPEB Cost	Obligation	Payroll	% of pay
		Contributed			
12/31/2010	\$ 124,196	9.9%	\$ 219,294	\$ 2,399,736	5.2%
12/31/2011	\$ 131,495	13.5%	\$ 332,973	\$ 2,459,730	5.3%
12/31/2012	\$ 116,723	19.4%	\$ 427,073	\$ 2,364,781	4.9%

The Town's net OPEB obligation as of December 31, 2012 is recognized as a liability in these financial statements.

Funded Status and Funding Progress for OPEB

The funded status of the plan as of January 1, 2012, the date of the most recent actuarial valuation is as follows:

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

Actuarial Accrued Liability (AAL)	\$ 888,338
Actuarial value of plan assets	-
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 888,338</u>
Funded ratio (actuarial value of plan assets/AAL)	0.0%
Covered payroll (active plan members)	\$ 2,364,781
UAAL as a percentage of covered payroll	37.6%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. The total cost of providing post-employment benefits is projected, taking into account assumptions about current claim cost, turnover, mortality, health care trends, and other actuarial assumptions. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions for OPEB

Projections of benefits for financial reporting purposes are based on the plan as understood by the Town and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the Town and plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

In the January 1, 2012 actuarial valuation, the Entry Age Normal Cost Method was used. The actuarial value of assets was not determined as the Town has not advance funded its obligation. The actuarial assumptions included a 4.0% investment rate of return and an initial annual healthcare cost trend of 9.0% which decreases to a 5.0% long-term rate for all healthcare benefits after four years. The amortization costs for the Unfunded Actuarial Accrued Liability (UAAL) is a level percentage of payroll for a period of thirty years on a closed group basis. This has been calculated assuming the amortization payment increases at a rate of 2.5% per year.

NOTE 10—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:

	<u>Balance</u> 01/01/12	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> 12/31/12	<u>Due Within</u> <u>One Year</u>
<i>Governmental activities:</i>					
Bonds payable	\$ 1,023,811		\$ (66,759)	\$ 957,052	\$ 69,161
Capital leases payable	70,671		(22,564)	48,107	23,543
Compensated absences payable	63,985	\$ 49,565	(14,482)	99,068	10,000
Total governmental activities	<u>\$ 1,158,467</u>	<u>\$ 49,565</u>	<u>\$ (103,805)</u>	<u>\$ 1,104,227</u>	<u>\$ 102,704</u>

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

Business-type activities:

Bonds payable	\$ 777,132	\$ 432,000	\$ (536,997)	\$ 672,135	\$ 72,100
Unamortized bond premium	-	55,864		55,864	3,745
Total Bonds payable	<u>777,132</u>	<u>487,864</u>	<u>(536,997)</u>	<u>727,999</u>	<u>75,845</u>
Other long-term obligations	-	799,966		799,966	-
Total business-type activities	<u>\$ 777,132</u>	<u>\$ 1,287,830</u>	<u>\$ (536,997)</u>	<u>\$ 1,527,965</u>	<u>\$ 75,845</u>

Payments on the general obligation bond and capital lease obligations of the governmental activities are paid out of the General Fund. Payments on the general obligation bonds of the business-type activities are paid out of the Water and Sewer Funds. Compensated absences will be paid from the fund where the employee's salary is paid. Amortization of the bond premium is recognized as a component of interest expense in the Sewer Fund on the Statement of Revenues, Expenses and Changes in Net position – Proprietary Funds (Exhibit F).

General Obligation Bonds

Governmental Activities

Bonds payable at December 31, 2012 is comprised of the following individual issue:

\$1,150,000 Pleasant Valley Project bond, due in quarterly installments of \$25,213 through June 2024; including interest at 3.36%	<u>\$ 957,052</u>
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Debt service requirements to retire general obligation bonds outstanding for governmental activities at December 31, 2012 are as follows:

Year Ending <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2013	\$ 69,161	\$ 31,691	\$ 100,852
2014	71,547	29,304	100,851
2015	74,016	26,835	100,851
2016	76,499	24,353	100,852
2017	79,210	21,642	100,852
2018-2022	438,936	65,322	504,258
2023-2024	<u>147,683</u>	<u>4,399</u>	<u>152,082</u>
	<u>\$ 957,052</u>	<u>\$ 203,546</u>	<u>\$ 1,160,598</u>

As included on the Statement of Activities (Exhibit B), interest expense on general obligation debt of the governmental activities for the year ended December 31, 2012 was \$34,092.

Business-type Activities

Bonds payable at December 31, 2012 are comprised of the following individual issues:

\$432,000 Refunding bond 2012, due in semi-annual principal installments varying of \$14,000 to \$30,000 through August 2033; interest at 3.12%	<u>\$ 432,000</u>
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TOWN OF BELMONT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2012

\$296,641 Route 3 Water bond 2007, due in semi-annual principal installments of \$17,737 through July 2016; interest at 4.02%	137,010
\$75,000 Well Water bond 2008, due in semi-annual principal installments of \$3,750 through October 2017; interest at 3.92%	37,500
\$105,000 New Well Water bond 2009, due in semi-annual principal installments of \$6,563 through October 2017; interest at 4.09%	<u>65,625</u>
	672,135
Add: Unamortized bond premium	<u>55,864</u>
	<u>\$ 727,999</u>

Debt service requirements to retire general obligation bonds outstanding for business-type activities at December 31, 2012 are as follows:

<u>Year Ending</u> <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2013	\$ 72,100	\$ 24,802	\$ 96,902
2014	70,100	24,243	94,343
2015	71,099	21,566	92,665
2016	66,215	18,860	85,075
2017	36,621	16,809	53,430
2018-2022	87,000	72,193	159,193
2023-2027	106,000	52,313	158,313
2028-2032	133,000	25,562	158,562
2033	<u>30,000</u>	<u>1,500</u>	<u>31,500</u>
Total	672,135	257,848	929,983
Add: <i>Bond Premium</i>	<u>55,864</u>		<u>55,864</u>
	<u>\$ 727,999</u>	<u>\$ 257,848</u>	<u>\$ 985,847</u>

The State of New Hampshire annually reimburses the Town for its share of sewer related debt service payments. For the year ended December 31, 2012, the sewer related debt reimbursement was \$11,920.

As included on the Statement of Revenues, Expenses and Changes in Net position – Proprietary Funds (Exhibit F), interest expense for the year ended December 31, 2012 was \$31,399 on general obligation debt for business-type activities.

Capital Lease Obligations

Governmental Activities

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 payment obligations. Amounts are annually budgeted in the applicable function. The following is the individual capital lease obligation outstanding for governmental activities at December 31, 2012:

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

Vehicle, due in annual installments of \$25,631 through
 December 2014, including interest at 4.34% \$ 48,107

Debt service requirements to retire capital lease obligations outstanding for governmental activities at
 December 31, 2012 are as follows:

<u>Year Ending</u> <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2013	\$ 23,543	\$ 2,088	\$ 25,631
2014	24,564	1,067	25,631
	<u>\$ 48,107</u>	<u>\$ 3,155</u>	<u>\$ 51,262</u>

Other Long-Term Obligations

Business-type Activities

The Town has drawn \$799,966 of approximately \$1,720,000 in funds under the State of New Hampshire Water Pollution Control and Drinking Water State Revolving Loan Fund Programs for improvement projects for the Wastewater Pumping Station Improvements Project and the Belmont Village Water Systems Improvements Project. Payments are not scheduled to commence until the first anniversary of the scheduled completion dates of the related projects or the date of substantial completion, whichever is earliest. Interest is accrued at 1% during the construction period of the project and is to be paid upon completion of the construction project within the following year. Total funding to date of \$799,966 has been reported as 'Other long-term obligations' in the business-type activities.

As authorized by the Water Pollution Control Revolving Fund Program, the Town shall be provided federal financial assistance for the Wastewater Pumping Station Improvements Project, whereby the principal sum, not to exceed \$1,500,000 or 100% of aggregate disbursements, whichever is less, will be forgiven. The principal forgiveness will be applied at the time of the initial loan repayment.

Additionally, as authorized by the Drinking Water Revolving Fund Program, the Town shall be provided federal financial assistance for the Belmont Village Water Systems Improvements Project, whereby a portion of the principal sum, not to exceed \$44,000 or 20% of aggregate disbursements, whichever is less, will be forgiven. The principal forgiveness will be applied at the time of the initial loan repayment.

NOTE 11—CURRENT REFUNDING OF DEBT

During the year ended December 31, 2012, the Town issued \$432,000 of general obligation bonds to affect a current refunding for \$467,229 of outstanding bonds (old debt). Net refunding proceeds of \$469,039 were used to retire old debt principal of \$467,229 and old debt interest of \$1,810. As a result, this old debt is considered to be defeased, and the liability for those outstanding bonds has been removed from the balance sheet.

Additionally, the current refunding of debt resulted in the recognition of an economic gain of \$33,701. The Town in effect, reduced its aggregate debt service payments by \$49,229 over the next twenty-one years through the current refunding.

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

NOTE 12—INTERFUND BALANCES AND TRANSFERS

The Town maintains self-balancing funds; however, most cash transactions flow through the General Fund. In order to obtain accountability for each fund, interfund receivable and payable accounts are utilized. Interfund balances at December 31, 2012 are as follows:

	Due from		Totals
	General Fund	Sewer Fund	
Due to Nonmajor Governmental Funds	\$ 23,664		\$ 23,664
Water Fund	9,314	\$ 2,800	12,114
	<u>\$ 32,978</u>	<u>\$ 2,800</u>	<u>\$ 35,778</u>

During the year, several interfund transactions occurred between funds. The various transfers were made in accordance with budgetary authorizations. Interfund transfers for the year ended December 31, 2012 are as follows:

	Transfers from		Totals
	General Fund	Nonmajor Governmental Funds	
Transfers to General Fund		\$ 97,091	\$ 97,091
Nonmajor Governmental Funds	\$ 9,058		9,058
	<u>\$ 9,058</u>	<u>\$ 97,091</u>	<u>\$ 106,149</u>

NOTE 13—RESTRICTED NET POSITION

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

Permanent Funds - Endowments	\$ 1,425,385
Permanent Funds - Income	638,903
Drug Forfeiture funds	17,260
	<u>\$ 2,081,548</u>

NOTE 14—COMPONENTS OF FUND BALANCE

The components of the Town's fund balance for its governmental funds at December 31, 2012 are as follows:

<u>Fund Balances</u>	General Fund	Permanent Funds	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:				
Prepaid expenses	\$ 18,977			\$ 18,977
Permanent funds - Endowments		\$ 1,425,385		1,425,385

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

Restricted for:			
Permanent funds - Income	638,903		638,903
Drug forfeiture		\$ 17,260	17,260
Committed for:			
Continuing appropriations	264,669		264,669
Capital reserves	1,559,137		1,559,137
Expendable trusts	179,251		179,251
Conservation		118,523	118,523
Ambulance revolving		652,491	652,491
Recreation revolving		11,076	11,076
Unassigned:			
Unassigned - Deficit	(40,109)		(40,109)
	<u>\$ 1,981,925</u>	<u>\$ 2,064,288</u>	<u>\$ 4,845,563</u>

NOTE 15—PERFORMANCE DEPOSITS

The Town holds letters of credit and performance bonds from developers until projects have been completed to Town standards. Due to the nature of these deposits, these letters of credit and performance bonds are not included as part of the financial statements. At December 31, 2012, the Town held performance deposits totaling \$766,700.

NOTE 16—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.

Federal Grants

The Town participates in a number of federally assisted grant programs. These programs are subject to financial and compliance audits by the grantors or their representatives. The amounts, if any, of expenditures which may be disallowed by the granting agency cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

SCHEDULE 1
TOWN OF BELMONT, 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	\$ 5,344,503	\$ 5,344,503	\$ 5,342,090	\$ (2,413)
Licenses and permits	1,230,500	1,230,500	1,321,552	91,052
Intergovernmental	1,535,992	804,985	813,736	8,751
Charges for services	90,000	90,000	111,419	21,419
Interest income	1,000	1,000	1,316	316
Miscellaneous	130,000	130,000	129,904	(96)
Total Revenues	<u>8,331,995</u>	<u>7,600,988</u>	<u>7,720,017</u>	<u>119,029</u>
Expenditures:				
Current operations:				
General government	1,381,452	1,381,452	1,304,050	77,402
Public safety	3,316,781	3,307,374	3,078,514	228,860
Highways and streets	1,218,601	1,163,937	1,110,348	53,589
Sanitation	550,587	550,587	545,418	5,169
Health and welfare	318,787	318,787	249,657	69,130
Culture and recreation	127,726	127,726	120,033	7,693
Conservation	24,214	24,214	24,862	(648)
Capital outlay	1,047,905	266,300	278,875	(12,575)
Debt service:				
Principal retirement	66,760	66,760	66,759	1
Interest and fiscal charges	34,093	34,093	34,092	1
Total Expenditures	<u>8,086,906</u>	<u>7,241,230</u>	<u>6,812,608</u>	<u>428,622</u>
Excess revenues over expenditures	<u>245,089</u>	<u>359,758</u>	<u>907,409</u>	<u>547,651</u>
Other financing sources (uses):				
Transfers in	110,791	110,791	97,091	(13,700)
Transfers out	(998,136)	(998,136)	(1,000,951)	(2,815)
Total other financing sources (uses)	<u>(887,345)</u>	<u>(887,345)</u>	<u>(903,860)</u>	<u>(16,515)</u>
Net change in fund balance	(642,256)	(527,587)	3,549	531,136
Fund balance at beginning of year				
- Budgetary Basis	<u>2,017,305</u>	<u>2,017,305</u>	<u>2,017,305</u>	<u>-</u>
Fund balance at end of year				
- Budgetary Basis	<u>\$ 1,375,049</u>	<u>\$ 1,489,718</u>	<u>\$ 2,020,854</u>	<u>\$ 531,136</u>

See accompanying notes to the required supplementary information

SCHEDULE 2
TOWN OF BELMONT, NEW HAMPSHIRE
Schedule of Funding Progress for Other Post-Employment Benefits
For the Year Ended December 31, 2012

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
1/1/2009	\$ -	\$ 757,542	\$ 757,542	0.0%	\$ 2,341,206	32.4%
1/1/2012	\$ -	\$ 888,338	\$ 888,338	0.0%	\$ 2,364,781	37.6%

See accompanying notes to the required supplementary information

TOWN OF BELMONT, 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). Property tax budgetary revenues are recognized when levied rather than when susceptible to accrual. Budgetary revenues and expenditures and other financing uses were adjusted for payroll timing differences, non-budgetary revenues and expenditures, budgetary transfers out, and encumbrances as follows:

	Revenues and Other Financing Sources	Expenditures and Other Financing Uses
Per Exhibit D	\$ 7,533,897	\$ 7,864,502
Difference in property taxes meeting susceptible to accrual criteria	288,451	
Payroll timing differences, December 31, 2011		58,460
Payroll timing differences, December 31, 2012		(86,579)
Non-budgetary revenues and expenditures	(5,240)	(1,047,592)
Budgetary transfers out		991,893
Encumbrances, December 31, 2011		(15,618)
Encumbrances, December 31, 2012		48,493
Per Schedule 1	<u>\$ 7,817,108</u>	<u>\$ 7,813,559</u>

NOTE 2—BUDGETARY FUND BALANCE

The components of the budgetary fund balance for the General Fund at December 31, 2012 are as follows:

<i>Nonspendable:</i>	
Prepaid expenses	\$ 18,977
<i>Committed for:</i>	
Continuing appropriations	264,669
<i>Assigned for:</i>	
Designated for subsequent year appropriation	30,000
<i>Unassigned:</i>	
Unassigned - General operations	<u>1,707,208</u>
	<u>\$ 2,020,854</u>

TOWN OF BELMONT, NEW HAMPSHIRE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
December 31, 2012

NOTE 3—SCHEDULE OF FUNDING PROGRESS FOR OTHER POST-EMPLOYMENT BENEFITS

In accordance with GASB Statement #45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*, the Town is required to disclose the schedule of funding progress for each of the three most recent actuarial valuations. The Town implemented the provisions of GASB Statement #45 during the year ended December 31, 2009. Accordingly, the funding progress has only been presented for the two most recent actuarial valuation reports. Additional disclosures will be made as the information becomes available.

SCHEDULE I
TOWN OF BELMONT, NEW HAMPSHIRE
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2012

Federal Granting Agency/Recipient State Agency/Grant Program/State <u>Grant Number</u>	Federal Catalogue <u>Number</u>	<u>Expenditures</u>
UNITED STATES DEPARTMENT OF AGRICULTURE		
Received directly from U.S. Treasury Department		
Wildlife Habitat Incentive Program	10.914	
#7214280805X		<u>\$ 529</u>
Total Department of Agriculture		<u>529</u>
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		
Pass Through Payments from the New Hampshire Community Development Finance Authority Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii		
#12-003-CDPF	14.228	
		<u>177,502</u>
Total Department of Housing and Urban Development		<u>177,502</u>
DEPARTMENT OF JUSTICE		
Pass Through Payments from the Department of Justice Through the County of Belknap, New Hampshire Edward Byrne Memorial Justice Assistance Grant Program		
	16.738	
		<u>1,730</u>
Total Department of Justice		<u>1,730</u>
DEPARTMENT OF TRANSPORTATION		
Pass Through Payments from the New Hampshire Department of Transportation Highway Planning and Construction		
#X-A000(340)	20.205	
		<u>7,843</u>
Pass Through Payments from the New Hampshire Highway Safety Agency State and Community Highway Safety		
#315-12B-060	20.600	
		<u>3,170</u>
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	
#308-12B-080		<u>5,671</u>
Total Department of Transportation		<u>16,684</u>

See notes to schedule of expenditures of federal awards

SCHEDULE I
TOWN OF BELMONT, NEW HAMPSHIRE
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended December 31, 2012

ENVIRONMENTAL PROTECTION AGENCY

Pass Through Payments from the New Hampshire
Department of Environmental Services

Capitalization Grants for Clean Water State Revolving Funds #CS-330220-05	66.458	<u>739,786</u>
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Capitalization Grants for Drinking Water State Revolving Funds #0201010	66.468	<u>12,036</u>
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Total Environmental Protection Agency		<u>751,822</u>
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DEPARTMENT OF ENERGY

Pass Through Payments from the New Hampshire

Office of Energy and Planning

Energy Efficiency and Conservation Block Grant Program (EECBG),
Recovery Program

#DE-EE0000668	81.128	<u>241,506</u>
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Total Department of Energy		<u>241,506</u>
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DEPARTMENT OF HOMELAND SECURITY

Pass Through Payments from the New Hampshire

Department of Safety

Homeland Security Grant Program

	97.067	<u>34,078</u>
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Total Department of Homeland Security		<u>34,078</u>
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Total Expenditures of Federal Awards		<u>\$1,223,851</u>
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See notes to schedule of expenditures of federal awards

TOWN OF BELMONT, NEW HAMPSHIRE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
December 31, 2012

NOTE 1—GENERAL

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of the Town of Belmont, New Hampshire. The Town of Belmont, New Hampshire's reporting entity is defined in Note 1 to the Town's basic financial statements. All federal funds are included on the schedule.

NOTE 2—BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting, which is described in Note 1 to the Town's basic financial statements.

NOTE 3—RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

The recognition of expenditures of federal awards has been reported in the Town's basic financial statements as intergovernmental revenues in the governmental funds and capital contributions in the proprietary funds as follows:

Major Governmental Fund:	
General Fund	\$ 293,998
Nonmajor Governmental Funds:	
Conservation Fund	529
Major Proprietary Fund:	
Water Fund	<u>177,502</u>
	<u>\$ 472,029</u>

The recognition of expenditures of federal awards in the amount of \$739,786 represents one hundred percent of the drawdowns from the Clean Water State Revolving Loan Fund Program. Federal financial assistance in the form of principal forgiveness not to exceed \$1,500,000 or 100% of aggregate disbursements, whichever is less, will be forgiven at the time of the initial loan repayment.

Additionally, the recognition of expenditures of federal awards in the amount of \$12,036 represents twenty percent of the drawdowns from the Drinking Water State Revolving Loan Fund Program. Federal financial assistance in the form of principal forgiveness not to exceed \$44,000 or 20% of aggregate disbursements, whichever is less, will be forgiven at the time of the initial loan repayment.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

Independent Auditor's Report

To the Board of Selectmen
Town of Belmont, New Hampshire

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Belmont, 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 of Belmont, New Hampshire's basic financial statements, and have issued our report thereon dated September 9, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Belmont, New Hampshire's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Belmont, New Hampshire's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Belmont, New Hampshire's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Belmont, New Hampshire's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Vachon Clukey & Company PC

Manchester, New Hampshire
September 9, 2013

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE**

Independent Auditor's Report

To the Board of Selectmen
Town of Belmont, New Hampshire

Report on Compliance for Each Major Federal Program

We have audited the Town of Belmont, New Hampshire's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Town of Belmont, New Hampshire's major federal programs for the year ended December 31, 2012. The Town of Belmont, New Hampshire's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Belmont, New Hampshire's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Belmont, New Hampshire's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Town of Belmont, New Hampshire's compliance.

Opinion on Each Major Federal Program

In our opinion, the Town of Belmont, New Hampshire complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012.

Report on Internal Control Over Compliance

Management of the Town of Belmont, New Hampshire is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Belmont, New Hampshire's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Belmont, New Hampshire's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Vachon Clukay & Company PC

Manchester, New Hampshire
September 9, 2013

**Town of Belmont, New Hampshire
Schedule of Findings and Questioned Costs
Year Ended December 31, 2012**

Section I--Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	<u>Unmodified - all reporting units</u>	
Internal control over financial reporting:		
Material weakness(es) identified?	_____ yes	___X___ no
Significant deficiency(ies) identified not considered to be material weaknesses?	_____ yes	___X___ none reported
Noncompliance material to financial statements noted?	_____ yes	___X___ no

Federal Awards

Internal Control over major programs:		
Material weakness(es) identified?	_____ yes	___X___ no
Significant deficiency(ies) identified not considered to be material weaknesses?	_____ yes	___X___ none reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	_____ yes	___X___ no
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Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
66.458	Capitalization Grants for Clean Water State Revolving Funds

Dollar threshold used to distinguish between Type A and B program: \$ 300,000.

Auditee qualified as low-risk auditee?	_____ yes	___X___ no
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Section II--Financial Statement Findings

There were no findings relating to the financial statements required to be reported by GAGAS.

Section III--Federal Award Findings and Questioned Costs

There were no findings and questioned costs required to be reported under OMB Circular A-133 .510(a).

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

	Conservation Fund	Drug Forfeiture Fund	Ambulance Fund	Recreation Revolving Fund	Total Nonmajor Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 105,935	\$ 17,260	\$ 449,466		\$ 572,661
Accounts receivable, net			203,025		203,025
Due from other funds	12,588			\$ 11,076	23,664
Total Assets	<u>118,523</u>	<u>17,260</u>	<u>652,491</u>	<u>11,076</u>	<u>799,350</u>
DEFERRED OUTFLOWS OF RESOURCES					
Total Deferred Outflows of Resources	-	-	-	-	-
Total Assets and Deferred Outflows of Resources	<u>\$ 118,523</u>	<u>\$ 17,260</u>	<u>\$ 652,491</u>	<u>\$ 11,076</u>	<u>\$ 799,350</u>
LIABILITIES					
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
DEFERRED INFLOWS OF RESOURCES					
Total Deferred Inflows of Resources	-	-	-	-	-
FUND BALANCES					
Restricted		17,260			17,260
Committed	118,523		652,491	11,076	782,090
Total Fund Balances	<u>118,523</u>	<u>17,260</u>	<u>652,491</u>	<u>11,076</u>	<u>799,350</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 118,523</u>	<u>\$ 17,260</u>	<u>\$ 652,491</u>	<u>\$ 11,076</u>	<u>\$ 799,350</u>

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

	Conservation Fund	Drug Forfeiture Fund	Ambulance Fund	Recreation Revolving Fund	Total Nonmajor Governmental Funds
Revenues:					
Taxes	\$ 15,590				\$ 15,590
Intergovernmental	14,481				14,481
Charges for services			\$ 222,135	\$ 39,128	261,263
Interest and investment income	35		205		240
Total Revenues	<u>30,106</u>	<u>\$ -</u>	<u>222,340</u>	<u>39,128</u>	<u>291,574</u>
Expenditures:					
Current operations:					
Public safety			692		692
Culture and recreation				32,746	32,746
Conservation	529				529
Total Expenditures	<u>529</u>	<u>-</u>	<u>692</u>	<u>32,746</u>	<u>33,967</u>
Excess revenues over (under) expenditures	<u>29,577</u>	<u>-</u>	<u>221,648</u>	<u>6,382</u>	<u>257,607</u>
Other financing sources (uses):					
Transfers in	9,058				9,058
Transfers out			(97,091)		(97,091)
Total other financing sources (uses)	<u>9,058</u>	<u>-</u>	<u>(97,091)</u>	<u>-</u>	<u>(88,033)</u>
Net change in fund balances	38,635	-	124,557	6,382	169,574
Fund balances at beginning of year	<u>79,888</u>	<u>17,260</u>	<u>527,934</u>	<u>4,694</u>	<u>629,776</u>
Fund balances at end of year	<u>\$ 118,523</u>	<u>\$ 17,260</u>	<u>\$ 652,491</u>	<u>\$ 11,076</u>	<u>\$ 799,350</u>