

**TOWN OF AUBURN,
NEW HAMPSHIRE**

ANNUAL FINANCIAL REPORT

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

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PLODZIK & SANDERSON

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Basis for Adverse Opinion on Governmental Activities

As discussed in Note 14 to the financial statements, management has not recorded the long-term costs of retirement health care costs and obligations for other postemployment benefits in the governmental activities. Accounting principles generally accepted in the United States of America require that those costs be recorded, which would increase the liabilities, net position and expenses of the governmental activities. The amount by which this departure would affect the liabilities, net position, and expenses on the governmental activities is not readily determinable.

Adverse Opinion

In our opinion, because of the significance of the matter described in the "Basis for Adverse Opinion on Governmental Activities" paragraph, the financial statements referred to above do not present fairly the financial position of the government-wide financial statements of the Town of Auburn, as of December 31, 2012, or the changes in financial position thereof for the year then ended.

*Town of Auburn
Independent Auditor's Report*

Unmodified Opinion

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

Other Matters

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (pages 3 through 7) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

July 17, 2013

*Plodzik & Sanderson
Professional Association*

Management's Discussion and Analysis

This narrative is provided as an overview and analysis of the financial activities of the Town of Auburn for the year ended December 31, 2012. It should be considered in conjunction with the Town's financial statements and footnotes following this section. The accompanying financial statements have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to governmental units. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Financial Highlights

- The assets of the Town of Auburn exceed its liabilities at December 31, 2012 by **\$11,449,749** (net position). The change in net assets represents a **6% increase** from the prior year's net assets of **\$10,759,739**.
- As of the close of the current reporting year, the Town of Auburn reported a general fund balance of **\$2,072,155**, which includes a **\$34,124 in nonspendable, \$27,423 in restricted, \$204,078 in committed, \$266,065 in assigned and \$1,540,465 in unassigned** fund balance. The general fund total expenditures and other financing uses was **\$4,922,788**. There was a **decrease of \$187,748 (8%)** in the general fund balance from December 31, 2011 to December 31, 2012, all from operations.
- The Town of Auburn lease obligations at year end were **\$167,722**. This shows a reduction of the Town's lease obligations by **\$54,204** from the prior year. Although two new police cruisers were added in 2012; the payments made during the exceeded the increase in debt for the year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the financial statements of the Town of Auburn, which are comprised of three components:

- A. Government-wide financial statements,
- B. Fund financial statements, and
- C. Notes to the financial statements.

This report also contains miscellaneous supplementary information in addition to the basic financial statements.

- A. The **government-wide financial statements** are designed to provide the readers with a broad overview of the financial position of the Town of Auburn. They are similar to private sector financial statements and include the following:
 1. A *statement of net position* shows the Town's assets less its liabilities as of the end of the current reporting year. The difference is reported as net position. Over a period of time, this report is useful in determining whether or not the Town's financial position is improving or declining. Assets and liabilities are generally measured using current values with one major exception being capital assets, which are reported at historical cost less accumulated depreciation.
 2. A *statement of activities* shows how the Town's net position changed during the current reporting year. The statement includes all underlying events throughout the year, regardless of whether or not the Town's cash flow is influenced. In other words, revenues that are earned but not collected and expenses that are incurred but not yet paid are reported in this statement and are presented in the form of receivables and payables as of the end of the current reporting year.

The governmental activities reported in the financials for the Town of Auburn include general government, public safety, highways and streets, health, welfare, culture and recreation, conservation, and capital outlay.

- B. **Fund financial statements:** A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. All of the funds of the Town of Auburn can be divided into two categories: governmental and fiduciary.

Governmental funds: Governmental funds essentially account for the same functions reported in the government-wide statement of activities. Unlike the government-wide financial statements however, the governmental fund financial statements focus on near-term inflows and outflows. Governmental funds state the balance of expendable resources available at the end of the reporting year. The governmental fund financial statements give a closer view than the government-wide financial statements and may be useful in evaluating the Town's near-term financing requirements and available resources.

In comparing functions between the two sets of statements, readers may better understand the long-term impact of the Town's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation that can be used to facilitate a comparison between governmental funds and governmental activities of the whole government.

The Town of Auburn reports four individual governmental funds. The operations of each fund are accounted for separately and are comprised of assets, liabilities, fund equity, revenues, and expenditures. The various funds are reported by major fund, with the non-major funds being aggregated into a single column. Combining statements are presented later on in the report to show the aggregate of these funds. The basic governmental fund financial statements can be found on pages 10 and 12 of this report.

An annual appropriated budget is adopted each year for the general fund. The budget to actual statement of revenues, expenditures, and changes in fund balance for the general fund is included as required supplementary information on page 14.

Fiduciary Funds: Fiduciary funds are used to account for resources held or established under an agreement for the benefit of outside parties. Fiduciary funds are not reflected in the government-wide financial statements due to the fact that the resources are not available to support the Town's programs. The basic fiduciary fund financial statement can be found on page 15 of this report.

- C. **Notes to the financial statements:** The notes are intended to provide additional information that is essential in order for the reader to fully understand the data that is provided in both the government-wide financial statements and fund financial statements.

Other information: The combining and individual fund schedules can be found immediately following the notes to the financial statements.

Government-wide Financial Analysis

As previously pointed out, the statement of net position report is useful in determining whether or not the Town's financial position is improving or declining. As also noted in the Financial Highlights section of this report, the Town of Auburn reported a net position of **\$11,449,749** at the close of the report year ended December 31, 2012.

Of this amount, **80%** represents the Town's investment in capital assets (land, building, machinery and equipment); less any related outstanding debt used to acquire them. While these capital assets are used to provide services to the citizens of Auburn, it is important to note that these assets are not available for future spending. Although the Town's capital assets are reported net of related debt, the resources needed to satisfy such debt must be provided from other sources, as the capital assets themselves cannot be used to liquidate these liabilities.

Less than **1%** of the Town's net position represent resources that are restricted in use, leaving a remaining balance of **\$2,220,595 (19%)** unrestricted net position that may be used to meet the on-going obligations to Auburn citizens and creditors.

At the year ended December 31, 2012, the Town of Auburn is able to report positive balances in all categories of net assets.

**Town of Auburn
Table 1 Statement of Net Assets**

	2011	2012	Increase (Decrease)	% Increase (Decrease)
Current and other assets	\$ 6,440,778	\$ 6,848,731	\$ 407,953	6%
Capital Assets, net	<u>8,720,556</u>	<u>9,290,659</u>	<u>570,103</u>	<u>7%</u>
Total assets	<u>\$15,161,334</u>	<u>\$16,139,390</u>	<u>\$ 978,056</u>	<u>6%</u>
Long-term liabilities				
Outstanding	\$ 474,386	\$ 418,237	\$ (56,149)	(12%)
Other liabilities	<u>3,927,208</u>	<u>4,271,404</u>	<u>344,196</u>	<u>9%</u>
Total liabilities	<u>\$ 4,401,594</u>	<u>\$ 4,689,641</u>	<u>\$ 288,047</u>	<u>7%</u>
Net Assets:				
Investment in capital assets, net of related debt	\$ 8,498,630	\$ 9,122,938	\$ 624,308	7%
Restricted	147,732	106,216	(41,516)	(28%)
Unrestricted	<u>2,113,377</u>	<u>2,220,595</u>	<u>107,218</u>	<u>5%</u>
Total net position	<u>\$10,759,739</u>	<u>\$11,449,749</u>	<u>\$ 690,010</u>	<u>6%</u>

During year 2012, the Town's net assets increased by \$690,010 (6%).

Town of Auburn
Table 2 Statement of Activities

	2011	2012	Increase (Decrease)	% Increase (Decrease)
Revenue:				
Program revenues:				
Charges for services	\$ 170,918	\$ 237,474	\$ 66,556	39%
Operating grants	431,497	243,036	(188,461)	(44%)
General revenues:				
Taxes	3,219,348	3,089,558	(129,790)	(4%)
Licenses and permits	1,142,896	1,223,018	80,122	7%
Unrestricted grants	439,847	234,986	(204,861)	(47%)
Unrestricted interest earnings		3,119	3,119	100%
Miscellaneous	28,163	10,082	(18,081)	(64%)
Total revenue	\$ 5,432,669	\$ 5,041,273	\$ (391,397)	(7%)
Program Expenses:				
General government	\$ 1,099,700	\$ 1,152,281	\$ 52,579	5%
Public Safety	1,780,132	1,625,704	(154,428)	(9%)
Highways and streets	1,113,176	1,167,155	53,979	5%
Sanitation	4,928	0.00	(4,928)	(100%)
Health	24,309	24,493	184	1%
Welfare	44,850	28,890	(15,960)	(35%)
Culture and recreation	183,003	214,265	31,262	17%
Conservation	151,923	2,669	(149,254)	(98%)
Capital outlay	12,351	135,806	123,455	99%
Total governmental activities	\$ 4,414,372	\$ 4,351,263	\$ (63,110)	(1%)
Change in net assets	\$ 1,018,297	\$ 690,010	\$ (328,287)	(32%)
Beginning net position	\$ 9,741,442	\$10,759,739	\$ 1,018,297	10%
Ending net position	\$10,759,739	\$11,449,749	\$ 690,010	6%

Financial Analysis of Governmental Funds

The general fund is the central operating fund of the Town of Auburn. The focus of Auburn's governmental funds is to provide information on inflows, outflows and balances of expendable resources available for Town operations and services at the end of each reporting year.

At the end of the current reporting year, Auburn's general fund reported a combined ending fund balance of **\$2,072,155**. Of this combined fund balance, less than **2% (\$34,124)** is nonspendable, **1% (\$27,423)** is restricted, **10% (\$204,078)** is committed, and **13% (\$266,065)** is assigned, with a remaining balance of **74% (\$1,540,465)** in unreserved, undesignated fund balance at year end.

As a measure of the general fund's liquidity, it may be useful to compare the undesignated fund balance to the total fund expenditures. The general fund expenditures and other financing uses for this reporting year totaled **\$4,879,385**. The general fund balance **decreased** by **\$187,748** which represents **4%** of the total expenditures and other financing uses in the current year.

General Fund Budgetary Highlights

In the current reporting year, the Town of Auburn's general fund had an unfavorable variance in the estimated governmental activity revenue versus actual in the amount of **\$186,679** or **4%** of estimated revenues. The majority of this unfavorable variance was due to a settlement reached with Manchester Water Works to reduce the valuation of waterfront property.

In comparison, the Town of Auburn's general fund had a favorable variance in appropriations versus actual expenditures in the amount of **\$66,427** or **>1%** of appropriations. Every department contributed to this favorable variance by keeping expenditures under appropriations.

Capital Asset and Debt Administration

The Town of Auburn's capital assets for its governmental type activities net of accumulated depreciation as of December 31, 2012 was **\$9,290,659**, an **increase** of **\$570,103** over the prior year.

At the end of the current reporting year, the Town of Auburn had a total of **\$418,237** in long-term debt. Of this amount, capital leases for the purchase of a fire truck and police vehicles totaled **\$167,722**, **\$130,000** is for landfill closure and post closure cost, and the remaining amount of **\$120,515** is for accrued vacation time.

Economic Factors and Next Year's Budget and Tax Rates

When creating the budget from year to year, the Town of Auburn's primary objective is to provide quality services to its citizens, at the same time attempting to keep the tax rate stable.

The Town of Auburn continues to be financially strong and again has seen growth in net property values. Net property values for 2012 were \$611,875,635, an increase of \$7,720,741 (13%) from the prior year. The equalization rate did increase from 100% to 102% in 2012. This would indicate a 2% overage of net property valuation which will be adjusted in 2013 when a statistical update is completed.

In 2012, the Town entered into an agreement with Manchester Water Works to reduce the assessed value of their waterfront property for the next five years. Although the impact of this reduction did reduce the Fund Balance in the current year, it does provide some stability in upcoming years. Along with the reduction in Manchester Water Works waterfront property value and the continued growth of other property within Town, the revenue provided by Manchester Water Works is becoming a smaller percent of total revenue for the Town. In 2011 Manchester Water Works revenue accounted for 35% of all revenue, while in 2012 that amount was reduced to 25%.

The Town has still not complied with GASB 45 in 2012. The amount not reported in the financial statements is still believed to be minimal, as the Town does not pay towards retiree health insurance cost. The expense not stated would be the implied amount of potential rate increases for current employee health coverage. The cost for implementing GASB 45 will be put forward during the next budget process for 2014. If funding is approved the Town will be compliant in future years.

Additional Financial Information

The purpose of the financial report is to provide a general overview to all those who have an interest in the Town of Auburn's finances. Questions concerning any of the information provided within this report or requests for additional information can be addressed to the Finance Director, Town of Auburn, PO Box 309, Auburn, NH 03032.

BASIC FINANCIAL STATEMENTS

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

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 5,231,454
Investments	156,086
Receivables, net of allowances for uncollectible	1,074,375
Intergovernmental	352,692
Prepaid items	34,124
Capital assets, not being depreciated:	
Land	812,592
Construction in progress	82,091
Capital assets, net of accumulated depreciation:	
Land improvements	170,879
Buildings and building improvements	525,403
Machinery, equipment, and vehicles	1,258,072
Intangible asset	6,173
Infrastructure	6,435,449
Total assets	<u>16,139,390</u>
LIABILITIES	
Accounts payable	125,252
Accrued salaries and benefits	62,944
Accrued interest payable	4,842
Intergovernmental payable	3,980,197
Escrow and performance bonds payable	97,614
Unearned revenue	555
Noncurrent liabilities:	
Due within one year:	
Capital leases	94,948
Accrued landfill postclosure care costs	6,500
Due in more than one year:	
Capital leases	72,774
Compensated absences	120,515
Accrued landfill postclosure care costs	123,500
Total liabilities	<u>4,689,641</u>
NET POSITION	
Net investment in capital assets	9,122,938
Restricted for perpetual care	106,216
Unrestricted	2,220,595
Total net position	<u><u>\$ 11,449,749</u></u>

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

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

		Program Revenues		Net (Expense)
		Charges	Operating	Revenue and
		for	Grants and	Change in
	Expenses	Services	Contributions	Net Position
Governmental activities:				
General government	\$ 1,152,281	\$ 22,679	\$ -	\$ (1,129,602)
Public safety	1,625,704	200,215	-	(1,425,489)
Highways and streets	1,167,155	-	243,036	(924,119)
Health	24,493	-	-	(24,493)
Welfare	28,890	-	-	(28,890)
Culture and recreation	214,265	14,580	-	(199,685)
Conservation	2,669	-	-	(2,669)
Capital outlay	135,806	-	-	(135,806)
Total governmental activities	<u>\$ 4,351,263</u>	<u>\$ 237,474</u>	<u>\$ 243,036</u>	<u>(3,870,753)</u>
General revenues:				
Taxes:				
Property				2,075,120
Other				1,014,438
Motor vehicle permit fees				1,095,934
Licenses and other fees				127,084
Grants and contributions not restricted to specific programs				234,986
Unrestricted investment earnings				3,119
Miscellaneous				10,082
Total general revenues				<u>4,560,763</u>
Change in net position				690,010
Net position, beginning				10,759,739
Net position, ending				<u>\$ 11,449,749</u>

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

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

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 5,121,822	\$ 109,632	\$ 5,231,454
Investments	-	156,086	156,086
Receivables, net of allowance for uncollectible:			
Taxes	892,572	157,000	1,049,572
Accounts	24,803	-	24,803
Intergovernmental	352,692	-	352,692
Interfund receivable	-	87,296	87,296
Prepaid items	34,124	-	34,124
Total assets	<u>\$ 6,426,013</u>	<u>\$ 510,014</u>	<u>\$ 6,936,027</u>
LIABILITIES			
Accounts payable	\$ 125,252	\$ -	\$ 125,252
Accrued salaries and benefits	62,944	-	62,944
Intergovernmental payable	3,980,197	-	3,980,197
Interfund payable	87,296	-	87,296
Escrow and performance deposits	97,614	-	97,614
Unearned revenue	555	-	555
Total liabilities	<u>4,353,858</u>	<u>-</u>	<u>4,353,858</u>
FUND BALANCES			
Nonspendable:			
Permanent fund (principal balance)	-	106,216	106,216
Prepaid items	34,124	-	34,124
Restricted:			
Permanent fund (interest balance)	-	49,870	49,870
Library purposes	27,423	-	27,423
Committed:			
Expendable trust funds	81,382	-	81,382
Voted from surplus	122,696	-	122,696
Conservation commission	-	315,029	315,029
Police special detail	-	38,899	38,899
Assigned:			
Encumbrances	266,065	-	266,065
Unassigned			
	1,540,465	-	1,540,465
Total fund balances	<u>2,072,155</u>	<u>510,014</u>	<u>2,582,169</u>
Total liabilities and fund balances	<u>\$ 6,426,013</u>	<u>\$ 510,014</u>	<u>\$ 6,936,027</u>

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

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

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

Total fund balances of governmental funds (Exhibit C-1)		\$ 2,582,169
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.		
Cost	\$ 13,383,216	
Less accumulated depreciation	<u>(4,092,557)</u>	
		9,290,659
Interfund receivables and payables between governmental funds are eliminated on the Statement of Net Position.		
Receivables	\$ (87,296)	
Payables	<u>87,296</u>	
		-
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(4,842)
Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the funds.		
Capital leases	\$ 167,722	
Compensated absences	120,515	
Accrued landfill postclosure care costs	<u>130,000</u>	
		(418,237)
Net position of governmental activities (Exhibit A)		<u><u>\$ 11,449,749</u></u>

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

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

	General	Other Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	\$ 2,856,058	\$ 233,500	\$ 3,089,558
Licenses and permits	1,223,018	-	1,223,018
Intergovernmental	478,021	-	478,021
Charges for services	71,617	158,851	230,468
Miscellaneous	19,521	687	20,208
Total revenues	<u>4,648,235</u>	<u>393,038</u>	<u>5,041,273</u>
EXPENDITURES			
Current:			
General government	1,128,017	10	1,128,027
Public safety	1,503,433	149,556	1,652,989
Highways and streets	926,815	-	926,815
Sanitation	12,400	-	12,400
Health	24,493	-	24,493
Welfare	28,890	-	28,890
Culture and recreation	227,990	-	227,990
Conservation	1,265	1,404	2,669
Capital outlay	1,026,083	-	1,026,083
Total expenditures	<u>4,879,386</u>	<u>150,970</u>	<u>5,030,356</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(231,151)</u>	<u>242,068</u>	<u>10,917</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	11	7,844	7,855
Transfers out	(7,844)	(11)	(7,855)
Capital lease proceeds	51,236	-	51,236
Total other financing sources (uses)	<u>43,403</u>	<u>7,833</u>	<u>51,236</u>
Net change in fund balances	(187,748)	249,901	62,153
Fund balances, beginning	2,259,903	260,113	2,520,016
Fund balances, ending	<u>\$ 2,072,155</u>	<u>\$ 510,014</u>	<u>\$ 2,582,169</u>

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

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

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

Net change in fund balances of governmental funds (Exhibit C-3) \$ 62,153

Governmental funds report capital outlays as expenditures. In the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capitalized capital outlay exceeded depreciation expense in the current period.

Capitalized capital outlay	\$ 1,010,918	
Depreciation expense	<u>(440,815)</u>	570,103

Transfers in and out between governmental funds are eliminated on the Statement of Activities.

Transfers in	\$ (7,855)	
Transfers out	<u>7,855</u>	-

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

Proceeds of capital leases	\$ (51,236)	
Repayment of capital lease principal	<u>105,440</u>	54,204

Some expenses reported in the Statement of Activities do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds.

Decrease in accrued interest expense	\$ 1,605	
Increase in compensated absences payable	(14,355)	
Decrease in accrued landfill postclosure care costs	<u>16,300</u>	3,550

Changes in net position of governmental activities (Exhibit B)	<u><u>\$ 690,010</u></u>
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EXHIBIT D
TOWN OF AUBURN, NEW HAMPSHIRE
Statement of Revenues, Expenditures, and Change in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Fiscal Year Ended December 31, 2012

	Budgeted Amounts		Variance with Final Budget
	Original and Final	Actual	Positive (Negative)
REVENUES			
Taxes	\$ 3,181,755	\$ 2,856,057	\$ (325,698)
Licenses and permits	1,132,000	1,223,018	91,018
Intergovernmental	454,138	478,022	23,884
Charges for services	47,000	71,617	24,617
Miscellaneous	14,500	14,000	(500)
Total revenues	<u>4,829,393</u>	<u>4,642,714</u>	<u>(186,679)</u>
EXPENDITURES			
Current:			
General government	1,163,976	1,124,885	39,091
Public safety	1,471,559	1,455,331	16,228
Highways and streets	954,874	926,815	28,059
Sanitation	13,700	12,400	1,300
Health	59,549	24,993	34,556
Welfare	46,273	28,890	17,383
Culture and recreation	96,772	93,321	3,451
Conservation	2,621	1,265	1,356
Debt service:			
Principal	1	-	1
Interest	2	-	2
Capital outlay	<u>1,032,814</u>	<u>1,107,814</u>	<u>(75,000)</u>
Total expenditures	<u>4,842,141</u>	<u>4,775,714</u>	<u>66,427</u>
Excess (deficiency) of revenues over (under) expenditures	(12,748)	(133,000)	(120,252)
OTHER FINANCING USES			
Transfers out	<u>(185,326)</u>	<u>(175,307)</u>	<u>10,019</u>
Net change in fund balances	<u>\$ (198,074)</u>	<u>(308,307)</u>	<u>\$ (110,233)</u>
Increase in nonspendable fund balance		(17,200)	
Increase in committed fund balance		(14,622)	
Unassigned fund balance, beginning		1,880,594	
Unassigned fund balance, ending		<u>\$ 1,540,465</u>	

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

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

	Agency Fund
ASSETS	
Cash and cash equivalents	\$ 699,849
Accounts receivable	97,614
Total assets	<u>797,463</u>
LIABILITIES	
Due to other governmental units	410,655
Performance bonds payable	295,668
Escrow payable	91,140
Total liabilities	<u>797,463</u>
NET POSITION	<u>\$ -</u>

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

1-A Reporting Entity

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

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

1-B Basis of Presentation

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

The Statement of Net Position presents the financial position of the governmental activities of the Town at year-end. This statement includes all of the Town's assets, liabilities, and net position, with the exception of long-term costs of retirement, health care, and obligations for other postemployment benefits have been omitted because the liability and expense have not been determined. Net position is reported as one of three categories: net investment in capital assets; restricted; or unrestricted.

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

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

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

TOWN OF AUBURN, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
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Governmental Activities – Governmental funds are identified as general, special revenue, and permanent funds, based upon the following guidelines:

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

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

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

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

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

Major Fund – The Town reports the following major governmental fund:

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

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

Special Revenue Funds:

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

Police Special Detail Fund – accounts for the activity of the police department special details.

Permanent Fund:

Perpetual Care Fund – accounts for resources held in trust for use by the Town for cemetery maintenance.

Fiduciary Funds - The Town reports the following fiduciary funds:

Agency Funds:

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

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

1-C Measurement Focus

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

Governmental Fund Financial Statements – Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are susceptible to accrual, that is, when they are both measurable and available. Revenues are considered to be available if they are

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

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

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

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

1-D Cash and Cash Equivalents

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

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

1-E Investments

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

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

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

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

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

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

1-F Receivables

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

1-G Interfund Balances

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

1-H Prepaid Items

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

1-I Capital Assets

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

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

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

	<u>Years</u>
Land improvements	10-30
Buildings and building improvements	10-75
Machinery, equipment, and vehicles	5-20
Infrastructure	25

1-J Net Position Flow Assumption

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

1-K Fund Balance Flow Assumptions

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

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

1-L Revenues and Expenditures/Expenses

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

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

Property Taxes - Property tax billings occur semiannually and are based on the assessed inventory values as of April 1 of each year. Billings for the year were on May 21, 2012 and November 5, 2012. Interest accrues at a rate of 12% on bills outstanding after the due date and 18% on tax liens outstanding.

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

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

For the New Hampshire education tax	\$ 604,364,935
For all other taxes	\$ 611,875,635

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

	Per \$1,000 of Assessed Valuation	Property Taxes Assessed
Municipal portion	\$4.19	\$ 2,564,745
School portion:		
State of New Hampshire	\$2.50	1,509,655
Local	\$11.56	7,074,980
County portion	\$1.56	689,992
Total		<u>\$ 11,839,372</u>

1-M Deferred/Unearned Revenue

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

1-N Compensated Absences

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

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

TOWN OF AUBURN, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
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1-O Long-Term Obligations

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

1-P Claims and Judgments

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

1-Q Interfund Activities

Interfund activities are reported as follows:

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

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

1-R Equity/Fund Balance Policy/Classifications

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

- a) *Net investment in capital assets* – Consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any capital leases that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets.
- b) *Restricted net position* – Consists of net assets with constraints placed on use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c) *Unrestricted net position* – All other net assets that do not meet the definition of “restricted” or “net investment in capital assets.”

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

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

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

TOWN OF AUBURN, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
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Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the legislative body (Town Meeting). These amounts cannot be used for any other purpose unless the legislative body removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. Expendable trust, all special revenue fund balances, and legislative body votes relative to the use of unassigned fund balance at year-end are included in this classification.

Assigned – This classification includes amounts that are constrained by the Town's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Selectmen through the budgetary process. The Town has assigned funds consisting of reserve for encumbrances in the general fund at year-end.

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

1-S Impact of Recently Issued Accounting Principles

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

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

2-A Budgetary Information

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

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

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

State statutes require balanced budgets, but provide for the use of beginning unassigned fund balance to achieve that end. In the fiscal year 2012, \$198,074 of the beginning general fund unassigned fund balance was applied for this purpose.

2-B Budgetary Reconciliation to GAAP Basis

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

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

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

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

Revenues and other financing sources:

Per Exhibit D (budgetary basis)	\$ 4,642,714
Adjustment:	
Basis difference:	
Inception of capital leases	51,236
GASB Statement No. 54:	
Interest income earned on eliminated expendable trust funds	207
Income earned from the eliminated library fund	5,314
Transfer from permanent fund to eliminated library fund	11
Per Exhibit C-3 (GAAP basis)	<u>\$ 4,699,482</u>

Expenditures and other financing uses:

Per Exhibit D (budgetary basis)	\$ 4,951,021
Adjustment:	
Basis differences:	
Encumbrances, beginning	169,979
Encumbrances, ending	(266,065)
Inception of capital leases	51,236
GASB Statement No. 54:	
To record expendable trust expenditures during the year	13,231
To record libraryfund expenditures during the year	135,291
To eliminate transfers between general and expendable trust funds	(50,000)
To eliminate transfers between general and library fund	(125,307)
To recognize transfer between cemetery and permanent funds	7,844
Per Exhibit C-3 (GAAP basis)	<u>\$ 4,887,230</u>

DETAILED NOTES ON ALL FUNDS

NOTE 3 – CASH AND CASH EQUIVALENTS

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of December 31, 2012, none of the Town's bank balances of \$6,761,402 was exposed to custodial credit risk as uninsured and uncollateralized.

Cash and cash equivalents reconciliation:

Cash per Statement of Net Assets (Exhibit A)	\$ 5,231,454
Cash per Statement of Fiduciary Net Position (Exhibit E)	699,849
Total cash and cash equivalents	<u>\$ 5,931,303</u>

NOTE 4 – TAXES RECEIVABLE

Taxes receivable represent the amount of current and prior year taxes which have not been collected as of December 31, 2012. The amount has been reduced by an allowance for an estimated uncollectible amount of \$38,000. Taxes receivable by year are as follows:

Property:	
Levy of 2012	\$ 640,939
Unredeemed (under tax lien):	
Levy of 2011	143,613
Levy of 2010	87,015
Levies of 2009 and prior	59,005
Land use change	157,000
Less: allowance for estimated uncollectible taxes	(38,000)
Net taxes receivable	<u>\$ 1,049,572</u>

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

NOTE 5 – OTHER RECEIVABLES

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

NOTE 6 – CAPITAL ASSETS

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

	Balance, beginning	Additions	Disposals	Balance, ending
At cost:				
Not being depreciated:				
Land	\$ 812,592	\$ -	\$ -	\$ 812,592
Construction in progress	194,386	343	(112,638)	82,091
Total capital assets not being depreciated	1,006,978	343	(112,638)	894,683
Being depreciated:				
Land improvements	745,342	25,388	-	770,730
Buildings and building improvements	1,836,873	-	-	1,836,873
Machinery, equipment, and vehicles	2,382,146	101,435	-	2,483,581
Intangible asset	34,702	-	-	34,702
Infrastructure	6,366,257	1,002,572	(6,182)	7,362,647
Total capital assets being depreciated	11,365,320	1,129,395	(6,182)	12,488,533
Total all capital assets	12,372,298	1,129,738	(118,820)	13,383,216
Less accumulated depreciation:				
Land improvements	(581,431)	(18,420)	-	(599,851)
Buildings and building improvements	(1,268,115)	(43,355)	-	(1,311,470)
Machinery, equipment, and vehicles	(1,078,263)	(147,246)	-	(1,225,509)
Intangible asset	(27,516)	(1,013)	-	(28,529)
Infrastructure	(696,417)	(230,781)	-	(927,198)
Total accumulated depreciation	(3,651,742)	(440,815)	-	(4,092,557)
Net book value, capital assets being depreciated	7,713,578	688,580	(6,182)	8,395,976
Net book value, all governmental activities capital assets	\$ 8,720,556	\$ 688,923	\$ (118,820)	\$ 9,290,659

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

General government	\$ 49,612
Public safety	136,876
Highways and streets	240,340
Culture and recreation	13,987
Total depreciation expense	<u>\$ 440,815</u>

NOTE 7 – INTERFUND BALANCES AND TRANSFERS

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

Receivable Fund	Payable Fund	Amount
General	Nonmajor	\$ 75,091
	Nonmajor	12,205
		<u>\$ 87,296</u>

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

Interfund Transfers - The composition of interfund transfers for the year ended December 31, 2012 is as follows;

	Transfers In:		
	General Fund	Nonmajor Fund	Total
Transfers out:			
General fund	\$ -	\$ 7,844	\$ 7,844
Nonmajor fund	11	-	11
Total	<u>\$ 11</u>	<u>\$ 7,844</u>	<u>\$ 7,855</u>

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

NOTE 8 – INTERGOVERNMENTAL PAYABLES

Amounts due to other governments of \$4,390,852 at December 31, 2012 consist of:

General fund:	
Balance of 2012-2013 district assessment due to the Auburn School District	\$ 3,809,635
Amounts due to the State of NH for police cruiser fuel	3,943
Balance of overpayment in lieu of taxes due to Manchester Water Works	140,054
Balance of 1999 appropriation due to the Auburn Development Authority	21,004
Miscellaneous fees due to the State of New Hampshire	5,561
Total intergovernmental payables due from the general fund	<u>3,980,197</u>
Agency fund:	
Balance of trust funds belonging to the Auburn School District	<u>410,655</u>
Total intergovernmental payables due	<u>\$ 4,390,852</u>

NOTE 9 – LONG-TERM LIABILITIES

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

	Capital Leases Payable	Compensated Absences Payable	Accrued Landfill Postclosure Care Costs Payable	Total
Balance, beginning	\$ 221,926	\$ 106,160	\$ 146,300	\$ 474,386
Additions	51,236	14,355	-	65,591
Reductions	(105,440)	-	(16,300)	(121,740)
Balance, ending	<u>\$ 167,722</u>	<u>\$ 120,515</u>	<u>\$ 130,000</u>	<u>\$ 418,237</u>

TOWN OF AUBURN, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
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Long-term liabilities payable are comprised of the following:

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at December 31, 2012	Current Portion
Capital leases payable:						
Pumper truck	\$ 398,854	2008	2014	3.77	\$ 142,904	\$ 70,130
Police cruisers	\$ 51,236	2012	2013	6.45	24,818	24,818
					<u>167,722</u>	<u>94,948</u>
Compensated absences payable:						
Accrued vacation leave					120,515	-
Accrued landfill postclosure care costs payable					<u>130,000</u>	<u>6,500</u>
Total					<u>\$ 418,237</u>	<u>\$ 101,448</u>

Accrued Landfill Postclosure Care Costs - Federal and State laws and regulations require that the Town place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site after closure. A liability is being recognized based postclosure care costs that will be incurred. The recognition of these landfill postclosure care costs is based on the amount of the landfill used through the end of the year. The estimated liability for landfill postclosure care costs has a balance of \$130,000 as of December 31, 2012. The estimated total current cost of the landfill postclosure care (\$6,500) is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor and maintain the landfill were acquired as of December 31, 2012. However, the actual cost of postclosure care may be higher or lower due to inflation, changes in technology, or changes in landfill laws and regulations.

Bonds/Notes Authorized and Unissued - Bonds and notes authorized and unissued as of December 31, 2012 were as follows:

Per Town Meeting Vote of	Purpose	Unissued Amount
<u>March 11, 2003</u>	<u>Conservation easement/open space land</u>	<u>\$ 2,000,000</u>

NOTE 10 – LEASE OBLIGATIONS

The Town has entered into certain capital lease agreements under which the related equipment will become the property of the Town when all the terms of the lease agreements are met.

	Standard Interest Rate	Present Value of Remaining Payments as of December 31, 2012
Governmental fund activities:		
Pumper truck	3.77%	\$ 142,904
Police cruisers	6.45%	24,818
Total capital lease obligations		<u>\$ 167,722</u>

Leased equipment under capital leases, included in capital assets, is as follows:

	Governmental Activities
Equipment:	
Pumper truck	\$ 522,981
Police cruisers	58,480
Less: accumulated depreciation	<u>(121,442)</u>
Total leased equipment	<u>\$ 460,019</u>

TOWN OF AUBURN, NEW HAMPSHIRE
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The annual requirements to amortize capital leases payable as of December 31, 2012, including interest payments, are as follows:

Fiscal Year Ending December 31,	Governmental Activities
2013	\$ 101,936
2014	75,518
Total requirements	177,454
Less: interest	(9,732)
Present value of remaining payments	<u>\$ 167,722</u>

Amortization of lease equipment under capital assets is included with depreciation expense.

NOTE 11 – GOVERNMENTAL ACTIVITIES NET POSITION

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

Invested in capital assets, net of related debt:	
Capital assets, net of accumulated depreciation	\$ 9,290,660
Less:	
Capital leases payable	(167,722)
Total invested in capital assets, net of related debt	<u>9,122,938</u>
Restricted for Perpetual care	106,216
Unrestricted	<u>2,214,247</u>
Total net assets	<u>\$ 11,443,401</u>

NOTE 12 – GOVERNMENTAL FUND BALANCES

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

Nonspendable:

Major fund:

General:

 Prepaid items \$ 34,124

Nonmajor fund:

Permanent:

 Principal balance 106,216

 Total nonspendable fund balance \$ 140,340

Restricted:

Major fund:

General:

 Library \$ 27,423

Nonmajor fund:

Permanent:

 Income portion 49,870

 Total restricted fund balance 77,293

(Continued)

TOWN OF AUBURN, NEW HAMPSHIRE
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Governmental fund balances continued:

Committed:		
Major fund:		
General:		
Expendable trust	\$ 81,382	
Voted from surplus	122,696	
	<u>204,078</u>	
Nonmajor funds:		
Special revenue:		
Conservation commission	315,029	
Police special detail	38,899	
	<u>353,928</u>	
Total committed fund balance		558,006
Assigned:		
Major fund:		
General:		
Encumbrances		266,065
Unassigned:		
Major fund:		
General		1,540,465
Total governmental fund balances		<u><u>\$ 2,582,169</u></u>

NOTE 13 – EMPLOYEE RETIREMENT PLAN

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

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

The contribution requirements for the Town of Auburn for the fiscal years 2010, 2011, and 2012 were \$116,104, \$142,931, and \$157,151, respectively, which were paid in full in each year.

NOTE 14 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

In addition to pension benefits described in preceding note, the Town provides postemployment benefit options for health care, to eligible retirees, terminated employees, and their dependents. The benefits are provided in accordance with the Town's agreements, collective bargaining agreements, and the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA). The criteria to determine eligibility include: years of service, employee age, and whether the employee has vested in the respective retirement plan. The Town funds the benefits on a pay-as-you-go basis. Eligible employees are required to pay set premiums for a portion of the cost with the Town subsidizing the remaining costs. Expenses for the postretirement health care benefits are recognized as eligible employee claims are paid.

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The Governmental Accounting Standards Board (GASB) issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. GASB Statement No. 45, which was effective for the Town on January 1, 2009, requires that the long-term cost of retirement health care and obligations for other postemployment benefits (OPEB) be determined on an actuarial basis and reported on the financial statements. The Town has not implemented GASB Statement No. 45 at December 31, 2012 or contracted with an actuarial firm to assist in evaluating the impact of this new standard on the Town. The amounts that should be recorded as the annual required contribution/OPEB cost and the net OPEB obligation is unknown.

NOTE 15 – RISK MANAGEMENT

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

The New Hampshire Public Risk Management Exchange (Primex³) Workers' Compensation and Property/Liability Programs are pooled risk management programs under RSAs 5-B and 281-A. Coverage was provided from January 1, 2012 to December 31, 2012 by Primex³, which retained \$1,000,000 of each workers' compensation loss, \$500,000 of each liability loss, and \$200,000 of each property loss. The Board has decided to self-insure the aggregate exposure and has allocated funds based on actuarial analysis for that purpose. The estimated net contribution from the Town of Auburn billed and paid for the year ended December 31, 2012 was \$27,312 for workers' compensation and \$36,020 for property/liability.

NOTE 16 – CONTINGENCIES

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

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

NOTE 17 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

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

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

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

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

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

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

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

NOTE 18 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the balance sheet date, but before the financial statements are issued. Recognized subsequent events are events or transactions that provided additional evidence about conditions that existed at the balance sheet date, including the estimates inherent in the process of preparing the financial statements. Nonrecognized subsequent events are events that provide evidence about conditions that did not exist at the balance sheet date, but arose after the date. Management has evaluated subsequent events through July 17, 2013, the date the December 31, 2012 financial statements were issued, and no events occurred that require recognition or disclosure.

COMBINING AND INDIVIDUAL FUND SCHEDULES

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

	Estimated	Actual	Variance Positive (Negative)
Taxes:			
Property	\$ 2,323,555	\$ 2,075,119	\$ (248,436)
Timber	10,000	6,776	(3,224)
Excavation	-	850	850
Payment in lieu of taxes	773,200	675,119	(98,081)
Interest and penalties on taxes	75,000	98,193	23,193
Total from taxes	<u>3,181,755</u>	<u>2,856,057</u>	<u>(325,698)</u>
Licenses, permits, and fees:			
Business licenses, permits, and fees	47,000	50,273	3,273
Motor vehicle permit fees	1,020,000	1,095,934	75,934
Building permits	50,000	60,759	10,759
Other	15,000	16,052	1,052
Total from licenses, permits, and fees	<u>1,132,000</u>	<u>1,223,018</u>	<u>91,018</u>
Intergovernmental:			
State:			
Meals and rooms distribution	221,924	221,889	(35)
Highway block grant	132,992	132,992	-
Other	-	13,097	13,097
Federal:			
FEMA	99,222	110,044	10,822
Total from intergovernmental	<u>454,138</u>	<u>478,022</u>	<u>23,884</u>
Charges for services:			
Income from departments	<u>47,000</u>	<u>71,617</u>	<u>24,617</u>
Miscellaneous:			
Sale of municipal property	8,000	7,006	(994)
Interest on investments	1,500	2,535	1,035
Other	5,000	4,459	(541)
Total from miscellaneous	<u>14,500</u>	<u>14,000</u>	<u>(500)</u>
Total revenues	4,829,393	<u>\$ 4,642,714</u>	<u>\$ (186,679)</u>
Unassigned fund balance used to reduce tax rate	198,074		
Total revenues and use of fund balance	<u>\$ 5,027,467</u>		

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

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
General government:					
Executive	\$ -	\$ 217,303	\$ 213,732	\$ -	\$ 3,571
Election and registration	-	85,329	72,316	4,600	8,413
Financial administration	-	95,083	91,234	-	3,849
Legal	-	55,000	102,078	-	(47,078)
Personnel administration	-	340,952	328,912	-	12,040
Planning and zoning	-	97,781	58,190	-	39,591
General government buildings	-	72,575	68,074	5,500	(999)
Cemeteries	-	15,700	7,355	-	8,345
Insurance, not otherwise allocated	-	69,105	44,905	-	24,200
Advertising and regional associations	-	7,369	7,180	-	189
Other	-	107,779	120,809	-	(13,030)
Total general government	-	1,163,976	1,114,785	10,100	39,091
Public safety:					
Police	-	987,425	974,820	3,134	9,471
Ambulance	-	52,094	50,853	-	1,241
Fire	-	372,483	363,001	-	9,482
Building inspection	-	57,056	52,686	-	4,370
Emergency management	-	2,501	10,837	-	(8,336)
Total public safety	-	1,471,559	1,452,197	3,134	16,228
Highways and streets:					
Highways and streets	-	942,874	914,147	-	28,727
Street lighting	-	12,000	12,668	-	(668)
Total highways and streets	-	954,874	926,815	-	28,059
Sanitation:					
Solid waste disposal	-	13,700	12,400	-	1,300
Health:					
Administration	-	2,262	2,131	-	131
Pest control	-	52,194	17,769	-	34,425
Health agencies	-	5,093	4,593	500	-
Total health	-	59,549	24,493	500	34,556
Welfare:					
Direct assistance	-	41,802	24,419	-	17,383
Intergovernmental welfare payments	-	4,471	4,471	-	-
Total welfare	-	46,273	28,890	-	17,383
Culture and recreation:					
Parks and recreation	-	90,772	87,321	-	3,451
Patriotic purposes	-	6,000	5,379	621	-
Total culture and recreation	-	96,772	92,700	621	3,451
Conservation	-	2,621	1,265	-	1,356

(Continued)

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

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Debt service:					
Principal of long-term debt	-	1	-	-	1
Interest on long-term debt	-	1	-	-	1
Interest on tax anticipation notes	-	1	-	-	1
Total debt service	-	3	-	-	3
Capital outlay:					
Machinery, equipment, and vehicles	-	75,518	75,517	-	1
Buildings	-	25,000	13,097	25,000	(13,097)
Improvements other than buildings	169,979	932,296	937,469	226,710	(61,904)
Total capital outlay	169,979	1,032,814	1,026,083	251,710	(75,000)
Other financing uses:					
Transfers out	-	185,326	175,307	-	10,019
Total appropriations, expenditures, other financing uses, and encumbrances	\$ 169,979	\$ 5,027,467	\$ 4,854,935	\$ 266,065	\$ 76,446

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

Unassigned fund balance, beginning		\$ 1,880,594
Changes:		
Unassigned fund balance used to reduce 2012 tax rate		(198,074)
2012 Budget summary:		
Revenue shortfall (Schedule 1)	\$ (186,679)	
Unexpended balance of appropriations (Schedule 2)	<u>76,446</u>	
2012 Budget deficit		(110,233)
Increase in nonspendable fund balance		(17,200)
Increase in committed fund balance		<u>(14,622)</u>
Unassigned fund balance, ending, budgetary basis		<u><u>\$ 1,540,465</u></u>

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

	Special Revenue Funds			Total
	Conservation Commission	Police Special Detail	Permanent Fund	
ASSETS				
Cash and cash equivalents	\$ 82,938	\$ 26,694	\$ -	\$ 109,632
Investments	-	-	156,086	156,086
Taxes receivable	157,000	-	-	157,000
Interfund receivable	75,091	12,205	-	87,296
Total assets	<u>\$ 315,029</u>	<u>\$ 38,899</u>	<u>\$ 156,086</u>	<u>\$ 510,014</u>
FUND BALANCES				
Nonspendable	\$ -	\$ -	\$ 106,216	\$ 106,216
Restricted	-	-	49,870	49,870
Committed	315,029	38,899	-	353,928
Total fund balances	<u>\$ 315,029</u>	<u>\$ 38,899</u>	<u>\$ 156,086</u>	<u>\$ 510,014</u>

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

	Special Revenue Funds			
	Conservation Commission	Police Special Detail	Permanent Fund	Total
Revenues:				
Taxes	\$ 233,500	\$ -	\$ -	\$ 233,500
Charges for services	-	158,851	-	158,851
Miscellaneous	124	32	531	687
Total revenues	233,624	158,883	531	393,038
Expenditures:				
Current:				
General government	-	-	10	10
Public safety	-	149,556	-	149,556
Conservation	1,404	-	-	1,404
Total expenditures	1,404	149,556	10	150,970
Excess (deficiency) of revenues over (under) expenditures	232,220	9,327	521	242,068
Other financing sources (uses):				
Transfers in	-	-	7,844	7,844
Transfers out	-	-	(11)	(11)
Total other financing sources and uses	-	-	7,833	7,833
Net change in fund balances	232,220	9,327	8,354	249,901
Fund balances, beginning	82,809	29,572	147,732	260,113
Fund balances, ending	\$ 315,029	\$ 38,899	\$ 156,086	\$ 510,014