

TOWN OF GORHAM, NEW HAMPSHIRE

FINANCIAL STATEMENTS
AND SUPPLEMENTAL SCHEDULES
With Independent Auditor's Report Thereon

DECEMBER 31, 2012

TOWN OF GORHAM, NEW HAMPSHIRE

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INDEPENDENT AUDITOR'S REPORT

To the Members of the Selectboard and Management
Town of Gorham, 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 Gorham, 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 materials 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 basic 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 risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Town's procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we express no such opinion. An audit also includes evaluation of the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluation of 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.

Opinion. In our opinion, the basic 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 Gorham, New Hampshire, as of December 31, 2012, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Required Supplementary Information. The management discussion and analysis beginning on page ii and the section marked *Required Supplementary Information* is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and therefore express no opinion on it.

Report on Combining and Individual Fund Statements and Schedules. Our audit was performed for the purpose of forming opinions on the basic financial statements taken as a whole. The accompanying schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Other reporting required by *Government Auditing Standards*. In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2013 on our consideration of Town of Gorham, New Hampshire's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. 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 the 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 Gorham, New Hampshire's internal control over financial reporting and compliance.

Paul J. Mercier, Jr. cpa for

The Mercier Group, a professional corporation
Canterbury, New Hampshire
September 15, 2013

Management's Discussion & Analysis

MANAGEMENT’S DISCUSSION AND ANALYSIS

This section of the Town of Gorham’s (the Town) annual financial report presents management’s discussion and analysis of the Town’s financial performance during the fiscal year ended December 31, 2012. Please read it in conjunction with the Town’s financial statements, which follow this section.

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$47,452,923.00 (net assets).
- The Town’s total cash and investments totaled \$2,565,266.00 at December 31, 2012 representing a decrease of \$121,300.00 from December 31, 2011.
- The Town had program revenues of \$2,480,128.00 at December 31, 2012 representing an increase of \$835,423.00 from December 31, 2011 and program expenses of \$6,754,538.00 for the year ended December 31, 2012 representing an increase of \$1,219,436.00. These increases are largely due to both FEMA and NRCS grants, which dealt with storm damages from Tropical Storm Irene. Please refer to the Single Audit Reports and Schedules for grant details.
- The General Fund (operating fund) reflected on a modified accrual basis of accounting, reports \$265,648.00 in fund balance (surplus).
- The total General Fund actual expenditures were \$119,088.00 more than the 2012 Budgeted Expenditures.

Overview of the Financial Statements

The discussion and analysis is intended to serve as an introduction to the Town’s basic financial statements. The Town’s basic financial statements are comprised of the following components:

	REQUIRED STATEMENTS	PURPOSE & INFORMATION INCLUDED
Government-Wide	-Statement of Net Assets -Statement of Activities	Provides short and long-term information about our overall financial status, and how our net assets have changed. The statement of net assets includes all assets and liabilities, both operational and capital. The statement of activities accounts for all of the current year’s revenue and expenses.
Fund Financials: Governmental Funds	-Balance Sheet -Statement of Revenues, Expenditures and Changes in Fund Balances	Provides detailed short-term information on revenues, expenses and fund balances for the current year. Focus is on revenue sources, expenditure categories, and on the balance left at year-end.
Fund Financials: Fiduciary Funds	-Statement of Fiduciary Net Assets -Statement of Changes in Fiduciary Net Assets	Provides information on funds for which the Town acts as a trustee, or fiduciary. The Town cannot use these assets to finance its own operations, but is responsible for ensuring that the assets reported here are used for their intended purposes.
Fund Financials: Business Enterprise Funds	-Statement of Net Assets -Statement of Changes in Net Assets	Provides information on funds for which the Water & Sewer Department are responsible and reports activities for which a fee is charged to external users for services. The Water & Sewer Department uses these assets to finance its own operation.
Notes to Financial Statements	Notes to Financial Statements	Provides additional required detailed information and explanations to all statements listed above.
Other Required Supplementary Information	Budgetary Comparison Schedules	Provides additional information on budgeted vs. actual revenues and expenditures for the year.

Net Assets

Net assets may serve over time as a useful indicator of a governmental entity's financial position. The Town's assets exceeded liabilities by \$47,452,923.00 and \$47,736,132.00 at December 31, 2012 and 2011, respectively.

Capital Assets and Debt Administration

During the year ended December 31, 2012, the Town's Governmental Activities depreciation was more than the additions to assets resulting in an decrease in capital assets (net of depreciation) of \$292,324.00 and the Business-Type Activities depreciation exceeded the additions to equipment resulting in a decrease in capital assets (net of depreciation) of \$97,208.00. Additional information on the Town's capital assets can be found in the notes to the Financial Statements of this report.

As of December 31, 2012, the Governmental Activities (Town) long-term liabilities were \$415,946.00 and the Business-Type Activities (Water and Sewer Department) long-term liabilities were \$577,754.00 for total long-term liabilities of \$993,700.00.

Economic Factors and Next Year's Budget

There are two economic factors which are of major concern to the Town:

- Due to the economy, existing tax liens and outstanding property taxes, an additional \$370,000 was added to the Deferred Revenue Account, bringing the account total to \$1,000,000.00.
- In order to prepare for possible rulings in utilities cases now pending before the Board of Tax and Land Appeals, the overlay account has been increased from \$100,000.00 in 2012 to \$300,000.00 in 2013.
- The combined result of these two transactions is a \$570,000 reduction in the amount of Unassigned Fund Balance available as of December 12, 2012.

The following factors were considered in preparing the Town's budget for the 2013 fiscal year:

- In light of the economy and increased costs for salt, winter sand and asphalt, budgets were scrutinized carefully and kept bare-bones in an effort to keep the tax rate as low as possible.
- The Town continues to include appropriation requests for its Capital Improvements Program, to adequately fund the capital reserve funds in order to meet the necessary requirements for major equipment purchases and improvements when the need arises. In 2012, a police cruiser was purchased for \$24,002.00.
- No new vehicle leases were entered into in 2012.
- In 2012, the Town completed three FEMA projects and 4 NRCS projects dealing with the after-effects of Tropical Storm Irene and received a Declared Disaster Grant from FEMA for Super Storm Sandy. These storm grants totaled \$837,588.00 in Federal Funds, with a Town share of \$177,061 and local landowner share of \$135,468. Additional information on the grants can be found in the Single Audit Report Schedules.
- We have gone out to bid for electricity, heating fuel and life & disability insurance and have made every effort to obtain goods and services at the lowest possible price.

Town Hall Renovation Project:

- The \$1,180,000 bond for the project was issued on April 4, 2006. To date, 67 percent of the principal has been repaid. The remaining balance payable on this bond issue is \$372,631.00.
- The renovation of the entire building is essentially complete. There are a few finishing touches needed in the Medallion Opera House, such as valances and step lighting in the balcony.

Contacting the Town's Financial Management

The financial report is designed to provide a general overview of the Town's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Director of Finance & Administration at the Town of Gorham, 20 Park Street, Gorham, New Hampshire 03581 or by calling 603-466-3322 or by e-mail at dvallee@gorhamnh.org.

Basic Financial Statements

Exhibit A1
TOWN OF GORHAM, NEW HAMPSHIRE
Statement of Net Assets
December 31, 2012

All numbers are expressed in USA Dollars

	Primary Government		Total
	Governmental	Business-type	
	Activities	Activities	
ASSETS			
Cash and cash equivalents	2,068,358	470,760	2,539,118
Investments	26,148	-	26,148
Receivables <i>(net of allowance for uncollectibles)</i>			
Taxes	1,623,638		1,623,638
Accounts	82,043	5,386	87,429
Intergovernmental receivable	25,150	26,489	51,639
Internal balances	(97,701)	97,701	-
Capital assets:			
Land	1,853,825	851,800	2,705,625
Buildings and other structures	5,984,586	2,718,200	8,702,786
Construction in progress	1,079,557	-	1,079,557
Equipment & furnishings	710,829	256,766	967,595
Vehicles	2,299,823	272,326	2,572,149
Infrastructure	20,062,318	28,911,312	48,973,630
Accumulated depreciation	(9,085,993)	(10,635,785)	(19,721,778)
	<u>26,632,581</u>	<u>22,974,955</u>	<u>49,607,536</u>
LIABILITIES			
Compensated absences payable	18,904		18,904
Intergovernmental payable	1,330,418		1,330,418
Deferred Revenues	15,918		15,918
Long-term obligations:			
Due within one year			
Bonds & notes payable	124,210	67,476	191,686
Capital leases payable	11,722		11,722
Due Beyond one year:			
Bonds & notes payable	248,421	324,855	573,276
Capital leases payable	12,689		12,689
	<u>1,762,282</u>	<u>392,331</u>	<u>2,154,613</u>
NET ASSETS			
Invested in capital assets, net of related debt	22,532,314	22,109,106	44,641,420
Restricted for:			
Subsequent year's expenditures	65,503		65,503
Special Revenue purposes	198,994		198,994
Capital & noncapital reserves	619,963	470,760	1,090,723
Permanent Funds:			
Nonspendable	141,561		141,561
Spendable for trust purposes	155,134		155,134
Enterprise fund purposes		2,758	2,758
Unrestricted	1,156,830		1,156,830
	<u>24,870,299</u>	<u>22,582,624</u>	<u>47,452,923</u>

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

Exhibit A2
TOWN OF GORHAM, NEW HAMPSHIRE
Statement of Activities
For the Fiscal Year Ended December 31, 2012

All numbers are expressed in USA Dollars.

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		Total
				Governmental Activities	Business-type Activities	
Primary government:						
<i>Governmental activities:</i>						
General Government	1,501,211	8,375	128,705	(1,364,131)		(1,364,131)
Public safety	1,125,380	348,730	17,505	(759,145)		(759,145)
Highways and streets	1,939,806	36,843	993,434	(909,529)		(909,529)
Sanitation	324,641	56,995		(267,646)		(267,646)
Health	20,400			(20,400)		(20,400)
Welfare	55,076			(55,076)		(55,076)
Culture and recreation	375,088	69,821	276	(304,991)		(304,991)
Conservation	24,446			(24,446)		(24,446)
Economic development	10,950			(10,950)		(10,950)
Interest on long-term debt	20,593			(20,593)		(20,593)
Capital outlay	96,265			(96,265)		(96,265)
Depreciation-unallocated	324,875			(324,875)		(324,875)
	<u>5,818,731</u>	<u>520,764</u>	<u>1,139,920</u>	<u>(4,158,047)</u>	<u>-</u>	<u>(4,158,047)</u>
<i>Business-type activities:</i>						
Water treatment	413,730	401,500	-		(12,230)	(12,230)
Wastewater treatment	522,077	417,944	-		(104,133)	(104,133)
	<u>935,807</u>	<u>819,444</u>	<u>-</u>	<u>-</u>	<u>(116,363)</u>	<u>(116,363)</u>
	<u>6,754,538</u>	<u>1,340,208</u>	<u>1,139,920</u>	<u>(4,158,047)</u>	<u>(116,363)</u>	<u>(4,274,410)</u>
General revenues and transfers:						
Taxes:						
Property taxes, levied for general purposes				2,952,767		2,952,767
Property taxes, levied for debt services				165,746		165,746
Licenses and permits				485,925		485,925
Other local revenues				334,869	51,894	386,763
				<u>3,939,307</u>	<u>51,894</u>	<u>3,991,201</u>
Change in net assets				(218,740)	(64,469)	(283,209)
Net assets - beginning				25,089,039	22,647,093	47,736,132
Net assets - ending				<u>24,870,299</u>	<u>22,582,624</u>	<u>47,452,923</u>

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

Exhibit B1
TOWN OF GORHAM, NEW HAMPSHIRE
Balance Sheet
Governmental Funds
December 31, 2012

All numbers are expressed in USA Dollars

	General	Capital & Noncapital Reserves	Grant Programs	Non-major Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	1,119,083	628,883		320,392	2,068,358
Investments	26,148			-	26,148
Receivables:					
Taxes	1,623,638			-	1,623,638
Accounts	12,946		69,097	-	82,043
Intergovernmental	4,408		20,742	-	25,150
Interfund				203,442	203,442
	<u>2,786,223</u>	<u>628,883</u>	<u>89,839</u>	<u>523,834</u>	<u>4,028,779</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Interfund payable	190,157	8,920	73,921	28,145	301,143
Intergovernmental payable	1,330,418			-	1,330,418
Deferred revenue	1,000,000		15,918	-	1,015,918
	<u>2,520,575</u>	<u>8,920</u>	<u>89,839</u>	<u>28,145</u>	<u>2,647,479</u>
Fund balances:					
<i>Nonspendable</i>					
Permanent fund - principal				141,561	141,561
<i>Restricted for</i>					
Permanent fund purposes				155,134	155,134
<i>Committed for</i>					
Open purchase orders	65,503			-	65,503
Special revenue purposes				198,994	198,994
Capital & noncapital reserves		619,963		-	619,963
Unassigned	200,145			-	200,145
	<u>265,648</u>	<u>619,963</u>	<u>-</u>	<u>495,689</u>	<u>1,381,300</u>
	<u>2,786,223</u>	<u>628,883</u>	<u>89,839</u>	<u>523,834</u>	<u>4,028,779</u>

Exhibit B2
TOWN OF GORHAM, NEW HAMPSHIRE
Reconciliation of Governmental Funds
Balance Sheet to the Statement of Net Assets
December 31, 2012

All numbers are expressed in USA Dollars

Total Fund Balance - Governmental Funds (Exhibit B1) 1,381,300

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Land	1,853,825	
Buildings and other structures	5,984,586	
Construction in progress	1,079,557	
Equipment & furnishings	710,829	
Vehicles	2,299,823	
Infrastructure	20,062,318	
Accumulated depreciation	<u>(9,085,993)</u>	
		22,904,945

Receivables in the Balance Sheet that do not provide current financial resources are deferred in the funds:

Deferred Taxes		1,000,000
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Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Notes payable	(372,631)	
Capital leases payable	(24,411)	
Compensated absences (sick & vacation leave)	<u>(18,904)</u>	
		<u>(415,946)</u>

Net Assets of Governmental Activities (Exhibit A1) 24,870,299

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

Exhibit B3
TOWN OF GORHAM, NEW HAMPSHIRE
Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds
 For the Fiscal Year Ended December 31, 2012

All numbers are expressed in USA Dollars

	General	Capital & Noncapital Reserves	Grant Programs	Non-major Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	2,748,513			-	2,748,513
Licenses and permits	485,925			-	485,925
State support	184,551			-	184,551
Federal support	-		955,369	-	955,369
Charges for services	434,685			86,079	520,764
Other local sources	93,821	190	214,525	26,333	334,869
	<u>3,947,495</u>	<u>190</u>	<u>1,169,894</u>	<u>112,412</u>	<u>5,229,991</u>
EXPENDITURES					
Current:					
General Government	1,505,031			2,310	1,507,341
Public safety	1,092,149		33,231	-	1,125,380
Highways and streets	703,887		1,235,919	-	1,939,806
Sanitation	306,003			18,638	324,641
Health	20,400			-	20,400
Welfare	55,076			-	55,076
Culture and recreation	200,943		276	173,869	375,088
Conservation	-			24,446	24,446
Economic development	-		10,950	-	10,950
Debt service					
Principal	142,725			-	142,725
Interest	21,055			-	21,055
Capital outlay	128,816			-	128,816
	<u>4,176,085</u>	<u>-</u>	<u>1,280,376</u>	<u>219,263</u>	<u>5,675,724</u>
Excess of revenues over(under) expenditures	(228,590)	190	(110,482)	(106,851)	(445,733)
OTHER FINANCING SOURCES (USES)					
Transfers in	129,349	272,159	110,482	151,499	663,489
Transfers out	(468,418)	(166,609)		(28,462)	(663,489)
	<u>(339,069)</u>	<u>105,550</u>	<u>110,482</u>	<u>123,037</u>	<u>-</u>
Net change in fund balances	(567,659)	105,740	-	16,186	(445,733)
Fund balances - beginning	833,307	514,223		479,503	1,827,033
Fund balances - ending	<u>265,648</u>	<u>619,963</u>	<u>-</u>	<u>495,689</u>	<u>1,381,300</u>

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

Exhibit B4
TOWN OF GORHAM, 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

All numbers are expressed in USA Dollars

Net change in fund balances - total governmental funds (Exhibit B3) (445,733)

Amounts reported for governmental activities in the statement of activities (Exhibit A2) 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 and reported as depreciation expense.

Reduce expenditures for capital outlays increasing capital assets	32,551
Increase expenditures for depreciation charges	(324,875)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Increase(decrease) in Deferred Taxes	370,000
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The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Reduction in expenditures for principal payments on debt	143,187
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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.

(Increase)decrease in compensated absences payable	6,130
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Change in net assets of governmental activities (Exhibit A2) (218,740)

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

Exhibit B5
TOWN OF GORHAM, NEW HAMPSHIRE
Statement of Net Assets
Proprietary Funds
December 31, 2012

All numbers are expressed in USA Dollars

	Business-type Activities - Enterprise Funds		
	Water Treatment	Wastewater Treatment	Total
ASSETS			
Current assets:			
Cash and cash equivalents	259,779	210,981	470,760
Receivables:			
Accounts	2,057	3,329	5,386
Intergovernmental	26,489		26,489
Interfund	98,739		98,739
	<u>387,064</u>	<u>214,310</u>	<u>601,374</u>
Noncurrent assets:			
Capital assets:			
Land	576,020	275,780	851,800
Buildings and other structures	1,774,680	943,520	2,718,200
Equipment & furnishings	115,959	140,807	256,766
Vehicles	144,011	128,315	272,326
Infrastructure	15,503,338	13,407,974	28,911,312
Accumulated depreciation	(5,225,093)	(5,410,692)	(10,635,785)
	<u>12,888,915</u>	<u>9,485,704</u>	<u>22,374,619</u>
	<u>12,888,915</u>	<u>9,485,704</u>	<u>22,374,619</u>
	<u>13,275,979</u>	<u>9,700,014</u>	<u>22,975,993</u>
LIABILITIES			
Current liabilities:			
Interfund payable		1,038	1,038
Bonds & notes payable, net of State Aid	67,476		67,476
	<u>67,476</u>	<u>1,038</u>	<u>68,514</u>
Long-term liabilities:			
Bonds & notes payable, net of State Aid	324,855		324,855
	<u>392,331</u>	<u>1,038</u>	<u>393,369</u>
NET ASSETS			
Invested in capital assets, net of related debt	12,623,402	9,485,704	22,109,106
Restricted for capital outlays (<i>Capital Reserve Funds</i>)	259,779	210,981	470,760
Unrestricted	467	2,291	2,758
	<u>12,883,648</u>	<u>9,698,976</u>	<u>22,582,624</u>

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

Exhibit B6
TOWN OF GORHAM, NEW HAMPSHIRE
Statement of Revenue, Expenditures and Changes in Net Fund Assets
 Proprietary Funds
 For the Fiscal Year Ended December 31, 2012

All numbers are expressed in USA Dollars

	Business-type Activities ~ Enterprise Funds		
	Water Treatment	Wastewater Treatment	Total
OPERATING REVENUES			
Charges for services:			
User charges	384,400	385,447	769,847
Job Works & materials	13,758	27,259	41,017
Cost reimbursements	765	4,124	4,889
Administrative charges	2,577	1,114	3,691
	<u>401,500</u>	<u>417,944</u>	<u>819,444</u>
OPERATING EXPENSES			
Wages and benefits	279,731	109,532	389,263
Purchased services	15,071	3,780	18,851
Operating supplies	11,273	8,710	19,983
Operations & maintenance	28,308	308,470	336,778
General and administrative	45,628	6,594	52,222
Depreciation	33,719	84,991	118,710
	<u>413,730</u>	<u>522,077</u>	<u>935,807</u>
Operating income(loss)	<u>(12,230)</u>	<u>(104,133)</u>	<u>(116,363)</u>
NONOPERATING INCOME(EXPENSE)			
Capital debt surcharge	81,476		81,476
Earnings on investments	88	78	166
Interest expense, net of State Aid	(29,748)		(29,748)
	<u>51,816</u>	<u>78</u>	<u>51,894</u>
Changes in net assets	39,586	(104,055)	(64,469)
Total net assets - beginning	<u>12,844,062</u>	<u>9,803,031</u>	<u>22,647,093</u>
Total net assets - ending	<u>12,883,648</u>	<u>9,698,976</u>	<u>22,582,624</u>

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

Exhibit B7
TOWN OF GORHAM, NEW HAMPSHIRE
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended December 31, 2012

All numbers are expressed in USA Dollars

	Business-type Activities ~ Enterprise Funds		
	Water Treatment	Wastewater Treatment	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	404,393	419,738	824,131
Payments to suppliers for goods and services	(100,280)	(327,554)	(427,834)
Payments to employees for services	(279,731)	(109,532)	(389,263)
	<u>24,382</u>	<u>(17,348)</u>	<u>7,034</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Operating Transfer from(to) other funds	(8,683)	32,163	23,480
	<u>(8,683)</u>	<u>32,163</u>	<u>23,480</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from refunding debt	517,754		517,754
Refunded debt retired	(517,754)		(517,754)
Purchases of capital assets		(21,502)	(21,502)
Principal paid on capital debt	(67,246)		(67,246)
Interest paid on capital debt	(29,748)		(29,748)
State aid received	26,489		26,489
Capital debt surcharge	81,476		81,476
	<u>10,971</u>	<u>(21,502)</u>	<u>(10,531)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends received	88	78	166
	<u>88</u>	<u>78</u>	<u>166</u>
Net increase(decrease) in cash and cash equivalents	26,758	(6,609)	20,149
Cash and cash equivalents - beginning	233,021	217,590	450,611
Cash and cash equivalents - ending	<u>259,779</u>	<u>210,981</u>	<u>470,760</u>
Reconciliation of operating income (loss) to net cash received(used) by operating activities:			
Operating income (loss)	(12,230)	(104,133)	(116,363)
Adjustments to reconcile operating income(loss) to net cash received from(used) by operating activities:			
Depreciation expense	33,719	84,991	118,710
(Increase) decrease in accounts receivable	2,893	1,794	4,687
	<u>36,612</u>	<u>86,785</u>	<u>123,397</u>
Net cash received from (used by) operating activities	<u>24,382</u>	<u>(17,348)</u>	<u>7,034</u>
Noncash investing, capital, and financing activities:	none	none	

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

TOWN OF GORHAM, NEW HAMPSHIRE

Notes to Financial Statements

December 31, 2012

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Gorham is a New Hampshire Municipal Corporation governed by a Board of Selectmen and other elected officials. The financial statements of the Town have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to the governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Town's accounting policies and its conformity with such principles are disclosed below. These disclosures are an integral part of the Town's financial statements.

FINANCIAL REPORTING ENTITY

The accompanying financial statements present the Town and its component units. A component unit is defined by GASB as a legally separate organization for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with a primary government is such that the exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Blended component units, although legally separate entities, are, in substance, part of the government's operations. Based on the foregoing criteria, no other organizations are included in the Town's financial reporting entity and the Town is not a component unit of any other primary government.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the activities of the Town. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

TOWN OF GORHAM, NEW HAMPSHIRE

Notes to Financial Statements

December 31, 2012

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The **government-wide financial statements** are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when they occur 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 are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Taxes (property and other taxes), grants, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. If any, only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Town reports the following major governmental funds:

- The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *Capital and Noncapital Reserves Fund* accounts for the Town's capital and non-capital reserve funds which are restricted for specific purposes.
- The *Grant Programs Fund* accounts for various purpose-restricted grants awarded to the Town by the Federal, State or County governments and private sources.

The government reports the following major proprietary funds:

- The *Water Treatment* fund accounts for the activities of the Town's water utility.
- The *Wastewater Treatment* fund accounts for the activities of the Town's sewer utility.

Private-sector standards of accounting and financial reporting issued on or before November 30, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-

TOWN OF GORHAM, NEW HAMPSHIRE

Notes to Financial Statements

December 31, 2012

sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

General Budget Policies – 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 that govern the Town's operations. The Town votes appropriations by official ballot in accordance with State Statutes. Appropriations are made on an annual basis for the General and all significant Special Revenue Funds. Project-length financial plans are adopted for all Capital Project Funds. Except as reconciled below, budgets are adopted on a basis generally consistent with the modified accrual basis of accounting. Management may transfer appropriations between operating categories as they deem necessary, but expenditures may not legally exceed budgeted appropriations in total. Unexpended balances of special articles for specific purposes may not be transferred. All annual appropriations lapse at year-end unless encumbered. In the case of emergency expenditures, over-expenditures are allowed under the provisions of the Municipal Budget Law (RSA Chapter 32) if prior approval is secured from the State Department of Revenue Administration. State statutes require balanced budgets, but provide for the use of beginning unreserved fund balance to achieve that end. In the fiscal year 2012 \$350,000 of the beginning General Fund balance was applied for this purpose.

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 fund balance at December 31 and are carried forward to supplement appropriations of the subsequent year. Amounts recorded as budgetary expenditures in the *Budgetary Comparison Schedule (Exhibit C1)* are presented on the basis budgeted by the Town. The amounts differ from those reported in conformity with generally accepted accounting principles in the *Statement of Revenues, Expenditures and Changes in Fund Balances (Exhibit B3)* as follows:

Expenditures and Other Financing Uses ~ Budgetary Basis (<i>see Exhibit C1</i>)	\$ 4,545,982
Adjustments:	
Encumbrances - December 31, 2011	164,024
Encumbrances - December 31, 2012	<u>(65,503)</u>
Expenditures and Other Financing Sources ~ GAAP Basis (<i>see Exhibit B3</i>)	<u>\$ 4,644,503</u>

TOWN OF GORHAM, NEW HAMPSHIRE

Notes to Financial Statements

December 31, 2012

ASSETS, LIABILITIES AND FUND EQUITY

Deposits and Investments. For financial reporting purposes, cash and equivalents include amounts in demand deposits and money market funds, as well as certificates of deposit and short-term investments with original maturities of 90 days or less. With the exception of Library and Trust Fund monies, which are held by separately elected trustees, the Town Treasurer is required by State statute to have custody of all monies belonging to the Town and shall pay out the same only upon orders of the selectmen. The Town Treasurer shall deposit all such monies in solvent banks in the state or in participation units in the public deposit investment pool established pursuant to RSA 383:22. Monies may be deposited in banks outside the state if such banks pledge and deliver to the state treasurer as collateral security for such deposits in value at least equal to the amount of the deposit in each case.

Whenever the Town Treasurer has an excess of monies which are not immediately needed for the purpose of expenditure, State statutes require the Treasurer, with the approval of the Town Manager, to invest the same in obligations of the United States government, in savings bank deposits of banks incorporated under the laws of the State of New Hampshire or in certificates of deposits of banks incorporated under the laws of the State of New Hampshire or in national banks located within this state or the Commonwealth of Massachusetts. Any person who directly or indirectly receives any such monies or monies for deposit or for investment in securities of any kind shall, prior to acceptance of such monies, make available at the time of such deposit or investment an option to have such monies secured by collateral having a value at least equal to the amount of such monies. 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.

The Town Trustees are authorized by State statute to invest Trust monies, including Capital Reserve Monies, in obligations of political subdivisions and stocks, bonds that are legal for investment by New Hampshire savings banks except mutual monies unless the mutual monies are registered with the Securities and Exchange Commission, qualified for sale in the State of New Hampshire in accordance with the New Hampshire Uniform Securities Act of the New Hampshire Secretary of State's Office, and have in their prospectus a stated investment policy that is consistent with the investment policy adopted by the Trustees of Trust Monies in accordance with RSA 35:9. The Trustees may also invest trust monies in New Hampshire credit unions and in the public deposit investment pool established pursuant to RSA 383:22. Capital Reserve monies must be kept in separate accounts and not intermingled with other monies.

With the exception of investments in the New Hampshire Public Deposit Investment Pool (the Pool), investments are stated at fair value. Under the terms of GASB Statement #31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, the Pool is considered to be a **2a7-like pool** which means that it has a policy that it will, and does operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. This rule allows SEC-registered mutual funds to use amortized cost rather than market value to report net assets to compute share prices if certain conditions are met. Therefore, the Town reports its investments in the Pool at amortized cost, which equals the Pool's participation unit price.

TOWN OF GORHAM, NEW HAMPSHIRE

Notes to Financial Statements

December 31, 2012

Receivables and Revenues. Revenues for the most part are recorded when received, except for the following items for which receivables have been recorded: *Tax revenue* is recorded when a warrant for collection is committed to the Tax Collector. However, any taxes not liened or deeded within statutory time limits and 1.5% of the remaining uncollected balances have been reserved. Property taxes not collected within 180 days after year-end are not considered an "available spendable resource" and therefore are deferred in the governmental funds. As prescribed by law, the Tax Collector places a lien on properties for all uncollected property taxes in the following year after taxes are due. The lien on these properties has priority over other liens and accrues interest at 18% per annum. If property is not redeemed within the 2-year redemption period, the property is tax-deeded to the Town. *Interest on investments* is recorded as revenue in the year earned. Certain *grants* received from other governments require that eligible expenditures be made in order to recognize the revenue. Revenue for these grants is recorded for the period in which eligible expenditures are made. Various *service charges* (Water, Wastewater, etc.) are recorded as revenue for the period when service was provided.

Internal Balances – Interfund Receivables and Payables. During the course of normal operations, the Town has activity between funds, including expenditures and transfers of resources to provide services and fund capital outlay. All outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances". The Town considers all receivables collectible and therefore makes no provision for bad debt in its financial statements.

Inventories and Prepaid Items. Inventory in the Governmental and Proprietary Funds consists of expendable supplies held for consumption. The cost thereof has been recorded as an expenditure at the time individual inventory items were purchased. 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.

Capital Assets. Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the Town is depreciated using the straight line method over the following estimated useful lives:

TOWN OF GORHAM, NEW HAMPSHIRE

Notes to Financial Statements

December 31, 2012

<u>Asset Class</u>	<u>Years</u>
Buildings	40
Building improvements	20
Public domain infrastructure	40
Light vehicles	5
Heavy vehicles	10
Office equipment	5
Computer equipment	5
Other equipment & furnishings	10

Deferred Revenue. Deferred revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenue also arises when the government receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

Long-Term Obligations. In the government-wide financial statements, and proprietary funds in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Compensated Absences. It is the Town's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All benefits are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Fund Equity. In the governmental fund Balance Sheet, fund balances are reported using a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Governmental fund balance is classified as nonspendable, restricted, committed, assigned or unassigned depending on the level of constraints. *Nonspendable fund balance* includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. *Restricted fund balance* is the amount that is restricted to specific purposes by external requirements such

TOWN OF GORHAM, NEW HAMPSHIRE

Notes to Financial Statements

December 31, 2012

as those of creditors, grantors, contributors or laws and regulations. *Committed fund balance* is the amount that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision-making authority (the legislative body). *Assigned fund balance* is the amount that is constrained by the Town's intent to be used for specific purposes, but is not restricted or committed. *Unassigned fund balance* is the residual classification for the general fund. When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

ASSETS

CASH AND INVESTMENTS

Deposits. The Town maintains a common bank account in which the cash balances of most funds are maintained. The common bank account is used for receipts and disbursements relating to all these funds. All time deposits are accounted for in the General Fund. Throughout the fiscal year, all bank deposits were insured by Federal Depository Insurance (FDIC) or collateralized with securities held by the Town or its agent in the Town's name.

Investments. The Town's investments consist of participation units of the *New Hampshire Public Deposit Investment Pool* and fully-collateralized brokerage deposits held by a custodial bank in the Town's name. At this time, the Pool's investments are limited to short-term U.S. Treasury and U.S. Government Agency obligations, State of New Hampshire municipal obligations, certificates of deposit from AI/PI-rated banks, money market mutual funds (maximum of 20% of portfolio), overnight to 30-day repurchase agreements and reverse overnight repurchase agreements with primary dealers or dealer banks.

Concentrations of credit and market risk. Financial instruments that potentially expose the Town to credit risk consist primarily of bank deposits and investments in participation units of the New Hampshire Public Deposit Investment Pool. It is the Town's policy to deposit monies in high quality financial institutions according to State Statutes and to limit risk by maintaining deposits within the Federal Depository Insurance Limits (FDIC) whenever possible or to require banking institutions to collateralize deposits. The Town has not experienced any losses on its cash deposits and management believes the Town is not exposed to significant credit risk on those amounts even though significant amounts may be held by a single financial institution and are in excess of the FDIC limits. Each participation unit of the Pool is valued at one-dollar and do not fluctuate with the market values of underlying investments.

PROPERTY TAXES

The property tax year is from April 1 to March 31 and all property taxes are assessed on the inventory taken in April of that year. The 2012 property tax levy was based on a net assessed valuation as of April 1, 2012 of \$273,677,600. State Education Taxes were based on a State-wide equalized valuation of \$209,621,300. In connection with the setting of the tax rate, Town Officials, with the approval of the New Hampshire Department of Revenue Administration, establish and raise through taxation an amount for abatements and refunds of property taxes, known as overlay. This

TOWN OF GORHAM, NEW HAMPSHIRE

Notes to Financial Statements

December 31, 2012

amount is reported as a reduction in tax revenue and is adjusted by management for any tax reserves at year-end.

The tax rate for the year ended December 31, 2012, was as follows:

Municipal portion	\$	11.01
Local School Tax Assessment		12.02
State Education Tax Assessment		2.70
County Tax Assessment		4.60
	\$	<u>30.33</u>

Property taxes collected by the Town include taxes levied for other governmental entities as follows:

<u>State of New Hampshire</u>		
State Education Tax	\$	565,663
<u>Gorham Randolph Shelburne Cooperative School District</u>		
Local School Tax Assessment		3,289,755
<u>Coos County:</u>		
County Tax Assessment		<u>1,258,043</u>
	\$	<u>5,113,461</u>

The responsibility for the collection of taxes rests with the Town and tax amounts must be remitted to other municipal entities as requested. Any amounts due at year-end are reported in these financial statements as Intergovernmental payables.

The Town subscribes to the semi-annual method of tax collection as provided for by RSA 76:15-a. Under this method, tax bills are sent on or around June 1 and November 1 of each year, with interest accruing at a rate of 12% on bills outstanding for more than 30 days. The June 1 billing is considered an estimate only and is one-half of the previous year's tax billing. The remaining balance of taxes due is billed in the fall after the State Department of Revenue Administration has calculated and approved the Town's tax rate for the fiscal year.

As prescribed by law, within 18 months of the date assessed, the Tax Collector places a lien on properties for all uncollected property taxes in the following year after taxes are due. The lien on these properties has priority over other liens and accrues interest at 18% per annum. If property is not redeemed within the 2-year redemption period, the property (not otherwise protected by court decree) is tax-deeded to the Town.

TOWN OF GORHAM, NEW HAMPSHIRE

Notes to Financial Statements

December 31, 2012

TAXES RECEIVABLE

Taxes receivable at December 31, 2012, are as follows:

Uncollected Taxes (current levies)

Property	\$ 979,510	
Payments in lieu of taxes	11,589	
	<u> </u>	\$ 991,099

Unredeemed Taxes (under tax liens)

Levy of 2011	\$ 241,881	
Levy of 2010	191,050	
Levy of 2009	99,217	
Prior levies	120,391	
	<u> </u>	652,539
		<u>1,643,638</u>
Reserve for non-current taxes receivable		(20,000)
		<u>\$ 1,623,638</u>

ACCOUNTS RECEIVABLE

Accounts receivable as of December 31, 2012 are as follows:

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>
<u>General Fund</u>		
Ambulance fees	\$ 132,740	\$ -
Landfill tipping fees	6,671	
Cable franchise fees	5,936	
Other	339	
<u>Grant Programs Fund</u>		
Grant matching amounts due from landowners	69,097	
<u>Enterprise Funds</u>		
Water services	-	2,057
Wastewater services	-	3,329
	<u>214,783</u>	<u>5,386</u>
Less: Allowance for non-current receivables	(132,740)	-
	<u>\$ 82,043</u>	<u>\$ 5,386</u>

TOWN OF GORHAM, NEW HAMPSHIRE

Notes to Financial Statements

December 31, 2012

INTERGOVERNMENTAL RECEIVABLE

Amounts due from other governments as of December 31, 2012 are as follows:

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>
<u>General Fund</u>		
Dispatch services	\$ 4,408	\$ -
<u>Grant Programs Fund</u>		
Various State and Federal grants	20,742	-
<u>Enterprise Fund ~ Water Department</u>		
State aid grant	-	26,489
	<u>\$ 25,150</u>	<u>\$ 26,489</u>

INTERNAL BALANCES ~ INTERFUND RECEIVABLES/PAYABLES

Individual fund interfund receivable and payable balances at December 31, 2012 are as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
<i>Governmental Activities:</i>		
General Fund	\$ -	\$ 190,157
Special Revenues Fund:		
Gorham Public Library	3,329	22,554
DARE	3,034	-
Drug Forfeiture	2,369	-
Motor Vehicle Reclamation	31,744	-
Recreation Revolving	68,893	-
Forestry	88,482	-
Capital Projects Fund:		
Grant Programs	-	73,921
Multi-Modal Emergency Access Route	5,591	5,591
Capital and Non-capital Reserves Fund:		
Capital Reserve	-	8,920
	<u>203,442</u>	<u>301,143</u>
<i>Business-Type Activities:</i>		
Water Department	98,739	-
Sewer Department	-	1,038
	<u>98,739</u>	<u>1,038</u>
	<u>\$ 604,362</u>	<u>\$ 604,362</u>

TOWN OF GORHAM, NEW HAMPSHIRE

Notes to Financial Statements

December 31, 2012

CAPITAL ASSETS

A summary of changes in capital assets for the fiscal year ended December 31, 2012 is as follows:

	<i>Governmental Activities</i>			
	Balance			Balance
	January 1	Additions	Deductions	December 31
Land	\$ 1,853,825	\$ -	\$ -	\$ 1,853,825
Buildings & Other Structures	5,984,586		-	5,984,586
Construction in Progress	1,079,557			1,079,557
Equipment	710,829	-		710,829
Vehicles	2,267,272	32,551		2,299,823
Infrastructure	20,062,318	-	-	20,062,318
	<u>31,958,387</u>	<u>32,551</u>	<u>-</u>	<u>31,990,938</u>
Less: Accumulated Depreciation	(8,761,118)	(324,875)	-	(9,085,993)
	<u>\$ 23,197,269</u>	<u>\$ (292,324)</u>	<u>\$ -</u>	<u>\$ 22,904,945</u>

	<i>Business-Type Activities ~ Water Department</i>			
	Balance			Balance
	January 1	Additions	Deductions	December 31
Land	\$ 576,020	\$ -	\$ -	\$ 576,020
Buildings & Other Structures	1,774,680		-	1,774,680
Equipment	115,959		-	115,959
Vehicles	144,011		-	144,011
Infrastructure	15,503,338		-	15,503,338
	<u>18,114,008</u>	<u>-</u>	<u>-</u>	<u>18,114,008</u>
Less: Accumulated Depreciation	(5,191,374)	(33,719)	-	(5,225,093)
	<u>\$ 12,922,634</u>	<u>\$ (33,719)</u>	<u>\$ -</u>	<u>\$ 12,888,915</u>

	<i>Business-Type Activities ~ Sewer Department</i>			
	Balance			Balance
	January 1	Additions	Deductions	December 31
Land	\$ 275,780	\$ -	\$ -	\$ 275,780
Buildings & Other Structures	943,520		-	943,520
Equipment	119,305	21,502	-	140,807
Vehicles	128,315		-	128,315
Infrastructure	13,407,974		-	13,407,974
	<u>14,874,894</u>	<u>21,502</u>	<u>-</u>	<u>14,896,396</u>
Less: Accumulated Depreciation	(5,325,701)	(84,991)	-	(5,410,692)
	<u>\$ 9,549,193</u>	<u>\$ (63,489)</u>	<u>\$ -</u>	<u>\$ 9,485,704</u>

TOWN OF GORHAM, NEW HAMPSHIRE

Notes to Financial Statements

December 31, 2012

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, and natural disasters. During the fiscal year, the Town was a member of the following public-entity risk pool, currently operating as a common risk management and insurance programs for member towns and school administrative units.

The *New Hampshire Public Risk Management Exchange (Primex³) Workers' Compensation and Property/Liability Programs* are pooled risk management programs under RSA 5-B and RSA 281-A. A coverage summary of worker's compensation and property/liability programs provided from 1/1/11 – 1/1/12 and 7/1/11 – 7/1/12 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 is available on file at the Town Office. The Board has decided to self-insure the aggregate exposure and has allocated resources based on actuarial analysis for that purpose.

Total contributions and any credits or balances due as of December 31, 2012 were as follows:

<i>Estimated net contribution billed for the coverage period:</i>	
Workers' Compensation	\$ 34,732
Property/Liability	\$ 52,407
<i>Contribution due from(to) member:</i>	
Workers' Compensation	\$ 0
Property/Liability	\$ 26,203

The Workers' Compensation Section of the Self-Insurance Membership Agreement permits *Primex³* to make additional assessments to members should there be a deficiency in contributions for any member year, not to exceed the member's annual contribution. At this time, the Trust foresees no likelihood of an additional assessment for this or any prior year. Claims have not exceeded insurance coverage in any of the past three years.

TOWN OF GORHAM, NEW HAMPSHIRE

Notes to Financial Statements

December 31, 2012

LIABILITIES

INTERGOVERNMENTAL PAYABLE

Payables due other governments at December 31, 2012 include:

General Fund

Gorham Randolph Shelburne Cooperative School District (balance of
2012-2013 School District Assessment due in monthly installments through June 30, 2012) \$ 1,330,418

DEFERRED REVENUE

Deferred Revenue at December 31, 2012 was as follows:

General Fund

Taxes receivable not available to pay current obligations \$ 1,000,000

Grant Programs Fund

Hazmat planning grants 15,918

\$ 1,015,918

In accordance with generally accepted accounting principles, taxes receivable older than 180 days are not recognized as available spendable resources and thus are deferred until collected. Likewise, grant revenue is not recorded until the related expenditures have been incurred.

LONG-TERM DEBT

Changes in General Long-Term Debt. The following is a summary of the Town's general obligation long-term debt transactions for the fiscal year ended December 31, 2012:

	<u>Balance</u> <u>January 1,</u> <u>2012</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance</u> <u>December 31,</u> <u>2012</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
<i>Governmental Activities:</i>					
General obligation debt	\$ 496,842	\$ -	\$ 124,211	\$ 372,631	\$ 124,210
Capital leases payable	43,387		18,976	24,411	11,722
Compensated absences	25,034		6,130	18,904	18,904
	<u>565,263</u>	<u>-</u>	<u>149,317</u>	<u>415,946</u>	<u>154,836</u>
<i>Business-Type Activities:</i>					
Major Enterprise Funds					
Water Department	645,000	517,754	585,000	577,754	93,965
Less: State aid receivable	(211,912)		(26,489)	(185,423)	(26,489)
	<u>433,088</u>	<u>517,754</u>	<u>558,511</u>	<u>392,331</u>	<u>67,476</u>
	<u>\$ 998,351</u>	<u>\$ 517,754</u>	<u>\$ 707,828</u>	<u>\$ 808,277</u>	<u>\$ 222,312</u>

TOWN OF GORHAM, NEW HAMPSHIRE

Notes to Financial Statements

December 31, 2012

General Long-term Debt Payable. Long-term debt payable at December 31, 2012, is comprised of the following individual issues:

<u>Description of Issue</u>	<u>Original Amount</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate %</u>	<u>Outstanding December 31 2012</u>
<i>Governmental Activities:</i>					
General Obligation Debt Payable					
Town Hall Notes	\$ 1,180,000	07/30/06	07/31/16	3.730	\$ 372,631
					<u>372,631</u>
Capital Leases Payable					
2009 420EIT Caterpillar Backhoe/Loader	\$ 57,787	04/24/09	04/24/14	8.250	24,411
					<u>24,411</u>
Compensated Absences Payable					
Sick Leave					6,779
Vacation Leave					12,125
					<u>18,904</u>
<i>Business-Type Activities:</i>					
General Obligation Bonds & Notes					
Refunding Bonds, Water Filtration Plant	\$ 1,105,000	04/01/99	04/01/19	4.25-5.125	517,754
Sugar Hill Reservoir Cover	\$ 100,000	12/28/10	12/30/15	3.540	60,000
					<u>577,754</u>
					<u>\$ 993,700</u>

Annual Requirements to Amortize General Obligation Debt. The annual requirements to amortize all general obligation debt outstanding as of December 31, 2012, including interest payments, are as follows:

Governmental Activities:

Fiscal Year Ending December 31,	General Obligation Note Payable		
	Principal	Interest	Total
2013	\$ 124,210	\$ 12,741	\$ 136,951
2014	124,211	8,108	132,319
2015	124,210	2,896	127,106
	<u>\$ 372,631</u>	<u>\$ 23,745</u>	<u>\$ 396,376</u>

Fiscal Year Ending December 31,	Capital Lease Obligations		
	Principal	Interest	Total
2013	\$ 11,722	\$ 2,014	\$ 13,736
2014	12,689	1,048	13,737
	<u>\$ 24,411</u>	<u>\$ 3,062</u>	<u>\$ 27,473</u>

TOWN OF GORHAM, NEW HAMPSHIRE

Notes to Financial Statements

December 31, 2012

Business-Type Activities:

Fiscal Year Ending	Water Notes and Bonds		
	Principal	Interest	Total
<u>December 31,</u>			
2013	\$ 93,965	\$ 7,177	\$ 101,142
2014	93,965	9,937	103,902
2015	93,965	7,809	101,774
2016	73,965	5,681	79,646
2017	73,965	4,260	78,225
	<u>429,825</u>	<u>34,864</u>	<u>464,689</u>
2018-20	147,929	4,260	152,189
	<u>\$ 577,754</u>	<u>\$ 39,124</u>	<u>\$ 616,878</u>

All debt is general obligation debt of the Town, which is backed by its full faith and credit. Enterprise Fund debt will be repaid from surcharge fees. All capital leases contain non-appropriation clauses whereby if adequate funding is not raised for lease payments, then the related equipment would be returned with no further obligation to the community.

State Aid

According to State of New Hampshire Funding Programs, the Town receives a percent of the annual amortization charges on the original costs resulting from the acquisition and construction of water filtration facilities. As of December 31, 2012, the Town is due to receive the following annual amounts to offset debt payments:

Fiscal Year Ending	State Aid for
<u>December 31,</u>	<u>Water Debt</u>
2013	\$ 26,489
2014	26,489
2015	26,489
2016	26,489
2017	26,489
	<u>132,445</u>
2018-20	52,978
	<u>\$ 185,423</u>

These receivables are reflected in the financial statements as a reduction of long-term debt listed above.

TOWN OF GORHAM, NEW HAMPSHIRE

Notes to Financial Statements

December 31, 2012

DEFINED BENEFIT PENSION PLAN

Full-time employees participate in the State of New Hampshire Retirement System (the System), a 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. Substantially all full-time state employees, public school teachers and administrators, permanent firefighters and permanent police officers within the State of New Hampshire are eligible and required to participate in the System. Full-time employees of political subdivisions, including counties, municipalities, districts and others, are also eligible to participate as a group if the governing body of the political subdivision has elected participation.

The New Hampshire Retirement System (NHRS), a Public Employees Retirement System (PERS), is divided into two membership groups. By statute, Group I (employee and teacher) members contribute 7% of their salary to NHRS. Group II (police & fire) members contribute 11.5% and 11.8% respectively. While member rates are set by statute, employer rates are set by the NHRS Board of Trustees every two years after a biennial actuarial valuation is conducted using the *Entry Age Normal* actuarial method. Employer contributions are assessed at five different rates, one each for state employees, political subdivisions employees, teachers, police and fire. NHRS employers are required by the New Hampshire Constitution to pay 100% of the actuarial sound employer contribution rate as certified by the NHRS Board of Trustees to fully fund the pension plan and to pay down the retirement system's unfunded actuarial accrued liability over a closed amortization period. Currently, employer contribution rates for the period August 1, 2012 through June 30, 2013 are as follows:

<u>Group I:</u>	
Employees	8.80%
Teachers	11.30%
<u>Group II:</u>	
Police	19.95%
Fire	22.89%

All assets are held in a single trust and are available to pay retirement benefits to all members. Benefits available to each group, funding policies, vesting requirements, contribution requirements and plan assets available to pay benefits are disclosed in the System's annual report available from the New Hampshire Retirement System located at Regional Drive ~ Concord, NH 03301-8509.

The payroll for employees covered by the System for the year ended December 31, 2012 and the contribution requirements is available from the Town or the retirement system.

TOWN OF GORHAM, NEW HAMPSHIRE

Notes to Financial Statements

December 31, 2012

FUND EQUITY

Elements of fund equity as of December 31, 2012 were as follows:

Governmental Activities:

Nonmajor Permanent Fund

Trust funds held by the Town and Library Trustees at December 31, 2012 for donor-restricted purposes were as follows:

	Non- spendable Endowment	Spendable for Trust Purposes	Total
<i>Non-expendable Trusts:</i>			
Town Trusts:			
Town Cemeteries	\$ 129,901	\$ -	\$ 129,901
Cemetery Flowers	2,348	331	2,679
Cemetery Repairs	2,312	-	2,312
Old Main Street Cemetery	7,000	1,564	8,564
Library	-	153,239	153,239
	<u>\$ 141,561</u>	<u>\$ 155,134</u>	<u>\$ 296,695</u>

General Fund

Committed for open purchase orders:

General government buildings	\$ 5,000
Cate's Hill Landfill monitoring	40,180
East Milan Landfill monitoring	4,701
Capital lease payments - principal	11,722
Capital lease payments - interest	2,293
Airport runway maintenance	1,607
	<u>\$ 65,503</u>

Nonmajor Special Revenue Funds

Committed for fund purposes:

Gorham Public Library	\$ 4,472
DARE	3,034
Drug Forfeiture	2,369
Motor Vehicle Reclamation	31,744
Recreation Revolving	68,893
Town Forest	88,482
	<u>\$ 198,994</u>

TOWN OF GORHAM, NEW HAMPSHIRE

Notes to Financial Statements

December 31, 2012

Capital and Non-capital Reserves Fund

Committed for capital & noncapital reserves:

Capital Reserves:

Ambulance	\$	43,977
Assessing		6
River Maintenance		66,536
Emergency Disaster		771
Emergency Energy		15,632
Fieldstone Road		13,177
Fire Equipment		10,783
Fire Truck		62,078
Highway Heavy Equipment		142,786
Multi-Modal Access Route		49,049
Police Cruiser		1
Police Equipment		11,107
Recreation Van		25,846
Road Resurfacing & Reconstruction		1,807
Solid Waste/Recycling Equipment		53,780
Town Building Purchase & Repairs		75,578
Medallion Opera House		204

Noncapital Reserves:

Special Insurance		4,728
Health Insurance Maintenance		12,490
Longevity Pay		16,348
Recreation Maintenance		13,279
	\$	<u>619,963</u>

Business-Type Activities:

Enterprise Funds

Water Department	\$	12,883,648
Sewer Department		9,698,976
	\$	<u>22,582,624</u>

TOWN OF GORHAM, NEW HAMPSHIRE

Notes to Financial Statements

December 31, 2012

SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

GRANTS – Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the Federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time although the Town expects such amounts, if any, to be immaterial.

LITIGATION – There is a case pending before the *New Hampshire Board of Land and Tax Appeals* that could have a material effect on financial position should it result in a judgment against the Town. At this time, there is no way of knowing what the outcome may be or what impact (if any) those outcomes would have. Interested parties should make inquiries of management regarding the status of this or any other matters.

Required Supplementary Information

Exhibit C1
TOWN OF GORHAM, NEW HAMPSHIRE
Budgetary Comparison Schedule
Budget to Actual (Non-GAAP Budgetary Basis) - General Fund
For the Fiscal Year Ended December 31, 2012

All amounts are expressed in USA Dollars

	Budgeted Amounts		Actual	Variance With
	Original	Final		Final Budget
REVENUES				
Taxes	3,016,904	3,016,904	2,748,513	(268,391)
Licenses and permits	447,600	447,600	485,925	38,325
State support	212,532	212,532	184,551	(27,981)
Charges for services	358,800	358,800	434,685	75,885
Miscellaneous	85,353	85,353	93,821	8,468
	<u>4,121,189</u>	<u>4,121,189</u>	<u>3,947,495</u>	<u>(173,694)</u>
EXPENDITURES				
Current:				
General government	1,327,327	1,398,043	1,478,199	(80,156)
Public safety	1,078,030	1,078,030	1,092,149	(14,119)
Highways and streets	797,296	797,296	703,887	93,409
Sanitation	327,475	327,475	310,535	16,940
Health	22,095	22,095	20,400	1,695
Welfare	64,200	64,200	55,076	9,124
Culture and recreation	212,203	212,203	200,943	11,260
Economic development	5,000	5,000	-	5,000
Debt service:				
Principal	143,856	143,856	143,856	-
Interest	21,890	21,890	20,203	1,687
Capital outlay	80,000	138,582	128,816	9,766
	<u>4,079,372</u>	<u>4,208,670</u>	<u>4,154,064</u>	<u>54,606</u>
Excess of revenues over(under) expenditures	41,817	(87,481)	(206,569)	(119,088)
OTHER FINANCING SOURCES (USES)				
Transfers in	101	129,399	129,349	(50)
Transfers out	(391,918)	(391,918)	(391,918)	-
	<u>(391,817)</u>	<u>(262,519)</u>	<u>(262,569)</u>	<u>(50)</u>
Net change in fund balances	(350,000)	(350,000)	(469,138)	(119,138)
Unreserved Fund balances - beginning	669,283	669,283	669,283	-
Unreserved Fund balances - ending	<u>319,283</u>	<u>319,283</u>	<u>200,145</u>	<u>(119,138)</u>

TOWN OF GORHAM, NEW HAMPSHIRE
Note to Required Supplementary Information – Budgetary Reporting
December 31, 2012

The budgetary comparison schedule – Budget to Actual (Non-GAAP Budgetary Basis) presents comparisons of the original and final legally adopted budget with actual data on a budgetary basis.

General Budget Policies – 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 that govern the Town's operations. The Town votes appropriations by official ballot in accordance with State Statutes. Appropriations are made on an annual basis for the General and all significant Special Revenue Funds. Project-length financial plans are adopted for all Capital Project Funds. Except as reconciled below, budgets are adopted on a basis generally consistent with the modified accrual basis of accounting. Management may transfer appropriations between operating categories as they deem necessary, but expenditures may not legally exceed budgeted appropriations in total. Unexpended balances of special articles for specific purposes may not be transferred. All annual appropriations lapse at year-end unless encumbered. In the case of emergency expenditures, over-expenditures are allowed under the provisions of the Municipal Budget Law (RSA Chapter 32) if prior approval is secured from the State Department of Revenue Administration. State statutes require balanced budgets, but provide for the use of beginning unreserved fund balance to achieve that end. In the fiscal year 2012 \$350,000 of the beginning General Fund balance was applied for this purpose.

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 fund balance at December 31 and are carried forward to supplement appropriations of the subsequent year. Amounts recorded as budgetary expenditures in the *Budgetary Comparison Schedule (Exhibit C1)* are presented on the basis budgeted by the Town. The amounts differ from those reported in conformity with generally accepted accounting principles in the *Statement of Revenues, Expenditures and Changes in Fund Balances (Exhibit B3)* as follows:

Expenditures and Other Financing Uses ~ Budgetary Basis (<i>see Exhibit C1</i>)	\$ 4,545,982
Adjustments:	
Encumbrances - December 31, 2011	164,024
Encumbrances - December 31, 2012	<u>(65,503)</u>
Expenditures and Other Financing Sources ~ GAAP Basis (<i>see Exhibit B3</i>)	<u>\$ 4,644,503</u>

Individual Fund Financial Statements and Schedules

Schedule D1a
TOWN OF GORHAM, NEW HAMPSHIRE
General Fund

Detailed Schedule of Estimated and Actual Revenues
For the Fiscal Year Ended December 31, 2012

All amounts are expressed in USA Dollars

	Original & Final Budget	Reserves and RSA 31:95-b Authorizations	Actual (GAAP Basis)	Over (Under) Budget
REVENUES				
Taxes				
Property	2,999,729		2,687,323	(312,406)
Timber yield	180		180	-
Payments in lieu of taxes	32,937		37,064	4,127
Excavation tax	100		134	34
Interest and penalties on delinquent taxes	85,000		98,272	13,272
Overlay	(101,042)		(74,460)	26,582
	<u>3,016,904</u>	-	<u>2,748,513</u>	<u>(268,391)</u>
Licenses and permits				
Business licenses and permits	1,500		2,333	833
Motor vehicle fees	408,700		434,036	25,336
Building permits	1,400		2,072	672
Other licenses, permits and fees	36,000		47,484	11,484
	<u>447,600</u>	-	<u>485,925</u>	<u>38,325</u>
State Support				
Meals and rental tax distributions	126,801		126,781	(20)
Highway block grant	55,846		55,846	-
Water pollution grant	26,489		-	(26,489)
Other	3,396		1,924	(1,472)
	<u>212,532</u>	-	<u>184,551</u>	<u>(27,981)</u>
Charges for Services				
Income From Departments				
<i>General Government Services:</i>				
Town office	800		3,015	2,215
Planning & zoning fees	1,600		1,625	25
Cemetery	2,000		3,735	1,735
<i>Public safety services:</i>				
Police department	14,600		21,123	6,523
Ambulance	259,000		310,091	51,091
Fire department	5,800		7,132	1,332
Dispatch	6,250		10,384	4,134
<i>Highways & Streets:</i>				
Gasoline sales - State & School	30,000		36,759	6,759
Other	750		84	(666)
<i>Sanitation:</i>				
Solid waste collection & disposal	38,000		40,737	2,737
	<u>358,800</u>	-	<u>434,685</u>	<u>75,885</u>
Miscellaneous				
Sale of municipal property	1,500		1,500	-
Interest on investments	300		96	(204)
Rents of property			1,328	1,328
Insurance dividends and reimbursements			2,791	2,791
Other	83,553		88,106	4,553
	<u>85,353</u>	-	<u>93,821</u>	<u>8,468</u>

Schedule D1a
TOWN OF GORHAM, NEW HAMPSHIRE
General Fund

Detailed Schedule of Estimated and Actual Revenues
For the Fiscal Year Ended December 31, 2012

All amounts are expressed in USA Dollars

	Original & Final Budget	Reserves and RSA 31:95-b Authorizations	Actual (GAAP Basis)	Over (Under) Budget
OTHER FINANCING SOURCES				
Operating transfers in - Interfund Transfers				
<i>Capital Project Funds:</i>				
<i>Nonexpendable Trust Funds -</i>				
Cemetery Perpetual Care	101		51	(50)
<i>Capital & Noncapital Reserve Funds -</i>				
Assessing		60,000	60,000	-
Fire Equipment		13,528	13,528	-
Police Cruiser		24,002	24,002	-
Police Equipment		5,139	5,139	-
Recreation Maintenance		4,187	4,187	-
Town Buildings Purchase & Repairs		10,770	10,770	-
Town Hall Renovations		1	1	-
Medallion Opera House		955	955	-
Longevity		7,700	7,700	-
Special Insurance		3,016	3,016	-
	101	129,298	129,349	(50)
Total revenues and other financing sources	4,121,290	129,298	4,076,844	(173,744)
Unreserved Fund Balance Used to Reduce Tax Rate	350,000			
Total revenues and use of fund balance	4,471,290			

Schedule D1b
TOWN OF GORHAM, NEW HAMPSHIRE
General Fund

Detailed Statement of Appropriations, Expenditures and Encumbrances
For the Fiscal Year Ended December 31, 2012

all numbers are expressed in USA Dollars

	Reserved From Prior Fiscal Year	Voted Appropriations	Reserves and RSA 31:95-b Authorizations	Expenditures Net of Refunds	Reserved To Next Fiscal Year	(Over) Under Budget
EXPENDITURES						
Current						
General Government						
Executive		75,833		79,514		(3,681)
Election, Registration & Vital Statistics		50,148		63,560		(13,412)
Financial Administration		267,190	60,000	437,666		(110,476)
Revaluation of Property		82,800		82,800		-
Legal Expenses		40,000		62,971		(22,971)
Employee Benefits		660,170	7,700	608,309		59,561
Planning and Zoning		4,783		3,522		1,261
General Government Buildings	31,832	78,453		94,099	5,000	11,186
Cemeteries		21,676		23,705		(2,029)
Insurance, not otherwise allocated		40,799	3,016	43,737		78
Advertising and regional associations		5,475		5,148		327
	31,832	1,327,327	70,716	1,505,031	5,000	(80,156)
Public safety						
Police Department		442,203		440,774		1,429
Ambulance		303,136		317,060		(13,924)
Fire Department		150,243		142,105		8,138
Building Inspection (code enforcement)		13,260		16,028		(2,768)
Emergency management		4,570		1,154		3,416
Dispatch		164,618		175,028		(10,410)
	-	1,078,030	-	1,092,149	-	(14,119)
Highways and streets						
Administration		654,359		561,045		93,314
Highways and streets		50,000		49,764		236
Street Lighting		50,687		50,208		479
Gas Pumps		42,250		42,870		(620)
	-	797,296	-	703,887	-	93,409
Sanitation						
Solid waste collection		313,257		300,730		12,527
Solid waste disposal - AVRDD		7,118		2,705		4,413
Cate's Hill Landfill Monitoring	36,680	3,500			40,180	-
East Milan Landfill Monitoring	3,669	3,600		2,568	4,701	-
	40,349	327,475	-	306,003	44,881	16,940
Health						
Pest Control		1,700		1,471		229
Health Agencies & Hospitals						
Androscoggin Valley Home Care		17,500		16,034		1,466
Northern Human Services TMHC		2,895		2,895		-
	-	22,095	-	20,400	-	1,695
Welfare						
Administration & Direct Assistance		30,000		20,876		9,124
Tri-County CAP Programs		13,700		13,700		-
Family Resource Center		15,000		15,000		-
Gorham Community Learning Center		4,000		4,000		-
Child Advocacy Center of Coos County		1,500		1,500		-
	-	64,200	-	55,076	-	9,124
Culture and recreation						
Parks and Recreation		172,144		164,139		8,005
Patriotic Purposes		9,243		8,248		995
Gorham Historical Society		3,000		3,000		-
Information Booth, incl. Moose Tours		27,816		25,556		2,260
	-	212,203	-	200,943	-	11,260
Economic development						
Support of Tri-County CAP - ED Position		5,000				5,000

Schedule D1b
TOWN OF GORHAM, NEW HAMPSHIRE
General Fund

Detailed Statement of Appropriations, Expenditures and Encumbrances
For the Fiscal Year Ended December 31, 2012

all numbers are expressed in USA Dollars

	Reserved From Prior Fiscal Year	Voted Appropriations	Reserves and RSA 31:95-b Authorizations	Expenditures Net of Refunds	Reserved To Next Fiscal Year	(Over) Under Budget
	-	5,000	-	-	-	5,000
Debt service						
Principal of long-term debt	10,829	143,856		142,725	11,960	-
Interest expense - long-term debt	2,907	19,890		20,717	2,055	25
Interest expense - tax anticipation notes		2,000		338		1,662
	13,736	165,746	-	163,780	14,015	1,687
Facilities acquisition and construction						
Machinery, vehicles & equipment						
Police Cruiser			29,141	32,551		(3,410)
Fire Equipment			13,528	13,528		-
Buildings						
Building repairs & improvements			11,726	11,725		1
Improvements other than buildings						
Airport runway maintenance	1,607				1,607	-
25% Match FEMA - Hurricane Irene		80,000		66,825		13,175
Recreation Improvements			4,187	4,187		-
	1,607	80,000	58,582	128,816	1,607	9,766
OTHER FINANCING USES						
Operating transfers out - Interfund transfers						
Special revenue						
Gorham Public Library		118,759		118,759		-
DARE		1,000		1,000		-
Grants (for Tropical Storm Irene)	76,500			76,500		-
Capital & Noncapital Reserves:						
Capital Reserves						
Fire Truck		42,000		42,000		-
Town Building Purchase/Repairs		30,000		30,000		-
Ambulance		21,000		21,000		-
Recreation Van		10,000		10,000		-
Highway Heavy Equipment		40,000		40,000		-
Sanitation/Recycling		20,000		20,000		-
Police Cruiser		12,000		12,000		-
Fire Equipment		10,000		10,000		-
Assessment		60,000		60,000		-
Fieldstone Road		12,500		12,500		-
Police Equipment		2,500		2,500		-
Medallion Opera House		1,159		1,159		-
Noncapital Reserves:						
Dredging Maintenance		5,000		5,000		-
Special Insurance		3,000		3,000		-
Longevity		3,000		3,000		-
	76,500	391,918	-	468,418	-	-
	164,024	4,471,290	129,298	4,644,503	65,503	54,606

Schedule D2a
TOWN OF GORHAM, NEW HAMPSHIRE
Balance Sheet
Non-major Governmental Funds
December 31, 2012

All numbers are expressed in USA Dollars

	<i>Special Revenue</i>						<i>Capital Projects</i>			Total
	Gorham					Town	Multi-Modal	Permanent		
	Public	Drug	Motor	Recreation	Hall	Emergency	Funds			
Library	DARE	Forfeiture	Reclamations	Revolving	Forestry	Renovations	Access Route	Permanent	Funds	Total
ASSETS										
Cash and cash equivalents	23,697								296,695	320,392
Receivables:										
Accounts										-
Intergovernmental receivable										-
Interfund	3,329	3,034	2,369	31,744	68,893	88,482		5,591		203,442
	27,026	3,034	2,369	31,744	68,893	88,482	-	5,591	296,695	523,834
LIABILITIES AND FUND BALANCES										
Interfund payable	22,554							5,591		28,145
Deferred revenue										-
	22,554	-	-	-	-	-	-	5,591	-	28,145
Fund balances:										
<i>Nonspendable</i>										
Permanent fund - principal									141,561	141,561
<i>Restricted for</i>										
Permanent fund purposes									155,134	155,134
<i>Committed for</i>										
Special revenue purposes	4,472	3,034	2,369	31,744	68,893	88,482				198,994
	4,472	3,034	2,369	31,744	68,893	88,482	-	-	296,695	495,689
	27,026	3,034	2,369	31,744	68,893	88,482	-	5,591	296,695	523,834

Schedule D2b
TOWN OF GORHAM, NEW HAMPSHIRE
Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-major Governmental Funds
For the Fiscal Year Ended December 31, 2012

All numbers are expressed in USA Dollars

	<i>Special Revenue</i>					<i>Capital Projects</i>				Total
	Gorham Public Library	DARE	Drug Forfeiture	Motor Vehicle Reclamations	Recreation Revolving	Forestry	Town Hall Renovations	Multi-Modal Emergency Access Route	Permanent Funds	
REVENUES										
Charges for services				16,258	69,821					86,079
Miscellaneous	7,340					17,589	1,285		119	26,333
	7,340	-	-	16,258	69,821	17,589	1,285	-	119	112,412
EXPENDITURES										
Current:										
General government							2,310			2,310
Sanitation				18,638						18,638
Culture and recreation	172,941				928					173,869
Conservation						24,446				24,446
	172,941	-	-	18,638	928	24,446	2,310	-	-	219,263
Excess (deficiency) of revenues over (under) expenditures	(165,601)	-	-	(2,380)	68,893	(6,857)	(1,025)	-	119	(106,851)
OTHER FINANCING SOURCES (USES)										
Transfers in	150,499	1,000								151,499
Transfers out									(28,462)	(28,462)
	150,499	1,000	-	-	-	-	-	-	(28,462)	123,037
Net change in fund balances	(15,102)	1,000	-	(2,380)	68,893	(6,857)	(1,025)	-	(28,343)	16,186
Fund balances - beginning	19,574	2,034	2,369	34,124	-	95,339	1,025	-	325,038	479,503
Fund balances - ending	4,472	3,034	2,369	31,744	68,893	88,482	-	-	296,695	495,689

SCHEDULE D2b(1)
TOWN OF GORHAM, NEW HAMPSHIRE
Special Revenue Fund - Gorham Public Library
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Fiscal Year Ended December 31, 2012

All amounts are expressed in USA Dollars.

	Town Accounts	Library Accounts	Library Maintenance CRF	Murphy Trust Fund	Petty Cash	Total
REVENUES						
Write-off of prior-year interfund balance	1,428					1,428
Unclassified		5,912				5,912
	1,428	5,912		-	-	7,340
EXPENDITURES						
Current - Culture and Recreation						
Culture and Recreation	118,759	19,225				137,984
Operations and Maintenance of Facilities			3,329			3,329
Building improvements				28,411		28,411
Unclassified		3,216				3,216
	118,759	22,441		28,411	-	172,940
Excess (deficiency) of revenues over (under) expenditures	(117,331)	(16,529)		(28,411)	-	(165,600)
OTHER FINANCING SOURCES (USES)						
Transfers in						
General Fund	118,759					118,759
Expendable Trusts Fund				28,411		28,411
Capital Reserve Funds			3,329			3,329
	118,759	-		28,411	-	150,499
Net change in fund balances	1,428	(16,529)		-	-	(15,101)
Fund balances - beginning	(1,428)	20,902		-	100	19,574
Fund balances - ending	-	4,373		-	100	4,473
Balance Sheet 12/31/12:						
Cash		23,597			100	23,697
Due from CRF			3,329			3,329
Due to GF		(19,225)	(3,329)			(22,554)
	-	4,372	-	-	100	4,472

SCHEDULE E1
TOWN OF GORHAM, NEW HAMPSHIRE
Special Revenue Fund - Water Treatment
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Fiscal Year Ended December 31, 2012

All amounts are expressed in USA Dollars.

	Special Assessments			Capital Reserve Fund	Total Town Budgetary Basis	Restatements and Reclassifications	GAAP (Accrual) Basis
	Operations	Water Filtration Plant	Sugar Hill Surcharge				
OPERATING REVENUE							
Charges for services							
Water sales	384,400				384,400		384,400
Job works & materials	13,758				13,758		13,758
Administrative charges	1,867				1,867		1,867
Cost reimbursements	765				765		765
Late Fees	710				710		710
	<u>401,500</u>	-	-	-	<u>401,500</u>	-	<u>401,500</u>
OPERATING EXPENSE							
Wages and benefits	279,731				279,731		279,731
Professional services	15,071				15,071		15,071
Chemicals & supplies	11,273				11,273		11,273
Operations & maintenance	17,597			10,711	28,308		28,308
General and administrative	43,024	2,604			45,628		45,628
Depreciation					-	33,719	33,719
	<u>366,696</u>	<u>2,604</u>	-	<u>10,711</u>	<u>380,011</u>	<u>33,719</u>	<u>413,730</u>
Operating Income(Loss)	34,804	(2,604)	-	(10,711)	21,489	(33,719)	(12,230)
NONOPERATING INCOME(EXPENSE)							
Interest income				88	88		88
Capital debt surcharge		53,175	28,301		81,476		81,476
State aid grants		26,489			26,489	(26,489)	-
Debt service:							
Principal		(47,246)	(20,000)		(67,246)	67,246	-
Interest		(26,918)	(2,830)		(29,748)		(29,748)
	-	5,500	5,471	88	11,059	40,757	51,816
Income(Loss) Before Contributions and Transfers	34,804	2,896	5,471	(10,623)	32,548	7,038	39,586
CONTRIBUTIONS AND TRANSFERS							
Intra-fund transfers, net	(37,381)			37,381	-		-
	<u>(37,381)</u>	-	-	<u>37,381</u>	-	-	-
Net Income(Loss)	(2,577)	2,896	5,471	26,758	32,548	7,038	39,586
Net Assets - Beginning	3,044	114,053	4,398	233,021	354,516	12,489,546	12,844,062
Net Assets - Ending	<u>467</u>	<u>116,949</u>	<u>9,869</u>	<u>259,779</u>	<u>387,064</u>	<u>12,496,584</u>	<u>12,883,648</u>
Analysis of Net Assets December 31:							<u>2012</u>
Cash				259,779	259,779		259,779
Accounts receivable	1,769	202	86		2,057		2,057
Intergovernmental receivable		26,489			26,489		26,489
Interfund receivable(payable)	(1,302)	90,258	9,783		98,739		98,739
Capital assets (net of accumulated depreciation)					-	12,888,915	12,888,915
Unpaid principal					-	(577,754)	(577,754)
State grants receivable					-	185,423	185,423
	<u>467</u>	<u>116,949</u>	<u>9,869</u>	<u>259,779</u>	<u>387,064</u>	<u>12,496,584</u>	<u>12,883,648</u>

SCHEDULE E2
TOWN OF GORHAM, NEW HAMPSHIRE
Special Revenue Fund - Sewer Department
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Fiscal Year Ended December 31, 2012

All amounts are expressed in USA Dollars.

	Operating Budget	WWTP Maintenance & Repair	Other	Capital Reserve Fund	Total Town Budgetary Basis	Restatements and Reclassifications	GAAP (Accrual) Basis
OPERATING REVENUE							
Charges for services							
Wastewater user charges	385,447				385,447		385,447
Job Works & Materials	27,259				27,259		27,259
Cost Reimbursements	4,124				4,124		4,124
Administrative Charges	1,114				1,114		1,114
	417,944	-	-	-	417,944	-	417,944
OPERATING EXPENSE							
Wages and benefits	109,532				109,532		109,532
Professional services	3,780				3,780		3,780
Chemicals & supplies	8,710				8,710		8,710
Operations & maintenance	258,568	32,120		17,782	308,470		308,470
General and administrative	6,594				6,594		6,594
Depreciation					-	84,991	84,991
	387,184	32,120	-	17,782	437,086	84,991	522,077
Operating Income(Loss)	30,760	(32,120)	-	(17,782)	(19,142)	(84,991)	(104,133)
NONOPERATING INCOME(EXPENSE)							
Interest income				78	78		78
Capital outlay				(21,502)	(21,502)	21,502	-
	-	-	-	(21,424)	(21,424)	21,502	78
Income(Loss) Before Contributions and Transfers	30,760	(32,120)	-	(39,206)	(40,566)	(63,489)	(104,055)
TRANSFERS							
Intra-Fund Transfers	(32,597)			32,597	-		-
	(32,597)	-	-	32,597	-	-	-
Net Income(Loss)	(1,837)	(32,120)	-	(6,609)	(40,566)	(63,489)	(104,055)
Net Assets - Beginning	4,128	32,120		217,590	253,838	9,549,193	9,803,031
Net Assets - Ending	2,291	-	-	210,981	213,272	9,485,704	9,698,976
Analysis of Net Assets December 31:							2012
Cash				210,981	210,981		210,981
Accounts receivable	3,329				3,329		3,329
Interfund receivable(payable)	(1,038)				(1,038)		(1,038)
Capital assets <i>(net of accumulated depreciation)</i>					-	9,485,704	9,485,704
	2,291	-	-	210,981	213,272	9,485,704	9,698,976

Single Audit Reports and Schedules

The Mercier Group

a professional corporation

INDEPENDENT AUDITOR'S REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133

To the Members of the Selectboard and Management
Town of Gorham, New Hampshire

We have audited the basic financial statements of the Town of Gorham, New Hampshire as of and for the year ended December 31, 2012, and have issued our report there on dated September 15, 2013, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Gorham, New Hampshire's basic financial statements. The Accompanying Schedule of Expenditures of Federal Awards, as required by the U.S. 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This 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 in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Paul J. Mercier, Jr. cpa for

The Mercier Group, *a professional corporation*
Canterbury, New Hampshire
September 15, 2013

The Mercier Group

a professional corporation

INDEPENDENT AUDITOR'S REPORT ON THE 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

To the Members of the Selectboard and Management
Town of Gorham, New Hampshire

We have audited, 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, the financial statements of the Town of Gorham, 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 Gorham, New Hampshire's basic financial statements, and have issued our report thereon dated September 15, 2013.

Internal Control Over Financial Reporting. In planning and performing our audit of the financial statements, we considered the Town of Gorham, 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 opinion on the basic financial statements, but, not for the purpose of expressing an opinion on the effectiveness of the Town of Gorham, New Hampshire's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Gorham, New Hampshire's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Town's basic 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 or material weaknesses. 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 Gorham, New Hampshire's basic financial statements are free of 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 Town'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 Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Paul J. Mercier Jr., CPA for

The Mercier Group, a professional corporation
Canterbury, New Hampshire
September 15, 2013

The Mercier Group

a professional corporation

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

To the Members of the Selectboard and Management
Town of Gorham, New Hampshire

Report on Compliance for Each Major Federal Program. We have audited the Town of Gorham, 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 Gorham, New Hampshire's major federal programs for the year ended December 31, 2012. The Town of Gorham, 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*. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of management. Our responsibility is to express an opinion on Town of Gorham, New Hampshire's compliance based on our audit.

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 Gorham, 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 State and 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 Gorham, 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 Town of Gorham, New Hampshire's compliance.

Opinion on Each Major Federal Program. In our opinion, Town of Gorham, New Hampshire complied, in all material respects, with the 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.

Internal Control Over Compliance. Management of the Town of Gorham, 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 Gorham, 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 Gorham, 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 the 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 considered 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.

Paul J. Mercier Jr., CPA for

The Mercier Group, a professional corporation

Canterbury, New Hampshire

September 15, 2013

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

All amounts are expressed in USA Dollars

Federal grantor/Pass-through grantor/Program title	Federal CFDA Number	Pass-through Grantors Number	Program or Award Amount	Revenues and Expenditures	
				Federal	Local
U.S. Department of Agriculture					
<i>Passed-through the Natural Resource Conservation Service</i>					
Disaster Relief Appropriations Act, Emergency Conservation Program	10.105				
NRCS - Romano		6914281121	98,000	73,500	24,500
NRCS - Norgard		6914281204	159,668	104,751	34,917
NRCS - Orsillo		6914281211	187,485	140,614	46,871
NRCS - Keenan		6914281212	116,720	87,540	29,180
				406,405	135,468
U.S. Department of Housing and Urban Development					
<i>Direct Grants</i>					
Community Development Block Grant / States Program and Nonentitlement Grants in Hawaii	14.228				
Gorham Community Learning Center / CDBG Feasibility		na	276	276	
				276	-
U.S. Department of Transportation					
<i>Direct Grants</i>					
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703				
11 HEMP (Hazmat Plan)		na	15,000	6,109	1,527
				6,109	1,527
U.S. Department of Homeland Security					
<i>Direct Grants</i>					
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036				
FEMA White Birch Lane - North		FEMA 4026-DR-NH	400,987	300,740	100,246
FEMA White Birch Lane - South		FEMA 4026-DR-NH	128,086	96,065	32,022
FEMA Libby Field		FEMA 4026-DR-NH	153,576	115,182	38,394
FEMA Super Storm Sandy		FEMA 4026-DR-NH	25,594	19,196	6,399
				531,183	177,061
Assistance to Firefighters Grant	97.044				
Assistance to Firefighters		na	37,800	11,396	
				11,396	-
				955,369	314,056

* Denotes a major grant

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
USED IN PREPARING THE SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS**

BASIS OF PRESENTATION

The accompanying *Schedule of Expenditures of Federal Awards* includes the federal grant activity of Academy of Applied Science, Inc. and is presented on the accrual basis of accounting. Under this basis of accounting, revenues are recognized when they occur and expenditures are recorded when the related liability is incurred.

**RECONCILIATION OF THE SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS TO THE FINANCIAL STATEMENTS**

Expenditures of Federal awards in the financial statements include the following:

	Federal Support
<i>Governmental Funds:</i>	
Grant Programs	<u>\$ 955,369</u>

TOWN OF GORHAM, NEW HAMPSHIRE
Schedule of Findings and Questioned Costs
 For the Fiscal Year Ended December 31, 2012

SECTION 1 – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified that are not
 Considered to be material weaknesses? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified that are not
 Considered to be material weaknesses? yes no

Type of auditor’s report issued on compliance
 for major program: Unmodified

Any audit findings disclosed that are required
 to be reported in accordance with section
 510(a) of Circular A-133? yes no

Identification of major program:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
97.036	Disaster Grants – Public Assistance (Presidentially Declared Disasters)

Dollar threshold used to distinguish
 Between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? yes no

SECTION II – FINANCIAL STATEMENT FINDINGS:

No matters were identified which required reporting.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were identified which required reporting.

TOWN OF GORHAM, NEW HAMPSHIRE
Schedule of Prior Audit Findings and Questioned Costs
For the Fiscal Year Ended December 31, 2012

PRIOR AUDIT FINDINGS AND QUESTIONED COSTS:

Not Applicable – No prior findings and questioned costs were reported

TOWN OF GORHAM, NEW HAMPSHIRE

Corrective Action Plan

For the Fiscal Year Ended December 31, 2012

CORRECTIVE ACTION PLAN

Not Applicable – No current audit findings or questioned costs were reported