

TOWN OF HOOKSETT, NEW HAMPSHIRE
Financial Statements
With Schedule of Expenditures of Federal Awards
June 30, 2011
and
Independent Auditor's Report

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

**Report on Compliance With Requirements That Could
Have a Direct and Material Effect on Each Major Program
and on Internal Control Over Compliance in Accordance
With OMB Circular A-133**

Schedule of Findings and Questioned Costs

TOWN OF HOOKSETT, NEW HAMPSHIRE
FINANCIAL STATEMENTS
June 30, 2011

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TOWN OF HOOKSETT, NEW HAMPSHIRE
FINANCIAL STATEMENTS
June 30, 2011

FEDERAL COMPLIANCE (CONTINUED)

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INDEPENDENT AUDITOR'S REPORT

To the Members of the Town Council
Town of Hooksett, New Hampshire

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 Hooksett, New Hampshire (the Town) as of and for the year ended June 30, 2011, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Hooksett, New Hampshire as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 4, 2012 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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* and should be considered in assessing the results of our audit.

The management's discussion and analysis, budgetary comparison information, and schedule of funding progress for other post-employment benefits on pages i-viii and 30-32, respectively, are not a required part of the basic financial statements but are 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 express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Handwritten signature of Jackson Chukay & Company PC in cursive script.

January 4, 2012

Management's Discussion and Analysis

The Town of Hooksett's (Town) discussion and analysis is designed to (1) assist the reader in focusing on significant financial issues, (2) provide an overview of the Town's financial activity, (3) identify changes in the Town's financial position (its ability to address the next and subsequent year's challenges), and (4) identify any material deviations from the financial plan (the approved budget).

Financial Highlights:

Government – wide highlights

- The assets of the Town exceeded its liabilities at June 30, 2011 by \$22,834,200 (*total net assets*). Of this amount, \$6,555,066 (*unrestricted net assets*) may be used to meet the Town's ongoing obligations to its citizens.
- The Town's expenditures exceeded revenues by \$474,120, thereby decreasing the Town's net assets for the year.
- Outstanding bonds and other long-term payable at the close of the current fiscal year is \$10,018,654, an increase of \$2,826,323 in comparison to the prior year. This increase is due to the wastewater treatment facility upgrades in the Sewer Fund.

Fund highlights

- At the close of the current year, the Town's governmental funds reported a combined ending fund balance of \$5,273,535, which is an increase of \$587,888 in comparison with the prior year.
- The increase in fund balance for the Town's governmental funds was \$587,888 or 4% of total expenditures at the end of the fiscal year.
- Unassigned fund balance for the General Fund was \$855,900, which is available for spending at the government's discretion this is an increase of \$494,337 from the prior year.

Overview of the Financial Statements:

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. In addition to the basic financial statements, this report contains other supplementary information.

Government-wide financial statements

The government-wide financial statements provide a broad view of the Town's finances. These statements (*Statement of Net Assets* and the *Statement of Activities*) provide both short-term and long-term information about the Town's overall financial position. They are prepared using the accrual basis of accounting, which recognizes all revenues and expenses connected with the current year even if cash has not been received or paid.

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

The *Statement of Activities* presents information showing how the Town's net assets changed during the most recent year. All changes in net assets are reported as soon as the underlying event occurs, regardless

of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future periods (such as uncollected taxes and licenses). This statement also presents a comparison between direct expenses and program revenues for each function of the Town.

The *Statement of Net Assets* and the *Statement of Activities* divide the Town into two types of activities:

- **Governmental Activities** – Most of the Town’s basic functions are reported here which include the general government, public safety, highways and streets, health and welfare, sanitation, culture and recreation, economic development and debt service. Property taxes, intergovernmental revenues, permits and fees, and state and federal grants finance most of these activities.
- **Business-type Activities** – The Town charges a fee to customers with the intention of recovering all or a significant portion of the costs through user fees and charges. The Town’s Sewer fund is reported here.

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

Fund financial statements

Unlike government-wide financial statements, the focus of the fund financial statements is directed to specific activities of the Town rather than the Town as a whole. Except for the General Fund, a specific fund is established to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The fund financial statements, focus on the individual parts of the Town government, and report the Town’s operations in more detail than the government-wide statements. The Town’s funds are divided into three categories: 1) governmental 2) proprietary and 3) fiduciary.

Governmental funds: Most of the basic services provided by the Town are financed through governmental funds. Unlike the government-wide financial statements, the governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the year. Such information may be useful in evaluating a government’s near-term requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented here with similar information presented in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions. Both the governmental fund *Balance Sheet* and the governmental fund *Statement of Revenues, Expenditures and Changes in Fund Balances* provide reconciliation to the government-wide statements in order to facilitate this comparison between governmental funds and governmental activities.

The Town maintains ten individual governmental funds. Information is presented in the *Governmental Fund Balance Sheet* and in the *Statement of Revenues, Expenditures and Changes in Fund Balances* for the funds can be found on page 3 and 4.

The General Fund is considered to be a major fund. The General Fund accounts for governmental service provided to the Town’s residents. As of June 30, 2011, to comply with GASB Statement 54, the Town moved the Library, Heritage Commission, Head’s Chapel Preservation and the Capital Reserve funds into the General Fund from the Nonmajor Governmental Funds.

Data from the other nine governmental funds are combined into a single, aggregated presentation termed Nonmajor Governmental Funds. More information can be found on pages 41-44 regarding these nonmajor governmental funds.

Proprietary funds: The Town charges sewer customers for the services it provides; they are reported in proprietary funds, which can be found, on pages 5-7. Proprietary funds are reported in the same way that all business-type activities are reported in the governmental-wide financial statements but provide more detail and a statement of cash flows.

Fiduciary funds: These funds are used to account for resources held for the benefit of parties outside the government. While these funds represent trust responsibilities of the Town, these assets are restricted in purpose and do not represent discretionary assets of the government. Therefore, these assets are not presented as part of the government-wide financial statements. The Town's fiduciary funds statements can be found on page 8 of this report.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and the fund financial statements, and are required by generally accepted accounting principles. The notes to the financial statements begin on page 9.

Required supplementary information: The basic financial statements and accompanying notes are followed by a section of required supplementary information. This section includes a budgetary comparison schedule for the General Fund and Funding Progress for Other Post-Employment Benefits.

Government-wide Financial Analysis:

The following is a summary of condensed government-wide financial data for the current and prior years. In the case of the Town, assets exceeded liabilities by \$22,834,200 as of June 30, 2011.

Town of Hooksett						
Net Assets as of June 30, 2010 and 2011						
	Governmental Activities		Business-type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 25,585,501	\$ 24,902,932	\$ 3,319,015	\$ 3,209,571	\$ 28,904,516	\$ 28,112,503
Capital assets, net	8,432,392	8,711,291	17,324,811	15,035,908	25,757,203	23,747,199
Total assets	\$ 34,017,893	\$ 33,614,223	\$ 20,643,826	\$ 18,245,479	\$ 54,661,719	\$ 51,859,702
Current liabilities	\$ 19,521,984	\$ 19,178,445	\$ 1,757,581	\$ 1,743,395	\$ 21,279,565	\$ 18,421,955
Long-term liabilities	1,206,500	1,451,526	9,341,454	6,178,016	10,547,954	2,696,871
Total liabilities	\$ 20,728,484	\$ 20,629,971	\$ 11,099,035	\$ 7,921,411	\$ 31,827,519	\$ 28,551,382
Net assets:						
Invested in capital assets,						
net of related debt	\$ 8,172,197	\$ 8,223,526	\$ 7,936,157	\$ 8,843,577	\$ 16,108,354	\$ 17,067,103
Restricted	170,780	3,543,644	-	-	170,780	3,543,644
Unrestricted	4,946,432	1,217,082	1,608,634	1,480,491	6,555,066	2,697,573
Total net assets	\$ 13,289,409	\$ 12,984,252	\$ 9,544,791	\$ 10,324,068	\$ 22,834,200	\$ 23,308,320

The bulk of the Town's net assets \$16,108,354 (70%) represent investment in assets such as land, buildings, equipment, and infrastructure (roads and bridges), less any outstanding related debt used to acquire those assets, are used to provide services to citizens; consequently, these assets are not available for future spending. Another \$170,780 (1%) of the Town's net assets are legally restricted as to use. The remaining net assets \$6,555,066 (29%) are unrestricted and may be used to meet the Town's operating needs and ongoing obligations. The Town's unrestricted net assets increase \$3,857,493 during the year.

The large change in the classification of net assets between restricted and unrestricted is primarily due to the Town's implementation of Governmental Accounting Standards Board Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

The following is a summary of the information presented in the Statement of Activities for the current and prior years.

Town of Hooksett						
Changes in Net Asset for year ended June 30, 2011 and 2010						
Revenues	Governmental Activities		Business-type Activities		Combined Totals	
	2011	2010	2011	2010	2011	2010
Program revenues:						
Charges for services	\$ 572,139	\$ 323,314	\$ 1,834,708	\$ 1,733,432	\$ 2,406,847	\$ 2,056,746
Operating grants and contributions	572,630	786,118	-	-	572,630	786,118
Capital grants and contributions	-	44,529	74,798	3,000	74,798	47,529
General revenues:						
Property and other taxes	9,792,147	9,626,197	-	-	9,792,147	9,626,197
Licenses and permits	2,693,571	2,651,892	-	-	2,693,571	2,651,892
Grants and contributions	605,160	608,010	-	-	605,160	608,010
Interest and investment earnings	57,908	100,899	5,304	6,603	63,212	107,502
Miscellaneous	587,807	1,017,204	-	-	587,807	1,017,204
Gain on sale of capital assets	-	-	10,000	2,500	10,000	2,500
Contributions to permanent fund	4,886	1,610	-	-	4,886	1,610
Total revenues	\$ 14,886,248	\$ 15,159,773	\$ 1,924,810	\$ 1,745,535	\$ 16,811,058	\$ 16,905,308
Expenses						
General government	\$ 2,788,337	\$ 2,819,529	\$ -	\$ -	\$ 2,788,337	\$ 2,819,529
Public safety	7,540,323	7,534,568	-	-	7,540,323	7,534,568
Highways and streets	1,783,780	2,110,582	-	-	1,783,780	2,110,582
Health and welfare	168,945	175,382	-	-	168,945	175,382
Sanitation	1,054,697	1,005,637	-	-	1,054,697	1,005,637
Culture and recreation	1,144,532	1,249,361	-	-	1,144,532	1,249,361
Economic development	9,830	6,885	-	-	9,830	6,885
Interest and fiscal charges	35,647	56,559	-	-	35,647	56,559
Intergovernmental payments	55,000	43,000	-	-	55,000	43,000
Sewer	-	-	1,991,577	1,973,514	1,991,577	1,973,514
Pollution remediation obligation	-	-	712,510	-	712,510	-
Total expenses	\$ 14,581,091	\$ 15,001,503	\$ 2,704,087	\$ 1,973,514	\$ 17,285,178	\$ 16,975,017
Increase(decrease) in net assets	305,157	158,270	(779,277)	(227,979)	(474,120)	(69,709)
Net assets, beginning of year	12,984,252	12,825,982	10,324,068	10,552,047	23,308,320	23,378,029
Net assets, end of year	\$ 13,289,409	\$ 12,984,252	\$ 9,544,791	\$ 10,324,068	\$ 22,834,200	\$ 23,308,320

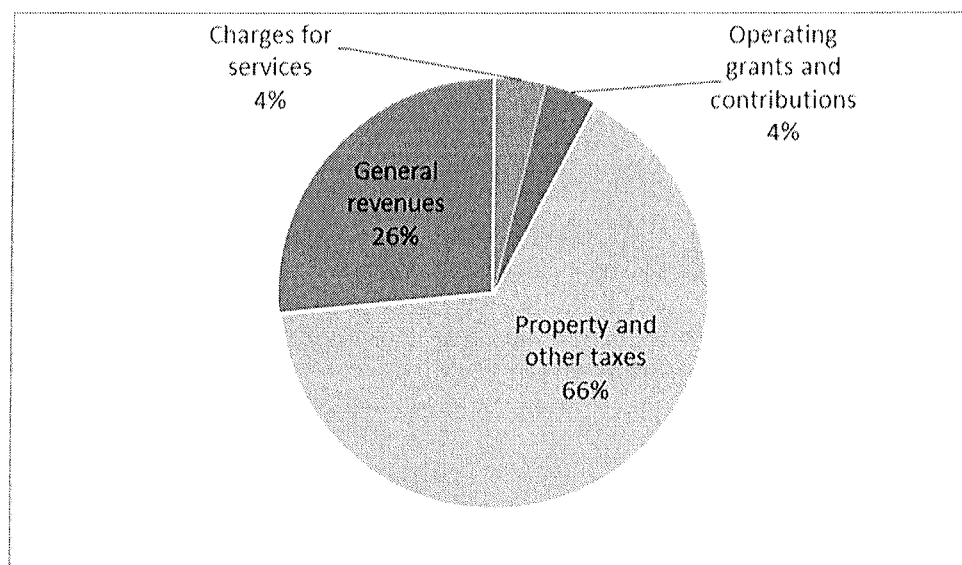
Governmental Activities

The governmental activities increase in net assets was \$305,157 this is an improvement of 2% from the prior year.

The total cost of governmental activities this year was \$14,581,091. However, as shown in the Statement of Activities, the amount that our taxpayers ultimately financed for these activities through Town property taxes was only \$9,792,147 (66%) because those who directly benefited from the programs paid \$572,139 (4%) and other governments and organizations subsidized certain programs in the amount of \$572,630 (4%).

The Town paid for the remaining governmental activities with revenue not specifically targeted for specific programs. 26% of all revenues are known as general revenues, which include: interest, miscellaneous, motor vehicle permit fees, and other licenses and permits.

Revenue by Source - Governmental Activities



The Town's expenses cover a range of services. The largest expenses were for Public Safety, which accounts for 52% of total expenses. Program revenue consisting of grants and charges for services in the amount of \$587,275 was collected to offset these expenses. Public safety is made up of police, fire, ambulance, building inspections and emergency services.

Business-type Activities

The charges for goods and services for the Sewer business-type activities were inadequate to cover the operating expenses resulting in a loss of \$66,767. Additional loss is reported as "Special item - Pollution Remediation Obligation" in the amount of \$712,510, was due to the release of plastic disks into the Merrimack River on March 6, 2011. The cleanup has been completed and the Town expects any additional cost to be minimal.

Long-term obligations increased by \$3,277,230 of approximately \$5,969,561 which was authorized for upgrades to the wastewater treatment facility funded under the State of New Hampshire, State Water Pollution Control Revolving Loan Fund. The Town did receive a federal award of \$3,112,187 or up to 50% of the principal cost from American Recovery and Reinvestment Act.

Financial Analysis of the Town's Funds:

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds

The governmental fund financial statements for the Town are provided on pages 3 and 4. The focus of the Town's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year.

At the end of the current year, the Town's total governmental funds reported a combined ending fund balance of \$5,273,535, an increase of \$587,888, in comparison with the prior year. This increase is partly due to the following revenues higher than anticipated: ambulance fees, interest and penalties on taxes and building permit fees.

Approximately 16% or \$855,900 of the total governmental funds \$5,273,535 constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance has some type restriction, internal or external, for which the funds can be spent.

Budgetary Highlights:

During the fiscal year 2010-11, there was an increase of \$29,437 in the original budget, which was offset by the same amount with unanticipated revenues.

The fund balance for the general fund increased by \$447,691 during the current fiscal year. Key factors in this change are as follows:

Revenues collected more than budgeted	\$ 226,283
Excess appropriations unspent by departments	531,839
Use of fund balance as a funding source	(300,000)
Other financing sources (uses)	<u>(10,431)</u>
Total	\$ 447,691

For the fiscal year 2011-12, the taxpayers approved a \$16,979,751 operating and capital budget. The operating budget was 1.53% lower than prior year going into the deliberative session of Town Meeting. There the voters increased the budget by \$202,000 for a one-time purchase of land for recreation purposes. The funding for the land will be from the sale of a conservation easement on Town property, so no tax dollars will be raised.

The \$16,979,751 also includes the startup cost for the automated recycling and trash collection program in the amount of \$920,000. The program is due to start in the spring of 2012 and will provide curbside collection of both recyclables and trash.

Capital Assets and Debt Administration:

Capital assets

The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2011 amounts to \$25,757,203 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and improvements, vehicles and equipment and infrastructure.

Additional information on the capital assets can be found in Note 6 in the Notes to the Basic Financial Statements.

Capital Assets

	Governmental Activities		Business-type Activities		Combined Totals	
	2011	2010	2011	2010	2011	2010
Land	\$ 1,128,969	\$ 764,769	\$ 300,000	\$ 300,000	\$ 1,428,969	\$ 1,064,769
Infrastructure	92,754,515	92,754,515	11,314,929	11,314,929	104,069,444	104,069,444
Land improvements	79,428	37,357	-	-	79,428	37,357
Buildings and improvements	8,310,032	8,310,032	10,542,148	10,667,148	18,852,180	18,977,180
Vehicles and equipment	7,022,881	7,252,294	586,322	567,844	7,609,203	7,820,138
Construction in progress	-	-	6,303,067	3,449,409	6,303,067	3,449,409
Total	109,295,825	109,118,967	29,046,466	26,299,330	138,342,291	135,418,297
Accumulated depreciation	(100,863,433)	(100,407,676)	(11,721,655)	(11,263,422)	(112,585,088)	(111,671,098)
Total capital assets	\$ 8,432,392	\$ 8,711,291	\$ 17,324,811	\$ 15,035,908	\$ 25,757,203	\$ 23,747,199

Major capital asset activity for the governmental activities during the current year included the following:

- Land
 - Conservation Pinnacle Property was purchased adding \$364,200
- Land improvements
 - 4 Tennis Courts \$42,071
- Vehicles and equipment:
 - 1 Electronic Message Board was purchased adding \$12,226
 - 1 2006 Ford Crown Victoria was sold removing \$23,670
 - 1 1985 Fire Engine was sold removing \$150,000
 - 1 2002 Ford Crown Victoria was sold removing \$23,098
 - 1 1994 Ford Pickup Truck was sold removing \$14,905
 - 1 1985 Yankee Live Bottom Refuse Trailer was scraped removing \$30,000

Major capital asset activity for the business-type activities during the current year included the following:

- Construction in progress:
 - Wastewater Facility upgrades added \$2,853,658
- Vehicles and equipment:
 - 1 John Deer Tractor was purchased adding \$18,487

Debt administration

At the end of the current fiscal year, the Town had total bonded debt outstanding of \$4,049,093 of which \$3,419,093 was related to the Sewer Fund. In addition, the Sewer Fund has \$5,969,561 in other long term obligation and the Town has \$150,195 of capital lease obligation outstanding.

Additional information on the debt can be found in Note 9 in the Notes to the Basic Financial Statements.

Outstanding Debt

	Governmental Activities		Business-type Activities		Combined Totals	
	2011	2010	2011	2010	2011	2009
General obligation bonds	\$ 110,000	\$ 220,000	\$ 3,419,093	\$ 3,500,000	\$ 3,529,093	\$ 3,720,000
TIF bond payable	520,000	780,000	-	-	520,000	780,000
Total long-term debt	\$ 630,000	\$ 1,000,000	\$ 3,419,093	\$ 3,500,000	\$ 4,049,093	\$ 4,500,000
Annual Change (decrease)	(370,000)		(80,907)		(450,907)	

Economic Factors and the Future:

Statistical information available at the NH Employment Security website reports Merrimack County's unemployment rate for August 2011 at 4.7%, which is a decrease from a rate of 5.3% a year ago. This compares to the State's average unemployment rate of 5.2% and the national average rate of 9.1%.

To reduce the tax rate for 2011 the Town applied \$260,000 from the general fund unassigned fund balance.

The ongoing challenge regarding budgets is to provide an acceptable level of service to local residents while also funding a responsible capital improvement plan. This challenge will become more of an issue in the future as our municipality bears greater personnel costs, notably due to the rising costs of retirement and other post employment benefits.

Requests for Information:

This financial report is designed to provide a general overview of the Town of Hooksett's finances for all of the citizens, taxpayers, customers, investors and creditors. This financial report seeks to demonstrate the Town's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: Town of Hooksett, Finance Department, 35 Main Street, Hooksett, NH 03106. The Finance Director can also be reached at (603) 485-2017 or at csoucic@hooksett.org.

EXHIBIT A
TOWN OF HOOKSETT, NEW HAMPSHIRE
Statement of Net Assets
June 30, 2011

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 16,974,670	\$ 412,478	\$ 17,387,148
Investments	3,677,741	1,665,013	5,342,754
Taxes receivable, net	4,699,259		4,699,259
Accounts receivable, net	78,348	97,164	175,512
Unbilled charges for service		870,997	870,997
Due from other governments	6,000	273,363	279,363
Prepaid expenses	8,677		8,677
Total Current Assets	<u>25,444,695</u>	<u>3,319,015</u>	<u>28,763,710</u>
Noncurrent Assets:			
Tax deeded property	140,806		140,806
Non-depreciable capital assets	1,128,969	6,603,067	7,732,036
Depreciable capital assets, net	7,303,423	10,721,744	18,025,167
Total Noncurrent Assets	<u>8,573,198</u>	<u>17,324,811</u>	<u>25,898,009</u>
Total Assets	<u>\$ 34,017,893</u>	<u>\$ 20,643,826</u>	<u>\$ 54,661,719</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	\$ 486,644	\$ 226,115	\$ 712,759
Accrued expenses	520,621	163,816	684,437
Pollution remediation obligation		207,647	207,647
Retainage payable		257,659	257,659
Deferred revenue	17,969,828	725,782	18,695,610
Due to other governments	42,246		42,246
Deposits		52,654	52,654
Current portion of bonds payable	370,000	123,908	493,908
Current portion of capital leases payable	122,645		122,645
Current portion of estimated liability for landfill postclosure care costs	10,000		10,000
Total Current Liabilities	<u>19,521,984</u>	<u>1,757,581</u>	<u>21,279,565</u>
Noncurrent Liabilities:			
Bonds payable	260,000	3,295,185	3,555,185
Other long-term obligations		5,969,561	5,969,561
Capital leases payable	27,550		27,550
Compensated absences payable		42,352	42,352
Other post-employment benefits payable	748,950	34,356	783,306
Estimated liability for landfill postclosure care costs	170,000		170,000
Total Noncurrent Liabilities	<u>1,206,500</u>	<u>9,341,454</u>	<u>10,547,954</u>
Total Liabilities	<u>20,728,484</u>	<u>11,099,035</u>	<u>31,827,519</u>
NET ASSETS			
Invested in capital assets, net of related debt	8,172,197	7,936,157	16,108,354
Restricted	170,780		170,780
Unrestricted	4,946,432	1,608,634	6,555,066
Total Net Assets	<u>13,289,409</u>	<u>9,544,791</u>	<u>22,834,200</u>
Total Liabilities and Net Assets	<u>\$ 34,017,893</u>	<u>\$ 20,643,826</u>	<u>\$ 54,661,719</u>

See accompanying notes to the basic financial statements

EXHIBIT B
TOWN OF HOOKSETT, NEW HAMPSHIRE
Statement of Activities
For the Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
General government	\$ 2,788,337	\$ 37,247			\$ (2,751,090)		\$ (2,751,090)
Public safety	7,540,323	348,400	\$ 238,875		(6,953,048)		(6,953,048)
Highways and streets	1,783,780	25,757	333,541		(1,424,482)		(1,424,482)
Health and welfare	168,945				(168,945)		(168,945)
Sanitation	1,054,697	120,966			(933,731)		(933,731)
Culture and recreation	1,144,532	39,769	214		(1,104,549)		(1,104,549)
Economic development	9,830				(9,830)		(9,830)
Interest and fiscal charges	35,647				(35,647)		(35,647)
Intergovernmental payments	55,000				(55,000)		(55,000)
Total governmental activities	<u>14,581,091</u>	<u>572,139</u>	<u>572,630</u>	<u>\$ -</u>	<u>(13,436,322)</u>	<u>\$ -</u>	<u>(13,436,322)</u>
Business-type activities:							
Sewer	<u>1,991,577</u>	<u>1,834,708</u>		<u>74,798</u>		<u>(82,071)</u>	<u>(82,071)</u>
Total business-type activities	<u>1,991,577</u>	<u>1,834,708</u>	<u>-</u>	<u>74,798</u>	<u>-</u>	<u>(82,071)</u>	<u>(82,071)</u>
Total primary government	<u>\$ 16,572,668</u>	<u>\$ 2,406,847</u>	<u>\$ 572,630</u>	<u>\$ 74,798</u>	<u>(13,436,322)</u>	<u>(82,071)</u>	<u>(13,518,393)</u>
General revenues:							
Property and other taxes					9,792,147		9,792,147
Licenses and permits					2,693,571		2,693,571
Grants and contributions:							
Rooms and meals tax distribution					601,636		601,636
State and federal forest land					1,182		1,182
Railroad tax					2,342		2,342
Interest and investment earnings					57,908	5,304	63,212
Miscellaneous					587,807		587,807
Gain on sale of capital assets						10,000	10,000
Contributions to permanent fund principal					4,886		4,886
Special item - Pollution remediation obligation						(712,510)	(712,510)
Total general revenues, contributions to permanent fund principal, and special item					<u>13,741,479</u>	<u>(697,206)</u>	<u>13,044,273</u>
Change in net assets					305,157	(779,277)	(474,120)
Net assets - beginning					<u>12,984,252</u>	<u>10,324,068</u>	<u>23,308,320</u>
Net assets - ending					<u>\$ 13,289,409</u>	<u>\$ 9,544,791</u>	<u>\$ 22,834,200</u>

EXHIBIT C
TOWN OF HOOKSETT, NEW HAMPSHIRE
Balance Sheet
Governmental Funds
June 30, 2011

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 14,378,937	\$ 2,595,733	\$ 16,974,670
Investments	2,912,068	765,673	3,677,741
Taxes receivable, net	4,699,259		4,699,259
Accounts receivable, net	77,706	642	78,348
Due from other governments	6,000		6,000
Due from other funds	8,124	32,324	40,448
Prepaid expenses	8,677		8,677
Tax dedeed property	140,806		140,806
Total Assets	<u>\$ 22,231,577</u>	<u>\$ 3,394,372</u>	<u>\$ 25,625,949</u>
LIABILITIES			
Accounts payable	\$ 365,121		\$ 365,121
Accrued expenses	504,028	\$ 2,557	506,585
Due to other governments	42,246		42,246
Due to other funds	153,847	8,124	161,971
Deferred revenue	19,276,491		19,276,491
Total Liabilities	<u>20,341,733</u>	<u>10,681</u>	<u>20,352,414</u>
FUND BALANCES			
Nonspendable	8,677	170,780	179,457
Restricted		5,198	5,198
Committed	835,205	3,181,801	4,017,006
Assigned	190,062	25,912	215,974
Unassigned	855,900		855,900
Total Fund Balances	<u>1,889,844</u>	<u>3,383,691</u>	<u>5,273,535</u>
Total Liabilities and Fund Balances	<u>\$ 22,231,577</u>	<u>\$ 3,394,372</u>	
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			8,432,392
Property taxes are recognized on an accrual basis in the statement of net assets, not the modified accrual basis			1,306,663
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. Long-term liabilities at year end consist of:			
Bonds payable			(630,000)
Capital leases payable			(150,195)
Other post-employment benefits payable			(748,950)
Accrued interest on long-term obligations			(14,036)
Estimated liability for landfill postclosure care costs			(180,000)
Net assets of governmental activities			<u>\$ 13,289,409</u>

See accompanying notes to the basic financial statements

EXHIBIT D

TOWN OF HOOKSETT, NEW HAMPSHIRE

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

For the Year Ended June 30, 2011

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$ 9,754,276	\$ 291,031	\$ 10,045,307
Licenses and permits	2,693,571		2,693,571
Intergovernmental	1,177,790		1,177,790
Charges for services	368,648	188,912	557,560
Investment income	37,015	20,893	57,908
Miscellaneous	233,075	381,403	614,478
Total Revenues	<u>14,264,375</u>	<u>882,239</u>	<u>15,146,614</u>
Expenditures:			
Current operations:			
General government	2,611,337	77	2,611,414
Public safety	6,947,944	29,996	6,977,940
Highways and streets	1,602,914		1,602,914
Health and welfare	168,945		168,945
Sanitation	979,953		979,953
Culture and recreation	1,013,878	56,416	1,070,294
Economic development	9,830		9,830
Capital outlay	171,578	378,265	549,843
Debt service:			
Principal retirement	487,570		487,570
Interest and fiscal charges	45,023		45,023
Intergovernmental payments		55,000	55,000
Total Expenditures	<u>14,038,972</u>	<u>519,754</u>	<u>14,558,726</u>
Excess revenues over expenditures	<u>225,403</u>	<u>362,485</u>	<u>587,888</u>
Other financing sources (uses):			
Transfers in	287,196	18,262	305,458
Transfers out	(18,262)	(287,196)	(305,458)
Total other financing sources (uses)	<u>268,934</u>	<u>(268,934)</u>	<u>-</u>
Net change in fund balances	<u>494,337</u>	<u>93,551</u>	<u>587,888</u>
Fund balances at beginning of year, as restated	<u>1,395,507</u>	<u>3,290,140</u>	<u>4,685,647</u>
Fund balances at end of year	<u>\$ 1,889,844</u>	<u>\$ 3,383,691</u>	<u>\$ 5,273,535</u>

TOWN OF HOOKSETT, NEW HAMPSHIRE
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2011

Net Change in Fund Balances--Total Governmental Funds	\$ 587,888
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period.	(270,023)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(253,160)
Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount of the net loss on the disposal of capital assets reduced by the actual proceeds received from the sale of capital assets.	(8,876)
Repayment of bond and capital lease principal is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the statement of net assets.	487,570
In the statement of activities, interest is accrued on outstanding bonds and capital leases, whereas in governmental funds, an interest expenditure is reported when due.	9,376
Some expenses reported in the statement of activities, such as the estimated liability for landfill postclosure care costs and other post-employment benefits, do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(247,618)
Change in Net Assets of Governmental Activities	<u>\$ 305,157</u>

See accompanying notes to the basic financial statements

EXHIBIT E
TOWN OF HOOKSETT, NEW HAMPSHIRE
Statement of Net Assets
Proprietary Fund
June 30, 2011

	Sewer Fund
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 412,478
Investments	1,665,013
Accounts receivable	97,164
Unbilled charges for service	870,997
Due from other governments	273,363
Total Current Assets	<u>3,319,015</u>
Noncurrent Assets:	
Non-depreciable capital assets	6,603,067
Depreciable capital assets, net	10,721,744
Total Noncurrent Assets	<u>17,324,811</u>
Total Assets	<u>\$ 20,643,826</u>
LIABILITIES	
Current Liabilities:	
Accounts payable	\$ 226,115
Accrued expenses	163,816
Pollution remediation obligation	207,647
Retainage payable	257,659
Deferred revenue	725,782
Deposits	52,654
Current portion of bonds payable	123,908
Total Current Liabilities	<u>1,757,581</u>
Noncurrent Liabilities:	
Bonds payable	3,295,185
Other long-term obligations	5,969,561
Compensated absences payable	42,352
Other post-employment benefits payable	34,356
Total Noncurrent Liabilities	<u>9,341,454</u>
Total Liabilities	<u>11,099,035</u>
NET ASSETS	
Invested in capital assets, net of related debt	7,936,157
Unrestricted	1,608,634
Total Net Assets	<u>9,544,791</u>
Total Liabilities and Net Assets	<u>\$ 20,643,826</u>

See accompanying notes to the basic financial statements

EXHIBIT F
TOWN OF HOOKSETT, NEW HAMPSHIRE
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Fund
For the Year Ended June 30, 2011

	Sewer Fund
Operating revenues:	
Charges for services	\$ 1,834,708
Total operating revenues	<u>1,834,708</u>
Operating expenses:	
Personnel services	596,271
Contractual services	182,713
Materials and supplies	211,294
Utilities	235,659
Depreciation	583,233
Miscellaneous	9,464
Total operating expenses	<u>1,818,634</u>
Operating income	<u>16,074</u>
Non-operating revenues (expenses):	
Gain on sale of assets	10,000
Interest revenue	5,304
Interest expense	<u>(172,943)</u>
Net non-operating revenues (expenses)	<u>(157,639)</u>
(Loss) before capital contributions and special item	(141,565)
Capital contributions	74,798
Special item - Pollution remediation obligation	<u>(712,510)</u>
Change in net assets	(779,277)
Total net assets at beginning of year	<u>10,324,068</u>
Total net assets at end of year	<u>\$ 9,544,791</u>

See accompanying notes to the basic financial statements

EXHIBIT G
TOWN OF HOOKSETT, NEW HAMPSHIRE
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2011

	Sewer Fund
Cash flows from operating activities:	
Cash received from customers	\$ 1,827,227
Cash paid to suppliers	(800,690)
Cash paid to employees	(392,076)
Cash paid to others	(712,510)
Net cash (used) by operating activities	<u>(78,049)</u>
Cash flows from capital and related financing activities:	
Capital contributions	74,798
Proceeds from sale of capital assets	10,000
Purchases of capital assets	(2,951,164)
Proceeds from long-term debt	2,758,293
Net cash (used) for capital and related financing activities	<u>(108,073)</u>
Cash flows from investing activities:	
Net increase in investments	(1,151,592)
Interest on investments	5,304
Net cash (used) by investing activities	<u>(1,146,288)</u>
Net (decrease) in cash and cash equivalents	(1,332,410)
Cash and cash equivalents at beginning of year	1,744,888
Cash and cash equivalents at end of year	<u>\$ 412,478</u>
Reconciliation of operating income to net cash (used) by operating activities:	
Operating income	\$ 16,074
Adjustments to reconcile operating income to net cash (used) by operating activities:	
Depreciation expense	583,233
Special item - Pollution remediation obligation	(712,510)
Changes in assets and liabilities:	
Decrease in accounts receivable	3,906
(Increase) in unbilled charges for service	(21,007)
(Increase) in due from other governments	(5,596)
(Decrease) in accounts payable	(186,388)
Increase in accrued expenses	11,260
Increase in pollution remediation obligation	207,647
(Decrease) in compensated absences payable	(1,702)
Increase in deposits	15,216
Increase in other post-employment benefits	11,818
Net cash (used) by operating activities	<u>\$ (78,049)</u>
Supplemental disclosure of non-cash transactions:	
Cost basis of disposed capital assets	<u>\$ 125,000</u>

See accompanying notes to the basic financial statements

EXHIBIT H
TOWN OF HOOKSETT, NEW HAMPSHIRE
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2011

	Agency Funds
ASSETS	
Investments	\$ 2,977,329
Due from other funds	<u>121,523</u>
Total assets	<u>\$ 3,098,852</u>
LIABILITIES	
Due to other governments	\$ 2,107,490
Due to developers	<u>991,362</u>
Total liabilities	<u>\$ 3,098,852</u>

See accompanying notes to the basic financial statements

TOWN OF HOOKSETT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Financial Reporting Entity

The Town of Hooksett, New Hampshire (the Town) was incorporated in 1822. The Town operates under the Town Meeting/Town Council form of government and performs local governmental functions as authorized by State law.

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

Basis of Presentation

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

1. Government-Wide Financial Statements:

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

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

2. Fund Financial Statements:

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

TOWN OF HOOKSETT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2011

presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The fiduciary funds are reported by type.

Fund Accounting

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

1. Governmental Funds:

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

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

2. Proprietary Funds:

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

The *Sewer Fund* accounts for all revenues and expenses pertaining to the Town's wastewater operation.

The Sewer Fund is utilized to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that the cost (i.e. expenses including depreciation) of providing goods or services to the residents on a continuing basis are financed or recovered primarily through user charges.

3. Fiduciary Funds:

Fiduciary fund reporting focuses on net assets and changes in net assets. The Town maintains one category of fiduciary funds known as agency funds. The Town's agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. The Town's agency funds account for the capital reserve funds of the Hooksett School District, the Central Hooksett Water Precinct and the Hooksett Village Water Precinct, which are held by the Town as required by State law. Other agency funds consist of escrow funds from developers which are held by the Town.

TOWN OF HOOKSETT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2011

Measurement Focus

1. Government-Wide Financial Statements:

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

2. Fund Financial Statements:

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

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

Basis of Accounting

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

In the government-wide financial statements and proprietary fund statements, private-sector standards of accounting and financial reporting issued prior to December 1, 1989, are followed to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The Town has elected not to follow the FASB pronouncements issued subsequent to November 30, 1989.

1. Revenues – Exchange and Non-exchange Transactions:

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

TOWN OF HOOKSETT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2011

Non-exchange transactions, in which the Town receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 2). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the Town must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Town on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

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

2. Deferred Revenue:

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

3. Expenses/Expenditures:

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

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

Budgetary Data

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

State law requires balanced budgets but permits the use of beginning fund balance to reduce the property tax rate. For the year ended June 30, 2011, the Town applied \$300,000 of its unappropriated fund balance to reduce taxes.

TOWN OF HOOKSETT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2011

Encumbrance Accounting

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

Cash and Cash Equivalents

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

	<u>Cash</u>
Proprietary Fund:	
Sewer Fund	<u>\$ 412,478</u>

Investments

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

Accounts Receivable

Accounts receivable are recorded net of reserves for estimated uncollectibles of \$67,971, in the General Fund.

Taxes Receivable

Taxes levied during the current fiscal year and prior and uncollected at June 30, 2011 are recorded as receivables net of reserves for estimated uncollectibles of \$760,000.

Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond June 30, 2011 are recorded as prepaid items.

Capital Assets

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

All capital assets including infrastructure are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair values as of the date received. The Town maintains a capitalization threshold of \$10,000. The Town's infrastructure consists of roads, bridges, sidewalks, sewer collection and treatment systems, and similar items. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction phase of

TOWN OF HOOKSETT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2011

capital assets of business-type activities is also capitalized. During the year ended June 30, 2011, the Town implemented the provisions of GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*.

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

<u>Description</u>	<u>Years</u>
Infrastructure	50-100
Land improvements	20
Buildings and improvements	20-40
Vehicles and equipment	5-15

Compensated Absences

Employees earn vacation and sick leave as they provide services. Provision is made in the annual budget for vacation and sick leave. Pursuant to Town personnel policy and collective bargaining agreements, employees may accumulate up to 30 days of unused vacation pay earned and, upon retirement, resignation or death will be compensated for such amounts at current rates of pay.

For governmental fund financial statements, compensated absences are reported as liabilities and expenditures as payments come due each period upon the occurrence of employee death or retirement. The entire compensated absence liability is reported on the government-wide financial statements.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current resources are reported as obligations of the funds. However, compensated absences that will be paid from governmental funds are reported as liabilities in the fund financial statements only to the extent that they are due for payment during the current fiscal year.

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

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances on any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

TOWN OF HOOKSETT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2011

Fund Balance Policy

During the year ended June 30, 2011, the Town implemented GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Statement 54 established new fund balance classifications and changes the definition of governmental fund types. Under Statement 54, the Town has segregated fund balance into five classifications; Non-spendable, Restricted, Committed, Assigned, and Unassigned. These components of fund balance are defined as follows:

- *Non-spendable Fund Balance*: Amounts that are not in a spendable form or are required to be maintained intact.
- *Restricted Fund Balance*: Amounts constrained to specific purposes stipulated by external resource providers or through enabling legislation. Restrictions may be changed or lifted only with the consent of the resource providers or by the enabling legislation.
- *Committed Fund Balance*: Amounts that can be used only for the specific purposes determined by a formal action of the Town's highest level of decision making authority (Town Council). Commitments may be changed or lifted only by the Town Council taking the same formal action that imposed the constraint originally. The Town Council's actions must either be approved or rescinded, as applicable, prior to the last day of the fiscal year for which the commitment is made. The amount subject to the constraint may be determined in the subsequent period.
- *Assigned Fund Balance*: Amounts a Town intends to use for specific purposes. For all governmental funds other than the General Fund, any remaining positive amounts are to be classified as "assigned". The Town Council expressly delegates this authority to the Town Administrator.
- *Unassigned Fund Balance*: Amounts that are available for any purpose; these amounts are reported only in the General Fund.

In circumstances where expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available, restricted fund balance is considered to have been spent first. When expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classification can be used, committed amounts should be reduced first, followed by assigned amounts then unassigned amounts.

Pursuant to the Town's policy at year end, if any of the special revenue funds has a deficit unassigned fund balance, the Town Administrator is authorized to transfer funds from the General Fund to cover the deficit, providing the General Fund has the resources to do so. For any remaining unassigned fund balance, the Town shall strive to achieve and maintain a minimum fund balance of 5% of the General Fund's annual appropriations of the community.

Interfund Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in the

TOWN OF HOOKSETT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2011

proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Operating Revenues and Expenses

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

Estimates

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

NOTE 2—PROPERTY TAXES

Taxes are levied on the assessed valuation of all taxable real property as of the prior April 1 (\$1,625,229,734 as of April 1, 2010) and are due in two installments on July 2, 2010 and December 1, 2010. Taxes paid after the due dates accrue interest at 12% per annum. Property taxes are recognized as revenue when received in cash or if available to finance current period operations (within sixty days of year end).

Under State law, the Tax Collector obtains tax liens on properties which have unpaid taxes in the following calendar year after taxes were due for the amount of unpaid taxes, interest and costs. These priority tax liens accrue interest at 18% per annum. If the property is not redeemed within a two year redemption period, the property is tax deeded to the Town.

In accordance with State law, the Town collects taxes for the Hooksett School District and Merrimack County, both independent governmental units, which are remitted to them as required by law. The Town also collects State of New Hampshire Education taxes, which are remitted directly to the school district. Total taxes appropriated during the year were \$20,932,439 and \$4,320,851, for the Hooksett School District and Merrimack County, respectively. These taxes are not recognized as revenues in these financial statements. The Town bears responsibility for uncollected taxes.

NOTE 3—RISK MANAGEMENT

The Town is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2011, the Town was a member of the Local Government Center (LGC). The Town currently reports all of its risk management activities in its General Fund. The Trust is classified as a "Risk Pool" in accordance with accounting principles generally accepted in the United States of America.

TOWN OF HOOKSETT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2011

The Trust agreement permits the Trusts to make additional assessments to members should there be a deficiency in Trust assets to meet its liabilities. Accounting principles generally accepted in the United States of America require members of pools with a sharing of risk to determine whether or not such assessment is probable and, if so, a reasonable estimate of such assessment. At this time, the Trust foresees no likelihood of an additional assessment for any of the past years. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. Based on the best available information there is no liability at June 30, 2011.

Property and Liability Insurance

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

Worker's Compensation

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

NOTE 4—DEPOSITS AND INVESTMENTS

The Town has combined the cash resources of its governmental fund types. For accounting and reporting purposes, that portion of the pooled cash balance is reported in the specific fund as an interfund balance.

Deposits and investments as of June 30, 2011 are classified in the accompanying financial statements as follows:

Statement of Net Assets:	
Cash and cash equivalents	\$ 17,387,148
Investments	5,342,754
Statement of Fiduciary Net Assets:	
Investments	<u>2,977,329</u>
Total deposits and investments	<u>\$ 25,707,231</u>

Deposits and investments at June 30, 2011 consist of the following:

Cash on hand	\$ 1,560
Deposits with financial institutions	22,372,697
Investments	<u>3,332,974</u>
Total deposits and investments	<u>\$ 25,707,231</u>

TOWN OF HOOKSETT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2011

The Town's investment policy for governmental and business-type funds requires that deposits be made in New Hampshire based financial institutions that are participants in one of the federal depository insurance programs. The Town limits its investments to demand deposits, money market accounts, certificates of deposit, and overnight repurchase agreements in accordance with New Hampshire State law (RSA 41:29) or the New Hampshire Public Deposit Investment Pool (NHPDIP), an external investment pool. Investments of the library fund are at the discretion of the Library Trustees. Responsibility for the investments of the expendable trust funds, permanent funds and school district agency funds is with the Board of Trustees.

Interest Rate Risk

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

The Trustee's investment policy regarding interest rate risk states notes and bonds to be invested in maturities of no longer than 10 years. Information about the sensitivity of the fair values of the Town's investments to market interest rate fluctuations is provided by the following table that shows the distribution of investments by maturity:

<u>Investment Type</u>			Remaining Maturity
			<u>1-5 Years</u>
Federal agency securities	\$	70,427	\$ 70,427
U.S. Treasury notes		35,412	35,412
	\$	<u>105,839</u>	<u>\$ 105,839</u>

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The federal agency securities and the U.S. Treasury notes are the only rated investments with credit ratings at fiscal year end of AAA. Investments in mutual funds and the state investment pool are not rated.

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

The Town's policy states that the Treasurer shall ensure prior to the deposit or investment of funds the federally insured bank shall have the funds secured by collateral having a market value at least equal to 102% of the amount deposited or invested. The Treasurer is expected to display prudence in the selection of investments in a way to minimize default risk.

Of the Town's deposits with financial institutions at year end, \$12,392,534 was collateralized by securities held by the bank in the bank's name.

TOWN OF HOOKSETT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2011

Investments in NHPDIP

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

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

NOTE 5—DUE FROM OTHER GOVERNMENTS

Receivables from other governments for the governmental activities and business-type activities at June 30, 2011 consist of federal and state fundings in the amounts of \$6,000 and \$273,363, respectively. All receivables are considered collectible in full and will be received within one year.

NOTE 6—CAPITAL ASSETS

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

	Balance 7/1/2010	Additions	Reductions	Balance 6/30/2011
Governmental activities:				
Capital assets not depreciated:				
Land	\$ 764,769	\$ 364,200		\$ 1,128,969
Total capital assets not being depreciated	<u>764,769</u>	<u>364,200</u>	<u>\$ -</u>	<u>1,128,969</u>
Other capital assets:				
Infrastructure	92,754,515			92,754,515
Land improvements	37,357	42,071		79,428
Buildings and improvements	8,310,032			8,310,032
Vehicles and equipment	7,252,294	12,260	(241,673)	7,022,881
Total other capital assets at historical cost	<u>108,354,198</u>	<u>54,331</u>	<u>(241,673)</u>	<u>108,166,856</u>
Less accumulated depreciation for:				
Infrastructure	(92,754,515)			(92,754,515)
Land improvements	(1,245)	(2,920)		(4,165)
Buildings and improvements	(3,546,603)	(188,625)		(3,735,228)
Vehicles and equipment	(4,105,313)	(497,009)	232,797	(4,369,525)
Total accumulated depreciation	<u>(100,407,676)</u>	<u>(688,554)</u>	<u>232,797</u>	<u>(100,863,433)</u>
Total other capital assets, net	<u>7,946,522</u>	<u>(634,223)</u>	<u>(8,876)</u>	<u>7,303,423</u>
Total capital assets, net	<u>\$ 8,711,291</u>	<u>\$ (270,023)</u>	<u>\$ (8,876)</u>	<u>\$ 8,432,392</u>

TOWN OF HOOKSETT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2011

Depreciation expense was charged to governmental functions as follows:

General government	\$ 26,397
Public safety	403,719
Highways and streets	151,277
Sanitation	57,748
Culture and recreation	49,413
Total governmental activities depreciation expense	<u>\$ 688,554</u>

The balance of the assets acquired through capital leases as of June 30, 2011 is as follows:

Vehicles and equipment	\$ 747,466
Less accumulated depreciation for:	
Vehicles and equipment	<u>(289,164)</u>
	<u>\$ 458,302</u>

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

	Balance 7/1/2010	Additions	Reductions	Balance 6/30/2011
Business-type activities:				
Capital assets not depreciated:				
Land	\$ 300,000			\$ 300,000
Construction in process	3,449,409	\$ 2,853,658		6,303,067
Total capital assets not being depreciated	<u>3,749,409</u>	<u>2,853,658</u>	<u>\$ -</u>	<u>6,603,067</u>
Other capital assets:				
Infrastructure	11,314,929			11,314,929
Buildings and improvements	10,667,148		(125,000)	10,542,148
Vehicles and equipment	567,844	18,478		586,322
Total other capital assets at historical cost	<u>22,549,921</u>	<u>18,478</u>	<u>(125,000)</u>	<u>22,443,399</u>
Less accumulated depreciation for:				
Infrastructure	(7,069,948)	(140,791)		(7,210,739)
Buildings and improvements	(3,675,543)	(419,324)	125,000	(3,969,867)
Vehicles and equipment	(517,931)	(23,118)		(541,049)
Total accumulated depreciation	<u>(11,263,422)</u>	<u>(583,233)</u>	<u>125,000</u>	<u>(11,721,655)</u>
Total other capital assets, net	<u>11,286,499</u>	<u>(564,755)</u>	<u>-</u>	<u>10,721,744</u>
Total capital assets, net	<u>\$ 15,035,908</u>	<u>\$ 2,288,903</u>	<u>\$ -</u>	<u>\$ 17,324,811</u>

Depreciation expense was charged to proprietary fund as follows:

Sewer Fund	<u>\$ 583,233</u>
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TOWN OF HOOKSETT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2011

NOTE 7—DEFINED BENEFIT PENSION PLAN

Plan Descriptions

The Town contributes to the New Hampshire Retirement System (NHRS), a cost-sharing multiple-employer defined benefit pension plan administered by the NHRS Board of Trustees. The plan provides service, disability, death and vested retirement allowances to plan members. Benefit provisions are established and may be amended by the New Hampshire State legislature. The NHRS issues a publicly available financial report that includes financial statements and required supplementary information for NHRS. That report may be obtained by writing to New Hampshire Retirement System, 54 Regional Drive, Concord, New Hampshire 03301.

Funding Policies

Covered public safety employees are required to contribute 9.3% of their covered salary, whereas general employees are required to contribute 5.0% of their covered salary. The Town is required to contribute at an actuarially determined rate. The Town's contribution rates for the covered payroll of police officers, fire employees, and general employees were 14.63%, 18.52% and 9.16% respectively. The Town contributes 75% of the employer cost for police officers and fire employees, and the State contributes the remaining 25% of the employer cost. The Town contributes 100% of the employer cost for general employees of the Town. In accordance with accounting principles generally accepted in the United States of America (GASB Statement #24), on-behalf fringe benefits contributed by the State of New Hampshire of \$209,432 have been reported as a revenue and expenditure in the General Fund in these financial statements.

Per RSA-100:16, plan member contribution rates are established and may be amended by the New Hampshire State legislature and employer contribution rates are determined by the NHRS Board of Trustees based on an actuarial valuation. The Town's contributions to the NHRS for the years ending June 30, 2011, 2010, and 2009 were \$859,974, \$778,286, and \$708,442, respectively, equal to the required contributions for each year.

NOTE 8—OTHER POST-EMPLOYMENT BENEFITS

In addition to providing pension benefits, the Town provides post-employment health care and life insurance benefits to its eligible retirees and their spouses. The Town provides medical, prescription drug, mental health and substance abuse benefits, as well as life insurance, to retirees and their covered dependents. All active employees who retire from the Town and meet the eligibility requirements will receive these benefits. Retirees pay the full cost of the medical premium. These benefits, benefit levels, employee contributions and employer contributions are governed by RSA 100-A:50. As of July 1, 2008, the actuarial valuation date, approximately 17 retirees and 125 active employees meet the eligibility requirements. The plan does not issue a separate financial report.

Annual OPEB Costs

The Town's annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid, on an ongoing basis, is projected to cover the normal cost each year and amortize the unfunded actuarial liability over a period of thirty years.

TOWN OF HOOKSETT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2011

The Town's annual OPEB cost for the year ending June 30, 2011 including the amount actually contributed to the plan, and the change in the Town's net OPEB obligation based on an actuarial valuation as of July 1, 2008 is as follows:

Annual Required Contribution (ARC)	\$ 314,026
Interest on Net OPEB obligation (NOO)	20,555
NOO amortization adjustment to ARC	<u>(22,107)</u>
Annual OPEB cost	312,474
Contributions made	<u>(43,038)</u>
Increase in Net OPEB obligation	269,436
Net OPEB obligation - beginning of year	<u>513,870</u>
Net OPEB obligation - end of year	<u>\$ 783,306</u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for years ending June 30, 2011, 2010 and 2009 are as follows:

Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation	Covered Payroll	OPEB Cost % of Pay
6/30/2009	\$ 278,129	9.8%	\$ 250,885	\$ 5,622,099	4.9%
6/30/2010	\$ 295,192	10.9%	\$ 513,870	\$ 5,762,651	5.1%
6/30/2011	\$ 312,474	13.8%	\$ 783,306	\$ 5,762,651	5.4%

The Town's Net OPEB obligation as of June 30, 2011 is recognized as a liability in these financial statements.

Funded Status and Funding Progress for OPEB

The funded status of the plan as of July 1, 2008, the date of the most recent actuarial valuation is as follows:

Actuarial Accrued Liability (AAL)	\$ 1,988,285
Actuarial value of plan assets	<u>-</u>
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 1,988,285</u>
Funded ratio (actuarial value of plan assets/AAL)	0.0%
Covered payroll (active plan members)	\$ 5,622,099
UAAL as a percentage of covered payroll	35.4%

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

TOWN OF HOOKSETT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2011

Actuarial Methods and Assumptions for OPEB

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

In the July 1, 2008 actuarial valuation the Entry Age Normal Method was used. The actuarial value of assets was not determined as the Town has not advance funded its obligation. The actuarial assumptions included a 4.0% investment rate of return and an initial annual healthcare cost trend of 9.0% which decreases to a 5.0% long-term rate for all healthcare benefits after seven years. The amortization costs for the initial Unfunded Actuarial Accrued Liability (UAAL) is a level percentage of payroll for a period of thirty years on a closed basis. This has been calculated assuming the amortization payment increases at a rate of 2.5%.

NOTE 9—LONG-TERM OBLIGATIONS

Changes in Long-Term Obligations

The changes in the Town's long-term obligations for the year ended June 30, 2011 are as follows:

	Balance <u>7/1/2010</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>6/30/2011</u>	Due Within <u>One Year</u>
Governmental activities:					
Bonds payable	\$ 220,000		\$ (110,000)	\$ 110,000	\$ 110,000
Tax increment financing bonds payable	780,000		(260,000)	520,000	260,000
Capital leases payable	267,765		(117,570)	150,195	122,645
Estimated liability for landfill postclosure care costs	190,000		(10,000)	180,000	10,000
Total governmental activities	<u>\$ 1,457,765</u>	<u>\$ -</u>	<u>\$ (497,570)</u>	<u>\$ 960,195</u>	<u>\$ 502,645</u>
Business-type activities:					
Bonds payable	\$ 3,500,000		\$ (80,907)	\$ 3,419,093	\$ 123,908
Other long-term obligations	2,692,331	\$ 3,277,230		5,969,561	
Compensated absences	44,054		(1,702)	42,352	
Total business-type activities	<u>\$ 6,236,385</u>	<u>\$ 3,277,230</u>	<u>\$ (82,609)</u>	<u>\$ 9,431,006</u>	<u>\$ 123,908</u>

Payments on the general obligation bonds, capital leases and estimated liability for landfill postclosure care costs of the governmental activities are paid out of the General Fund. Payments on the general obligation bonds and other long-term obligations of the business-type activities are paid out of the Sewer Fund. Compensated absences will be paid from the fund where the employee's salary is paid.

General Obligation Bonds

Governmental Activities:

Bonds payable at June 30, 2011 are comprised of the following individual issue:

TOWN OF HOOKSETT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2011

	Original Issue <u>Amount</u>	Interest <u>Rate</u>	Final Maturity <u>Date</u>	Balance at <u>6/30/2011</u>
Safety Center Bond	<u>\$ 1,700,000</u>	5.625 - 5.75%	August 2011	<u>\$ 110,000</u>

Debt service requirements to retire general obligation bonds for governmental activities at June 30, 2011 are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2012	<u>\$ 110,000</u>	<u>\$ 3,163</u>	<u>\$ 113,163</u>

As included on the Statement of Activities (Exhibit B), interest for the year ended June 30, 2011 was \$35,647 on general obligation debt for governmental activities.

Tax Increment Financing Bonds

Tax increment financing bonds payable at June 30, 2011 is comprised of the following individual issue:

	Original Issue <u>Amount</u>	Interest <u>Rate</u>	Final Maturity <u>Date</u>	Balance at <u>6/30/2011</u>
TIF District	<u>\$ 2,600,000</u>	3.5%-4.0%	August 2012	<u>\$ 520,000</u>

Debt service requirements to retire the tax increment financing bond outstanding at June 30, 2011 are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2012	\$ 260,000	\$ 14,950	\$ 274,950
2013	260,000	5,200	265,200
	<u>\$ 520,000</u>	<u>\$ 20,150</u>	<u>\$ 540,150</u>

The Town has pledged a portion of future tax increment financing revenues to repay the debt issued to finance infrastructure and facilities within the Exit 10 Tax Increment Financing District. The bonds are payable solely from the tax increment financing taxes. Incremental taxes were projected to, and do, produce in excess of 100% of the debt service requirements over the life of the bonds. Total principal and interest remaining on the bonds is \$540,150, payable through 2013. For the current year, principal and interest paid and total tax increment revenues were \$284,050 and \$291,030 respectively.

Business-type Activities:

Bonds payable at June 30, 2011 are comprised of the following individual issue:

	Original Issue <u>Amount</u>	Interest <u>Rate</u>	Final Maturity <u>Date</u>	Balance at <u>6/30/2011</u>
Wastewater Treatment Facility Upgrade	<u>\$ 3,500,000</u>	3.728%	January 2030	<u>\$ 3,419,093</u>

TOWN OF HOOKSETT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2011

Debt service requirements to retire general obligation bonds for business-type activities at June 30, 2011 are as follows:

Year ending June 30	Principal	Interest	Totals
2012	\$ 123,908	\$ 127,464	\$ 251,372
2013	128,527	122,845	251,372
2014	133,318	118,053	251,371
2015	138,289	113,083	251,372
2016	143,444	107,927	251,371
2017-2021	801,535	455,323	1,256,858
2022-2026	962,503	294,354	1,256,857
2027-2029	987,569	98,071	1,085,640
	<u>\$ 3,419,093</u>	<u>\$ 1,437,120</u>	<u>\$ 4,856,213</u>

As included on the Statement of Revenues, Expenses and Changes in Net Assets – Proprietary Fund (Exhibit F), interest expense for the year ended June 30, 2011 was \$172,943 on general obligation debt for the business-type activities.

Other Long-Term Obligations

Business-type Activities:

The Town has drawn \$5,969,561 of approximately \$6,224,375 in funds under the State of New Hampshire, State Water Pollution Control Revolving Loan Fund Program for improvements to the Wastewater Treatment Facility. Payments are not scheduled to commence until the first anniversary of the scheduled completion of the project or the date of substantial completion, whichever is earliest. Interest is accrued at 1% during the construction period of the project and is to be paid upon completion of the construction project within the following year.

As authorized by the American Recovery and Reinvestment Act, the Town shall be provided federal financial assistance for the above Wastewater Treatment Facility Project, whereby a portion of the principal sum, not to exceed \$3,112,187 or 50% of aggregate disbursements, whichever is less, will be forgiven. The principal forgiveness will be applied at the time of each loan repayment over a period not to exceed 20 years.

Capital Lease Obligations

Capital lease obligations represent lease agreements entered into for the financing of equipment acquisitions. These contracts are subject to cancellation should funds not be appropriated to meet payment obligations. Amounts are annually budgeted in the applicable function. The following are the individual capital lease obligations of the governmental activities at June 30, 2011:

TOWN OF HOOKSETT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2011

Vehicles, due in annual installments of \$100,390, including interest at 4.05%, through October 2011	\$ 96,169
--	-----------

Vehicle, due in annual installments of \$28,665, including interest at 4.05%, through December 2012	54,026
	<u>\$ 150,195</u>

Debt service requirements to retire capital lease obligations outstanding for governmental activities at June 30, 2011 are as follows:

Year Ending June 30,	Principal	Interest	Totals
2012	\$ 122,645	\$ 6,410	\$ 129,055
2013	27,550	1,116	28,666
	<u>\$ 150,195</u>	<u>\$ 7,526</u>	<u>\$ 157,721</u>

Authorized and Unissued Debt

The following debt was authorized and unissued as of June 30, 2011:

Sewer Construction	\$ 14,424
Wastewater Treatment Plant	6,224,375
TIF District	2,000,000
	<u>\$ 8,238,799</u>

NOTE 10—LANDFILL POSTCLOSURE CARE COSTS

State and federal laws and regulations require that the Town place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. During 1999, a final cover was placed on the landfill. An estimated liability has been recorded based on the future postclosure care costs that will be incurred after the date the landfill no longer accepts waste. The estimated liability for postclosure care costs has a balance of \$180,000 as of June 30, 2011. The estimated total current cost of the landfill postclosure care is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor and maintain the landfill were acquired as of June 30, 2011. However, the actual cost of postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations. The Town has established a landfill capital reserve to finance the postclosure costs. At June 30, 2011, the balance in the landfill capital reserve is \$105,825.

The following is a summary of changes in the estimated liability for postclosure care costs for the year ended June 30, 2011:

Balance - July 1, 2010	\$ 190,000
Expenditures recognized in Landfill Capital Reserve Fund	(11,464)
Net change in estimated liability for postclosure care costs	1,464
Balance - June 30, 2011	<u>\$ 180,000</u>

TOWN OF HOOKSETT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2011

NOTE 11—INTERFUND BALANCES AND TRANSFERS

The Town has combined the cash resources of its governmental fund types. For accounting and reporting purposes, that portion of the pooled cash balance is reported in the specific fund as an interfund balance. Interfund balances at June 30, 2011 are as follows:

		Due from Nonmajor Governmental Funds		Totals
Due to	General Fund			
	General Fund		\$ 8,124	\$ 8,124
	Nonmajor Governmental Funds	\$ 32,324		32,324
	Agency Funds	121,523		121,523
		<u>\$ 153,847</u>	<u>\$ 8,124</u>	<u>\$ 161,971</u>

During the year, several interfund transactions occurred between funds. The various transfers were made in accordance with budgetary authorizations. Interfund transfers for the year ended June 30, 2011 are as follows:

		Transfer from Nonmajor Governmental Funds		Totals
Transfer to	General Fund			
	General Fund		\$ 287,196	\$ 287,196
	Nonmajor Governmental Funds	\$ 18,262		18,262
		<u>\$ 18,262</u>	<u>\$ 287,196</u>	<u>\$ 305,458</u>

NOTE 12—RESTRICTED NET ASSETS

Net assets are restricted for specific purposes as follows:

	Governmental Activities
Endowments	<u>\$ 170,780</u>

NOTE 13—COMPONENTS OF FUND BALANCE

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

TOWN OF HOOKSETT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2011

<u>Fund Balances</u>	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Non-spendable:			
Prepaid expenses	\$ 8,677		\$ 8,677
Endowments		\$ 170,780	170,780
Restricted for:			
Drug Forfeiture Fund		5,198	5,198
Committed for:			
Conservation Commission		945,531	945,531
Solid Waste Disposal Fund		798,852	798,852
Recreation Revolving Fund		16,449	16,449
Police Special Details Fund		83,052	83,052
Fire Special Details Fund		1,425	1,425
Capital Reserve Fund	835,205		835,205
TIF District		15,630	15,630
Impact Fees		1,320,862	1,320,862
Assigned for:			
Permanent Fund		25,912	25,912
Encumbrances	57,050		57,050
Library Fund	119,141		119,141
Heritage Commission	9,391		9,391
Head's Chapel Preservation	4,480		4,480
Unassigned	855,900		855,900
	<u>\$ 1,889,844</u>	<u>\$ 3,383,691</u>	<u>\$ 5,273,535</u>

NOTE 14—PERMANENT FUNDS

Permanent funds account for resources that are legally restricted to the extent that only earnings and not principal may be used for purposes that support the Town's programs. Principal and income balances at June 30, 2011 are as follows:

	<u>Principal</u>	<u>Income</u>	<u>Total</u>
Cemetery Funds	\$ 165,289	\$ 25,541	\$ 190,830
Library Funds	5,491	371	5,862
	<u>\$ 170,780</u>	<u>\$ 25,912</u>	<u>\$ 196,692</u>

NOTE 15—COMMITMENTS AND CONTINGENCIES

Special Item - Pollution Remediation Obligation

During the fiscal year ending June 30, 2011, the Town incurred \$712,510 of pollution remediation expenses in the Sewer Fund caused by the release of hazardous material into New Hampshire and Massachusetts's waterways. The Town has worked with New Hampshire Department of Environmental Services and affected communities to take appropriate corrective action.

TOWN OF HOOKSETT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2011

As of June 30, 2011, the balance of the pollution remediation obligation in the Sewer Fund is \$207,647. The liability is based on amounts due to affected communities for cleanup costs and amounts due for legal fees. The Town expects any additional costs, if any, to be immaterial.

Litigation

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

Federal Grants

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

NOTE 16—RESTATEMENT OF EQUITY

Governmental Funds

Effective July 1, 2010, the Town retroactively changed its method of financial reporting to conform to a recent pronouncement of the Governmental Accounting Standards Board (Statement No. 54). This new standard changes how fund balance is reported for governmental fund types. As a result, the Town's previously reported capital reserve fund was combined into the general fund for reporting purposes. The impact of the restatement on the governmental funds is as follows:

	General Fund	Nonmajor Governmental Funds
Fund Balance - July 1, 2010 (as previously reported)	\$ 304,321	\$ 4,381,326
Amount of restatement due to:		
Reclassification of fund balance	1,091,186	(1,091,186)
Fund Balance - July 1, 2010, as restated	<u>\$ 1,395,507</u>	<u>\$ 3,290,140</u>

SCHEDULE 1

TOWN OF HOOKSETT, NEW HAMPSHIRE

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual (Budgetary Basis) - General Fund

For the Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget - Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
Revenues:				
Taxes	\$ 9,613,815	\$ 9,613,815	\$ 9,501,116	\$ (112,699)
Licenses and permits	2,615,050	2,615,050	2,693,571	78,521
Intergovernmental	890,334	911,271	968,144	56,873
Charges for services	181,600	181,600	368,648	187,048
Interest income	75,000	75,000	28,171	(46,829)
Miscellaneous	129,500	138,000	201,369	63,369
Total Revenues	<u>13,505,299</u>	<u>13,534,736</u>	<u>13,761,019</u>	<u>226,283</u>
Expenditures:				
Current operations:				
General government	2,550,424	2,572,861	2,503,474	69,387
Public safety	6,872,128	6,873,128	6,738,512	134,616
Highways and streets	1,738,505	1,744,505	1,627,862	116,643
Health and welfare	217,327	217,327	168,945	48,382
Sanitation	1,143,791	1,143,791	979,953	163,838
Culture and recreation	470,416	470,416	461,615	8,801
Economic development	-	-	9,830	(9,830)
Debt service:				
Principal retirement	370,000	370,000	370,000	-
Interest and fiscal charges	33,539	33,539	33,537	2
Lease payments	129,056	129,056	129,056	-
Total Expenditures	<u>13,525,186</u>	<u>13,554,623</u>	<u>13,022,784</u>	<u>531,839</u>
Excess revenues over (under) expenditures	<u>(19,887)</u>	<u>(19,887)</u>	<u>738,235</u>	<u>758,122</u>
Other financing sources (uses):				
Transfers in	284,650	284,650	287,200	2,550
Transfers out	(564,763)	(564,763)	(577,744)	(12,981)
Total other financing sources (uses)	<u>(280,113)</u>	<u>(280,113)</u>	<u>(290,544)</u>	<u>(10,431)</u>
Net change in fund balance	(300,000)	(300,000)	447,691	747,691
Fund balance at beginning of year				
- Budgetary Basis	<u>1,723,549</u>	<u>1,723,549</u>	<u>1,723,549</u>	<u>-</u>
Fund balance at end of year				
- Budgetary Basis	<u>\$ 1,423,549</u>	<u>\$ 1,423,549</u>	<u>\$ 2,171,240</u>	<u>\$ 747,691</u>

See accompanying notes to the required supplementary information

SCHEDULE 2

TOWN OF HOOKSETT, NEW HAMPSHIRE

Schedule of Funding Progress for Other Post-Employment Benefits

For the Year Ended June 30, 2011

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) - Entry Age</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
7/1/2008	\$ -	\$ 1,988,285	\$ 1,988,285	0.0%	\$ 5,622,099	35.4%

TOWN OF HOOKSETT, NEW HAMPSHIRE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2011

NOTE 1—BUDGET TO ACTUAL RECONCILIATION

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

	Revenues and Other Financing <u>Sources</u>	Expenditures and Other Financing <u>Uses</u>
Per Exhibit D	\$ 14,551,571	\$ 14,057,234
Difference in property taxes meeting susceptible to accrual criteria	(253,160)	
Encumbrances, June 30, 2010		(140,595)
Encumbrances, June 30, 2011		57,050
Non-budgetary activity	(40,760)	(163,729)
On-behalf fringe benefits	<u>(209,432)</u>	<u>(209,432)</u>
Per Schedule 1	<u>\$ 14,048,219</u>	<u>\$ 13,600,528</u>

Under Governmental Accounting Standards Board (GASB) Statement No. 54 certain funds previously accounted for as special revenue funds no longer meet the criteria to be classified as special revenue funds. These funds' activities are combined with the General Fund for reporting purposes on the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds (Exhibit D). Other financing sources and uses have been removed between these funds and the General Fund for reporting purposes. For budgetary purposes these other financing sources and uses are added back to the Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budgetary Basis) – General Fund (Schedule 1).

NOTE 2—ENCUMBRANCES

Functional encumbrances at June 30, 2011 are as follows:

General government	\$ 20,010
Highways and streets	<u>37,040</u>
	<u>\$ 57,050</u>

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

In accordance with GASB Statement #45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*, the Town is required to disclose the schedule of funding progress for each of the three most recent actuarial valuations. The Town implemented the provisions of GASB Statement #45 during the year ended June 30, 2009. Accordingly, the funding progress has only been presented for the most recent actuarial valuation report. Additional disclosures will be made as the information becomes available.

SCHEDULE I
TOWN OF HOOKSETT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

Federal Granting Agency/Recipient State Agency/Grant Program/State Grant Number	Federal Catalogue Number	Expenditures
DEPARTMENT OF JUSTICE		
Pass Through Payments from the Department of Justice		
Passed Through the County of Merrimack, New Hampshire		
Passed Through the City of Concord, New Hampshire		
Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG)	16.804	
Program/Grants to Units of Local Governments		
#2009-SB-B9-2339		\$ 6,006
Total Department of Justice		<u>6,006</u>
DEPARTMENT OF TRANSPORTATION		
Pass Through Payments from the New Hampshire Department		
of Transportation		
State and Community Highway Safety	20.600	
#612-11B-002		<u>6,000</u>
Total Department of Transportation		<u>6,000</u>
ENVIRONMENTAL PROTECTION AGENCY		
Pass Through Payments from the New Hampshire Department		
of Environmental Services		
Capitalization Grants for Clean Water State Revolving Funds, Recovery Act	66.458	
#CS-333187-05		<u>1,638,615</u>
Total Environmental Protection Agency		<u>1,638,615</u>
DEPARTMENT OF HOMELAND SECURITY		
Pass Through Payments from New Hampshire Department of Safety		
Emergency Management Performance Grants	97.042	
#2009EPE90044		<u>19,937</u>
Total Department of Homeland Security		<u>19,937</u>
Total Expenditures of Federal Awards		<u>\$ 1,670,558</u>

See notes to schedule of expenditures of federal awards

TOWN OF HOOKSETT, NEW HAMPSHIRE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2011

NOTE 1—GENERAL

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

NOTE 2—BASIS OF ACCOUNTING

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

NOTE 3—RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

The recognition of expenditures of federal awards has been reported in the Town's basic financial statements as intergovernmental revenues of \$31,943 in the General Fund. The \$1,638,615 represents fifty percent of the drawdowns from the State Water Pollution Control Revolving Loan Fund Program related to the Wasterwater Treatment Facility improvements. This is the amount that will be forgiven on the principal of the loan over the length of the loan.

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

To the Town Council
Town of Hooksett, New Hampshire

We have audited the financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Town of Hooksett, New Hampshire as of and for the year ended June 30, 2011, which collectively comprise the Town of Hooksett, New Hampshire's basic financial statements, and have issued our report thereon dated January 4, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Town of Hooksett, New Hampshire is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Town of Hooksett, New Hampshire's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Hooksett, New Hampshire's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Hooksett, 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 financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Hooksett, New Hampshire's 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*.

This report is intended solely for the information and use of management, the Town Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Vachon Clerbay & Company PC

January 4, 2012

**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD
HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

To the Town Council
Town of Hooksett, New Hampshire

We have audited the Town of Hooksett, 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 Hooksett, New Hampshire's major federal programs for the year ended June 30, 2011. The Town of Hooksett, New Hampshire's major federal program is 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 its major federal program is the responsibility of the Town of Hooksett, New Hampshire's management. Our responsibility is to express an opinion on the Town of Hooksett, New Hampshire's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Hooksett, 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. Our audit does not provide a legal determination on the Town of Hooksett, New Hampshire's compliance with those requirements.

In our opinion, the Town of Hooksett, New Hampshire complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2011.

Internal Control Over Compliance

Management of the Town of Hooksett, New Hampshire is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Town of Hooksett, New Hampshire's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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 Hooksett, 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above.

This report is intended solely for the information and use of management, the Town Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Vachon Clukay & Company PC

January 4, 2012

**Town of Hooksett, New Hampshire
Schedule of Findings and Questioned Costs
Year Ended June 30, 2011**

Section I--Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: unqualified
Internal control over financial reporting:
Material weakness(es) identified? _____yes X no
Significant deficiency(ies) identified
not considered to be material weaknesses? _____yes X none reported
Noncompliance material to financial statements noted? _____yes X no

Federal Awards

Internal Control over major programs:
Material weakness(es) identified? _____yes X no
Significant deficiency(ies) identified
not considered to be material weaknesses? _____yes X none reported
Type of auditor's report issued on compliance
for major programs: unqualified
Any audit findings disclosed that are required
to be reported in accordance with
Circular A-133, Section .510(a)? _____yes X no

Identification of major programs:

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

Dollar threshold used to distinguish
between Type A and Type B program: \$ 300,000 .
Auditee qualified as low-risk auditee? _____yes X no

Section II--Financial Statement Findings

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

Section III--Federal Award Findings and Questioned Costs

There were no findings and questioned costs as defined under OMB Circular A – 133.510(a).

SCHEDULE A
TOWN OF HOOKSETT, NEW HAMPSHIRE
Combining Balance Sheet
Governmental Funds - All Nonmajor Funds
June 30, 2011

	Special Revenue <u>Funds</u>	Permanent <u>Funds</u>	Combining <u>Totals</u>
ASSETS			
Cash and cash equivalents	\$ 2,593,102	\$ 2,631	\$ 2,595,733
Investments	568,466	197,207	765,673
Accounts receivable	642		642
Due from other funds	32,324		32,324
Total Assets	<u>\$ 3,194,534</u>	<u>\$ 199,838</u>	<u>\$ 3,394,372</u>
LIABILITIES			
Accrued expenses	\$ 2,557		\$ 2,557
Due to other funds	4,978	\$ 3,146	8,124
Total Liabilities	<u>7,535</u>	<u>3,146</u>	<u>10,681</u>
FUND BALANCES			
Nonspendable		170,780	170,780
Restricted	5,198		5,198
Committed	3,181,801		3,181,801
Assigned		25,912	25,912
Total Fund Balances	<u>3,186,999</u>	<u>196,692</u>	<u>3,383,691</u>
Total Liabilities and Fund Balances	<u>\$ 3,194,534</u>	<u>\$ 199,838</u>	<u>\$ 3,394,372</u>

SCHEDULE A-1
TOWN OF HOOKSETT, NEW HAMPSHIRE
Combining Balance Sheet
Governmental Funds - All Nonmajor Special Revenue Funds
June 30, 2011

	TIF District	Conservation Commission	Impact Fees	Solid Waste Disposal Fund	Recreation Revolving Fund	Drug Forfeiture Fund	Police Special Details Fund	Fire Special Details Fund	Combining Totals
ASSETS									
Cash and cash equivalents		\$ 891,694	\$ 902,556	\$ 798,852	\$ 18,165		\$ 84,034	\$ 2,512	\$ 2,593,102
Investments	\$ 31	53,837	409,887				642		568,466
Accounts receivable									642
Due from other funds	15,599		8,419		2,880	\$ 5,198	228		32,324
Total Assets	<u>\$ 15,630</u>	<u>\$ 945,531</u>	<u>\$ 1,320,862</u>	<u>\$ 798,852</u>	<u>\$ 21,045</u>	<u>\$ 5,198</u>	<u>\$ 84,904</u>	<u>\$ 2,512</u>	<u>\$ 3,194,534</u>
LIABILITIES									
Accrued expenses					\$ 2,557				\$ 2,557
Due to other funds					2,039		\$ 1,852	\$ 1,087	4,978
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>4,596</u>	<u>\$ -</u>	<u>1,852</u>	<u>1,087</u>	<u>7,535</u>
FUND BALANCES									
Restricted									
Committed									5,198
Total Fund Balances	<u>15,630</u>	<u>945,531</u>	<u>1,320,862</u>	<u>798,852</u>	<u>16,449</u>	<u>5,198</u>	<u>83,052</u>	<u>1,425</u>	<u>3,181,801</u>
Total Liabilities and Fund Balances	<u>\$ 15,630</u>	<u>\$ 945,531</u>	<u>\$ 1,320,862</u>	<u>\$ 798,852</u>	<u>\$ 21,045</u>	<u>\$ 5,198</u>	<u>\$ 84,904</u>	<u>\$ 2,512</u>	<u>\$ 3,194,534</u>

SCHEDULE B
TOWN OF HOOKSETT, NEW HAMPSHIRE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds - All Nonmajor Funds
For the Year Ended June 30, 2011

	Special Revenue <u>Funds</u>	Permanent <u>Funds</u>	Combining <u>Totals</u>
Revenues:			
Taxes	\$ 291,031		\$ 291,031
Charges for services	188,912		188,912
Investment income	9,393	\$ 11,500	20,893
Miscellaneous	<u>376,517</u>	<u>4,886</u>	<u>381,403</u>
Total Revenues	<u>865,853</u>	<u>16,386</u>	<u>882,239</u>
Expenditures:			
Current operations:			
General government		77	77
Public safety	29,996		29,996
Culture and recreation	56,416		56,416
Capital outlay	378,265		378,265
Intergovernmental payments	<u>55,000</u>		<u>55,000</u>
Total Expenditures	<u>519,677</u>	<u>77</u>	<u>519,754</u>
Excess of revenues over expenditures	<u>346,176</u>	<u>16,309</u>	<u>362,485</u>
Other financing sources (uses):			
Transfers in	18,262		18,262
Transfers out	<u>(284,050)</u>	<u>(3,146)</u>	<u>(287,196)</u>
Total other financing sources (uses)	<u>(265,788)</u>	<u>(3,146)</u>	<u>(268,934)</u>
Net change in fund balances	80,388	13,163	93,551
Fund balances at beginning of year	<u>3,106,611</u>	<u>183,529</u>	<u>3,290,140</u>
Fund balances at end of year	<u>\$ 3,186,999</u>	<u>\$ 196,692</u>	<u>\$ 3,383,691</u>

SCHEDULE B-1
TOWN OF HOOKSETT, NEW HAMPSHIRE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds - All Nonmajor Special Revenue Funds
For the Year Ended June 30, 2011

	TIF District	Conservation Commission	Impact Fees	Solid Waste Disposal Fund	Recreation Revolving Fund	Drug Forfeiture Fund	Police Special Details Fund	Fire Special Details Fund	Combining Totals
Revenues:									
Taxes	\$ 291,031			\$ 120,966	\$ 27,990		\$ 36,776	\$ 3,180	\$ 291,031
Charges for services		\$ 3,610	\$ 3,669	1,952	42				188,912
Investment income		200,000	176,517				117	3	9,393
Miscellaneous									376,517
Total Revenues	<u>291,031</u>	<u>203,610</u>	<u>180,186</u>	<u>122,918</u>	<u>28,032</u>	<u>\$ -</u>	<u>36,893</u>	<u>3,183</u>	<u>865,853</u>
Expenditures:									
Current operations:									
Public safety									
Culture and recreation		21,896			34,520		25,817	4,179	29,996
Capital outlay		364,200	14,065						56,416
Intergovernmental payments			55,000						378,265
Total Expenditures	<u>-</u>	<u>386,096</u>	<u>69,065</u>	<u>-</u>	<u>34,520</u>	<u>-</u>	<u>25,817</u>	<u>4,179</u>	<u>55,000</u>
Excess of revenues over (under) expenditures	<u>291,031</u>	<u>(182,486)</u>	<u>111,121</u>	<u>122,918</u>	<u>(6,488)</u>	<u>-</u>	<u>11,076</u>	<u>(996)</u>	<u>346,176</u>
Other financing sources (uses):									
Transfers in		18,262							18,262
Transfers out	<u>(284,050)</u>	<u>18,262</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(284,050)</u>
Total other financing sources (uses)	<u>(284,050)</u>	<u>18,262</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(265,788)</u>
Net change in fund balances	6,981	(164,224)	111,121	122,918	(6,488)	-	11,076	(996)	80,388
Fund balances at beginning of year	<u>8,649</u>	<u>1,109,755</u>	<u>1,209,741</u>	<u>675,934</u>	<u>22,937</u>	<u>5,198</u>	<u>71,976</u>	<u>2,421</u>	<u>3,106,611</u>
Fund balances at end of year	<u>\$ 15,630</u>	<u>\$ 945,531</u>	<u>\$ 1,320,862</u>	<u>\$ 798,852</u>	<u>\$ 16,449</u>	<u>\$ 5,198</u>	<u>\$ 83,052</u>	<u>\$ 1,425</u>	<u>\$ 3,186,999</u>