

**TOWN OF HOOKSETT,
NEW HAMPSHIRE**

ANNUAL FINANCIAL REPORT

**AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2012**

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PLODZIK & SANDERSON

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, business-type activities, major fund, and the aggregate remaining fund information of the Town of Hooksett as of and for the year ended June 30, 2012, 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 of Hooksett'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. 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 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, business-type activities, major fund, and the aggregate remaining fund information of the Town of Hooksett as of June 30, 2012 and the respective changes in financial position for the year then ended and the respective budgetary comparison for the general fund, in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (pages 2 through 10) and the Schedule of Funding Progress for Other Postemployment Benefit Plan (page 44) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

December 28, 2012

*Plodzik & Sanderson
Professional Association*

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, 2012 by \$31,399,672 (*total net assets*). Of this amount, \$11,099,352 (*unrestricted net assets*) may be used to meet the Town's ongoing obligations to its citizens.
- The Town's total net assets increased by \$8,095,846 for fiscal year ending June 30, 2012. Net assets of governmental activities increased by \$5,756,301, while net assets of the business-type activities also showed an increase of \$2,339,545.
- Outstanding bonds and notes payable at the close of the current fiscal year was \$6,506,331, a decrease of \$2,457,238 in comparison to the prior year. This decrease is largely due to the forgiveness of principal for the wastewater treatment facility upgrades in the Sewer Fund which was funded by the American Recovery and Reinvestment Act.

Fund highlights

- Unassigned fund balance for the General Fund was \$1,619,029; this is a decrease of \$543,534 from the prior year \$2,162,563 as restated.
- At the close of the current year the Town's governmental funds reported a combined ending fund balance of \$5,510,447, an increase of \$236,912 in comparison to the prior year. This increase is 2% of the total expenditures for the fiscal 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, sanitation, welfare, culture and recreation, conservation, 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 11 and 12 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. Reconciliations found on page 6 and 8 are provided for both the governmental fund *Balance Sheet* and the governmental fund *Statement of Revenues, Expenditures and Changes in Fund Balances* to the government-wide statements in order to facilitate this comparison between governmental funds and governmental activities.

The Town maintains eleven individual governmental funds. Information is presented in the *Governmental Funds Balance Sheet* and in the *Statement of Revenues, Expenditures and Changes in Fund Balances* for the funds can be found on pages 13 and 15.

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 Other Governmental Funds.

Data from the other ten governmental funds are combined into a single, aggregated presentation termed Other Governmental Funds. More information can be found on pages 50-51 regarding these other 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 18-20. 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 21 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 22.

Required supplementary information: The basic financial statements and accompanying notes are followed by a section of required supplementary information. This section includes Funding Progress for Other Postemployment 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 \$31,399,672 at the close of the most recent fiscal year.

Town of Hooksett Net Assets as of June 30th						
	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 25,251,036	\$ 25,585,501	\$ 2,698,822	\$ 3,319,015	\$ 27,949,858	\$ 28,904,516
Capital assets, net (as restated)	9,704,897	8,908,150	16,941,286	17,324,811	26,646,183	26,232,961
Total assets	\$ 34,955,933	\$ 34,493,651	\$ 19,640,108	\$ 20,643,826	\$ 54,596,041	\$ 55,137,477
Current liabilities (as restated)	\$ 13,995,931	\$ 19,521,984	\$ 1,446,654	\$ 1,763,713	\$ 15,442,585	\$ 21,285,697
Long-term liabilities	1,438,534	1,206,500	6,315,250	9,341,454	7,753,784	10,547,954
Total liabilities	\$ 15,434,465	\$ 20,728,484	\$ 7,761,904	\$ 11,105,167	\$ 23,196,369	\$ 31,833,651
Net assets, (as restated):						
Invested in capital assets,						
net of related debt	\$ 9,417,347	\$ 8,647,955	\$ 10,694,955	\$ 7,936,157	\$ 20,112,302	\$ 16,584,112
Restricted	188,018	170,780	-	-	188,018	170,780
Unrestricted	9,916,103	4,946,432	1,183,249	1,602,502	11,099,352	6,548,934
Total net assets	\$ 19,521,468	\$ 13,765,167	\$ 11,878,204	\$ 9,538,659	\$ 31,399,672	\$ 23,303,826

The bulk of the Town's net assets \$20,112,302 (64%) 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 \$188,018 (1%) of the Town's net assets are legally restricted as to use. The remaining net assets \$11,099,352 (35%) are unrestricted and may be used to meet the Town's operating needs and ongoing obligations. The Town's total unrestricted net assets increased \$4,544,286 during the year.

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						
Revenues	Governmental Activities		Business-type Activities		Combined Totals	
	FY 2012	FY 2011	FY 2012	FY 2011	FY 2012	FY 2011
Program revenues:						
Charges for services	\$ 686,574	\$ 572,139	\$ 1,777,477	\$ 1,834,708	\$ 2,464,051	\$ 2,406,847
Operating grants and contributions	303,747	572,630	-	-	303,747	572,630
Capital grants and contributions	-	-	3,106,470	74,798	3,106,470	74,798
General revenues:						
Property and other taxes	14,829,569	9,792,147	-	-	14,829,569	9,792,147
Licenses and permits	2,742,538	2,693,571	-	-	2,742,538	2,693,571
Grants and contributions	603,181	605,160	-	-	603,181	605,160
Interest and investment earnings	34,071	57,908	1,451	5,304	35,522	63,212
Miscellaneous	858,286	587,807	77,788	-	936,074	587,807
Gain on sale of capital assets	-	-	-	10,000	-	10,000
Contributions to permanent fund	-	4,886	-	-	-	4,886
Total revenues	\$ 20,057,966	\$ 14,886,248	\$ 4,963,186	\$ 1,924,810	\$ 25,021,152	\$ 16,811,058
Expenses						
General government	\$ 2,073,036	\$ 2,788,337	\$ -	\$ -	\$ 2,073,036	\$ 2,788,337
Public safety	7,346,797	7,540,323	-	-	7,346,797	7,540,323
Highways and streets	1,621,782	1,783,780	-	-	1,621,782	1,783,780
Sanitation	1,129,131	1,054,697	-	-	1,129,131	1,054,697
Health and welfare	153,153	168,945	-	-	153,153	168,945
Culture and recreation	1,178,238	1,144,532	-	-	1,178,238	1,144,532
Conservation	11,334	-	-	-	11,334	-
Economic development	508	9,830	-	-	508	9,830
Interest and fiscal charges	8,547	35,647	-	-	8,547	35,647
Capital outlay	661,032	-	-	-	661,032	-
Intergovernmental payments	118,107	55,000	-	-	118,107	55,000
Sewer	-	-	2,345,151	1,991,577	2,345,151	1,991,577
Pollution remediation obligation	-	-	278,490	712,510	278,490	712,510
Total expenses	\$ 14,301,665	\$ 14,581,091	\$ 2,623,641	\$ 2,704,087	\$ 16,925,306	\$ 17,285,178
Increase(decrease) in net assets	5,756,301	305,157	2,339,545	(779,277)	8,095,846	(474,120)
Net assets, beginning (as restated)	13,765,167	13,460,010	9,538,659	10,317,936	23,303,826	23,777,946
Net assets, end of year	\$ 19,521,468	\$ 13,765,167	\$ 11,878,204	\$ 9,538,659	\$ 31,399,672	\$ 23,303,826

Governmental Activities

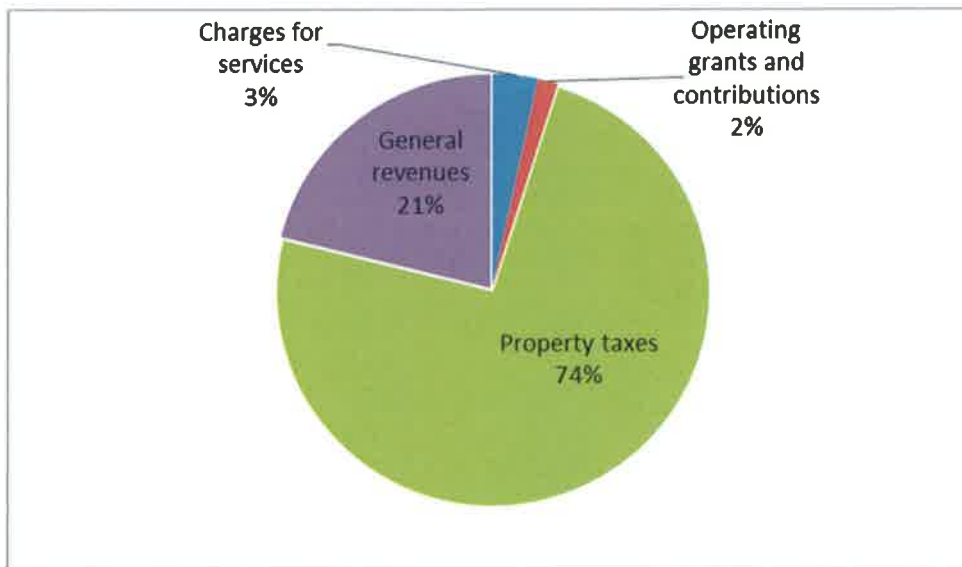
The governmental activities increase in net assets was \$5,756,301; this is an improvement of 29% from the prior year. Key elements of this increase are as follows:

Net change in fund balance of governmental funds	\$ 236,912
Net change in capital assets, less current year depreciation	796,747
Change in deferred tax revenues	4,442,465
Change in principal on debt	492,645
Increase in net OPEB obligation	(232,034)
Other	19,566
Increase in governmental activities net assets	\$ 5,756,301

The total cost of governmental activities this year was \$14,301,665. However, as shown in the Statement of Activities, the amount that our taxpayers ultimately financed for these activities through Town property taxes was only \$14,142,643 (74%) because those who directly benefited from the programs paid \$686,574 (3%) and other governments and organizations subsidized certain programs in the amount of \$303,747 (2%).

The Town paid for the remaining governmental activities with revenue not specifically targeted for specific programs. 21% 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 51% of total expenses. Program revenue consisting of grants and charges for services in the amount of \$428,796 was collected to offset these expenses. Public safety is made up of police, fire, ambulance, building inspections and emergency services.

Business-type Activities

The Sewer fund reported in the business-type activities resulted in an increase to net assets of \$2,339,545 for the year. Key elements of this increase are as follows:

Operating expenses in excess of revenues	\$ (177,181)
Pollution remediation expenses (see Note 21)	(278,490)
Interest revenue	1,451
Interest expense	(312,705)
ARRA - Principal Forgiveness (see Note 12)	<u>3,106,470</u>
Increase in business-type net Assets	<u>\$ 2,339,545</u>

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 13-16. 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.

The general fund is the chief operating fund of the Town. As of June 30, 2012 the total unassigned fund balance was \$1,619,029; which is a decrease of \$543,534 from the prior year. The key factors are:

Revenues collected more than budgeted	\$ 148,640
Excess appropriations unspent by departments	518,730
Unassigned fund balance use to reduce tax rate	(260,000)
Increase in nonspendable fund balance	(131,424)
Deferred tax revenue not collected within 60 days	(819,480)
Total decrease in general fund unassigned fund balance	<u>\$ (543,534)</u>

At the end of the current year, the Town's total governmental funds reported a combined ending fund balance of \$5,510,447, an increase of \$236,912, in comparison with the prior year. The general fund increased \$950,619 while the other governmental funds decreased by \$713,707. Key elements of these changes are as follows:

General Fund

Revenues collected more than budgeted	\$ 148,640
Excess appropriations unspent by departments	518,730
Net change in Encumbrances	68,528
Deferred tax revenue collect within 60 days	487,183
Unassigned fund balance use to reduce tax rate	(260,000)
Net change in Library	16,313
Net change in Heritage Commission	7,794
Net change in Head Chapel	(259)
Net change in Capital Reserves	(36,310)
Total General Fund	<u>\$ 950,619</u>

Other Governmental Funds

Conservation revenues	\$ 109,035
Conservation land purchases	(509,371)
Impact Fee revenues	267,222
Impact Fees school bond repayment	(118,107)
Impact Fees other purchases	(18,290)
Solid Waste Disposal revenues	124,562
Solid Waste Disposal purchase of automated trash trucks	(700,000)
Net change in Recreation Revolving fund	3,066
Net change in Ambulance Revolving fund	91,176
Net change in Drug Forfeiture fund	22,008
Net change in Police Special Details fund	14,622
Net change in Fire Special Details fund	(576)
Net change in Permanent fund	946
Total Other Governmental Funds	<u>\$ (713,707)</u>

Budgetary Highlights:

The original general fund operating budget removing Sewer, Library and Capital Reserve appropriations for the fiscal year 2011-12 was \$14,491,667. During the year the Town received donations and unanticipated grants in the amount of \$18,625 which increase the both the revenue and general fund operating budget.

Town Council also authorized budget transfers – using funds not needed in one department to fund the needs of another. During fiscal year 2011-12 there was seven authorized budget transfers they are as follows:

1. Fleet maintenance in Highway and streets was increased by \$57,528 for repairs on Public Work's vehicles.
2. Legal Services in General government was increased by \$60,000
3. Assessing's professional service in General government was increased by \$17,210
4. Finance's health insurance in General government was increased by \$9,581
5. Town meeting in General government was increased by \$3,500
6. Parks' new equipment in Culture and recreation's was increased by \$11,481
7. Secretarial service in Conservation was increased by \$48

The source of finding for these transfers came from following areas:

- Town welfare in Welfare decreased by \$26,000
- Road Maintenance in Highway and streets decreased by \$69,009
- Tipping Fees in Sanitation decrease by \$35,000
- Administration's employee benefits in General government decreased by \$29,339

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, 2012 amounts to \$26,646,183 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and improvements, vehicles and equipment, infrastructure and intangible assets.

Additional information on the capital assets can be found in Note 7 in the Notes to the Basic Financial Statements.

Capital Assets						
	Governmental Activities		Business-type Activities		Combined Totals	
	2012	2011	2012	2011	2012	2011
Land	\$ 1,603,709	\$ 1,128,969	\$ 300,000	\$ 300,000	\$ 1,903,709	\$ 1,428,969
Infrastructure	93,347,273	93,347,273	11,314,929	11,314,929	104,662,202	104,662,202
Land improvements	162,961	79,428	-	-	162,961	79,428
Buildings and improvements	8,310,032	8,310,032	16,806,713	10,542,148	25,116,745	18,852,180
Vehicles and equipment	7,466,771	7,022,881	772,674	586,322	8,239,445	7,609,203
Construction in progress	286,102	-	307,618	6,303,067	593,720	6,303,067
Intangible assets	205,000	-	-	-	205,000	-
Total	111,381,848	109,888,583	29,501,934	29,046,466	140,883,782	138,935,049
Accumulated depreciation	(101,676,951)	(100,980,433)	(12,560,648)	(11,721,655)	(114,237,599)	(112,702,088)
Total capital assets	\$ 9,704,897	\$ 8,908,150	\$ 16,941,286	\$ 17,324,811	\$ 26,646,183	\$ 26,232,961

The Town restated the 2011 governmental activities as follows:

- Infrastructure

Benton Road Culvert improvements completed in 2010 adding \$462,758

Traffic Lights on Quality Drive adding \$130,000

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

- Land
 - Conservation purchased additional Clay Pond property adding \$271,585
 - Land purchased to expand Peterbrook adding \$203,155
- Construction in progress
 - Conservation is in negotiation to purchase two additional properties \$31,892
 - Goffstown Road Renovations \$254,210
- Land improvements
 - Tennis court improvements adding \$18,387
 - Heads Trail improvements donated by Kiwanis adding \$65,146
- Vehicles and equipment
 - Scrapped 1994 Jeep Cherokee removing \$18,865
 - Scrapped 2001 Ford Crown Victoria removing \$23,398
 - Traded 2009 Ford Van removing \$19,757
 - Purchased 2013 Ford Interceptor Sedan adding \$24,979
 - Purchased 2013 Ford Interceptor SUV adding \$26,471
 - Purchased two 2013 Peterbilt Automated Trash trucks \$454,460

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

- Construction in progress
 - Composting project at \$307,618
- Buildings and improvements
 - Phase 2a Wastewater Facility upgrades added \$6,264,565
- Vehicles and equipment
 - Tri axle Truck with body to haul sludge adding \$156,773
 - Tractor adding \$29,579

Debt administration

At the end of the current fiscal year, the Town had total outstanding debt of \$6,506,331. \$6,246,331 is related to the wastewater treatment facility upgrades reported in the Sewer Fund and is repaid by the users of the sewer system. In addition the Town has \$27,550 of capital lease obligation outstanding and has financed a Fire Tanker in the amount of \$237,420 in July of 2012.

Additional information on the debt can be found in Note 12 in the Notes to the Basic Financial Statements.

Outstanding Debt						
	Governmental Activities		Business-type Activities		Combined Totals	
	2012	2011	2012	2011	2012	2011
General obligation bonds	\$ -	\$ 110,000	\$ 6,246,331	\$ 3,419,093	\$ 6,246,331	\$ 3,529,093
TIF bond payable	260,000	520,000	-	-	260,000	520,000
Total long- term debt	\$ 260,000	\$ 630,000	\$ 6,246,331	\$ 3,419,093	\$ 6,506,331	\$ 4,049,093
Annual Change (decrease)	(370,000)		2,827,238		2,457,238	

Economic Factors and the Future:

Along with the State and other local municipalities, the Town's economy has remained stagnant during 2012. Statistical information available at the NH Employment Security website reports Merrimack County's unemployment rate for August 2012 at 5.1%, which is an increase from a rate of 4.7% a year ago. This compares to the State's average unemployment rate of 5.7% and the national average rate of 8.2%.

For fiscal year 2013, the Town approved an operating budget \$15,829,823, which include both the Police and Fire Union contracts. 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.

BASIC FINANCIAL STATEMENTS

EXHIBIT A
TOWN OF HOOKSETT, NEW HAMPSHIRE
Statement of Net Assets
June 30, 2012

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 10,734,695	\$ 190,287	\$ 10,924,982
Investments	7,863,948	1,527,291	9,391,239
Intergovernmental receivables	4,905	-	4,905
Other receivables, net of allowances for uncollectible	6,507,387	981,244	7,488,631
Prepaid items	11,075	-	11,075
Tax deeded property, subject to resale	129,026	-	129,026
Capital assets, not being depreciated:			
Land	1,603,709	300,000	1,903,709
Construction in progress	286,102	307,618	593,720
Capital assets, net of accumulated depreciation:			
Land improvements	144,368	-	144,368
Buildings and building improvements	4,386,179	12,166,940	16,553,119
Vehicles and equipment	2,651,488	203,330	2,854,818
Infrastructure	428,051	3,963,398	4,391,449
Intangible asset	205,000	-	205,000
Total assets	<u>34,955,933</u>	<u>19,640,108</u>	<u>54,596,041</u>
LIABILITIES			
Accounts payable	360,960	63,468	424,428
Accrued expenses	384,028	-	384,028
Pollution remediation obligation	-	241,340	241,340
Accrued salaries and benefits	148,833	10,163	158,996
Intergovernmental payable	12,812,473	-	12,812,473
Accrued interest payable	4,470	62,493	66,963
Retainage payable	-	287,855	287,855
Escrow and performance deposits	-	55,553	55,553
Unearned revenue	285,167	725,782	1,010,949
Noncurrent obligations:			
Due within one year:			
Bond/notes	260,000	283,850	543,850
Capital lease	27,550	-	27,550
Accrued landfill postclosure care costs	10,000	-	10,000
Due in more than one year:			
Bond/notes	-	5,962,481	5,962,481
Compensated absences	-	27,906	27,906
Other postemployment benefits	980,984	41,013	1,021,997
Accrued landfill postclosure care costs	160,000	-	160,000
Total liabilities	<u>15,434,465</u>	<u>7,761,904</u>	<u>23,196,369</u>
NET ASSETS			
Invested in capital assets, net of related debt	9,417,347	10,694,955	20,112,302
Restricted	188,018	-	188,018
Unrestricted	9,916,103	1,183,249	11,099,352
Total net assets	<u>\$ 19,521,468</u>	<u>\$ 11,878,204</u>	<u>\$ 31,399,672</u>

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

EXHIBIT B
TOWN OF HOOKSETT, NEW HAMPSHIRE
Statement of Activities
For the Fiscal Year Ended June 30, 2012

	Program Revenues			Net (Expense) Revenue and	
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Change in Net Assets	
	Expenses			Governmental Activities	Business-type Activities
					Total
Governmental activities:					
General government	\$ 2,073,036	\$ -	\$ -	\$ (2,073,036)	\$ -
Public safety	7,346,797	23,188	-	(6,918,001)	-
Highways and streets	1,621,782	280,559	-	(1,226,388)	-
Sanitation	1,129,131	-	-	(1,005,288)	-
Welfare	153,153	-	-	(153,153)	-
Culture and recreation	1,178,238	-	-	(1,135,950)	-
Conservation	11,334	-	-	(11,334)	-
Economic development	508	-	-	(508)	-
Interest on long-term debt	8,547	-	-	(8,547)	-
Capital outlay	661,032	-	-	(661,032)	-
Intergovernmental payment	118,107	-	-	(118,107)	-
Total governmental activities	14,301,665	303,747	-	(13,311,344)	-
Business-type activities:					
Sewer	2,345,151	1,777,477	3,106,470	-	2,538,796
Total	\$ 16,646,816	\$ 303,747	\$ 3,106,470	(13,311,344)	(10,772,548)
General revenues:					
Taxes:					
Property				14,142,643	-
Other				686,926	-
Motor vehicle permit fees				2,656,914	-
Licenses and other fees				85,624	-
Grants and contributions not restricted to specific programs				603,181	-
Unrestricted investment earnings				34,071	1,451
Miscellaneous				858,286	77,788
Special item - Pollution remediation obligation				-	(278,490)
Total general revenues				19,067,645	(199,251)
Change in net assets				5,756,301	2,339,545
Net assets, beginning, as restated (see Note 17)				13,765,167	9,538,659
Net assets, ending				\$ 19,521,468	\$ 11,878,204
					\$ 31,399,672

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

EXHIBIT C-1
TOWN OF HOOKSETT, NEW HAMPSHIRE
Governmental Funds
Balance Sheet
June 30, 2012

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 9,020,538	\$ 1,714,157	\$ 10,734,695
Investments	6,852,992	1,010,956	7,863,948
Receivables, net of allowances for uncollectible:			
Taxes	6,406,640	-	6,406,640
Accounts	40,101	60,646	100,747
Intergovernmental	4,905	-	4,905
Interfund receivable	108,321	-	108,321
Voluntary tax liens	337,506	-	337,506
Voluntary tax liens reserved until collected	(337,506)	-	(337,506)
Prepaid items	11,075	-	11,075
Tax dedeed property, subject to resale	129,026	-	129,026
Total assets	<u>\$ 22,573,598</u>	<u>\$ 2,785,759</u>	<u>\$ 25,359,357</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 360,960	\$ -	\$ 360,960
Accrued expenses	384,028	-	384,028
Accrued salaries and benefits	141,379	7,454	148,833
Intergovernmental payable	12,812,473	-	12,812,473
Interfund payable	-	108,321	108,321
Deferred revenue	6,034,295	-	6,034,295
Total liabilities	<u>19,733,135</u>	<u>115,775</u>	<u>19,848,910</u>
Fund balances:			
Nonspendable	140,101	172,280	312,381
Restricted	135,454	1,504,251	1,639,705
Committed	798,896	977,823	1,776,719
Assigned	146,983	15,630	162,613
Unassigned	1,619,029	-	1,619,029
Total fund balances	<u>2,840,463</u>	<u>2,669,984</u>	<u>5,510,447</u>
Total liabilities and fund balances	<u>\$ 22,573,598</u>	<u>\$ 2,785,759</u>	<u>\$ 25,359,357</u>

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

EXHIBIT C-2
TOWN OF HOOKSETT, NEW HAMPSHIRE
Reconciliation of Total Governmental Fund Balances to the Statement of Net Assets
June 30, 2012

Total fund balances of governmental funds (Exhibit C-1)		\$ 5,510,447
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.		
Cost	\$ 111,381,848	
Less accumulated depreciation	<u>(101,676,951)</u>	
		9,704,897
Interfund receivables and payables between governmental funds are eliminated on the Statement of Net Assets.		
Receivables	\$ (108,321)	
Payables	<u>108,321</u>	
		-
Long term revenue (taxes) is not available to pay current-period expenditures and, therefore, is deferred in the governmental funds.		5,749,128
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(4,470)
Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the funds.		
Bond	\$ 260,000	
Capital lease	27,550	
Other postemployment benefits	980,984	
Accrued landfill postclosure care costs	<u>170,000</u>	
		<u>(1,438,534)</u>
Total net assets of governmental activities (Exhibit A)		<u><u>\$ 19,521,468</u></u>

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

EXHIBIT C-3
TOWN OF HOOKSETT, NEW HAMPSHIRE
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2012

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$ 10,005,407	\$ 381,698	\$ 10,387,105
Licenses and permits	2,723,856	-	2,723,856
Intergovernmental	976,241	23,187	999,428
Charges for services	232,035	429,845	661,880
Miscellaneous	568,684	274,548	843,232
Total revenues	14,506,223	1,109,278	15,615,501
Expenditures:			
Current:			
General government	2,372,878	-	2,372,878
Public safety	6,832,160	160,894	6,993,054
Highways and streets	1,636,575	-	1,636,575
Sanitation	1,078,858	-	1,078,858
Welfare	153,153	-	153,153
Culture and recreation	1,088,169	56,401	1,144,570
Conservation	10,441	893	11,334
Economic development	508	-	508
Debt service:			
Principal	499,055	-	499,055
Interest	18,113	-	18,113
Capital outlay	843,906	508,478	1,352,384
Intergovernmental payment	-	118,107	118,107
Total expenditures	14,533,816	844,773	15,378,589
Excess (deficiency) of revenues over (under) expenditures	(27,593)	264,505	236,912
Other financing sources (uses):			
Transfers in	978,212	-	978,212
Transfers out	-	(978,212)	(978,212)
Total other financing sources and uses	978,212	(978,212)	-
Net change in fund balances	950,619	(713,707)	236,912
Fund balances, beginning	1,889,844	3,383,691	5,273,535
Fund balances, ending	\$ 2,840,463	\$ 2,669,984	\$ 5,510,447

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

EXHIBIT C-4
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 Fiscal Year Ended June 30, 2012

Net change in fund balances of governmental funds (Exhibit C-3)		\$ 236,912
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. In the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capitalized capital outlay exceeded depreciation expense and capital asset disposals in the current period.		
Capitalized capital outlay	\$ 1,555,285	
Capital asset disposal	(12,333)	
Depreciation expense	<u>(746,205)</u>	
		796,747
Transfers in and out between governmental funds are eliminated on the Statement of Activities.		
Transfers in	\$ (978,212)	
Transfers out	<u>978,212</u>	
		-
Revenue in the Statement of Activities that does not provide current financial resources is not reported as revenue in the governmental funds.		
Change in deferred tax revenue		4,442,465
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds, but has no effect on net assets.		
Repayment of bond principals	\$ 370,000	
Repayment of capital lease principals	<u>122,645</u>	
		492,645
Some expenses reported in the Statement of Activities do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds.		
Decrease in accrued interest expense	\$ 9,566	
Increase in postemployment benefits payable	(232,034)	
Decrease in accrued landfill postclosure care costs	<u>10,000</u>	
		<u>(212,468)</u>
Changes in net assets of governmental activities (Exhibit B)		<u><u>\$ 5,756,301</u></u>

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

EXHIBIT D
TOWN OF HOOKSETT, NEW HAMPSHIRE
Statement of Revenues, Expenditures, and Change in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Fiscal Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Taxes	\$ 9,655,830	\$ 9,655,830	\$ 9,518,224	\$ (137,606)
Licenses and permits	2,487,725	2,487,725	2,723,856	236,131
Intergovernmental	969,869	979,099	976,241	(2,858)
Charges for services	225,800	225,800	232,035	6,235
Miscellaneous	451,000	460,395	506,371	45,976
Total revenues	<u>13,790,224</u>	<u>13,808,849</u>	<u>13,956,727</u>	<u>147,878</u>
Expenditures:				
Current:				
General government	2,522,773	2,583,725	2,337,068	246,657
Public safety	7,084,006	7,102,631	6,889,177	213,454
Highways and streets	1,506,314	1,494,833	1,607,547	(112,714)
Sanitation	1,150,260	1,115,260	1,067,302	47,958
Health	2,400	2,400	-	2,400
Welfare	220,684	194,684	153,153	41,531
Culture and recreation	499,455	510,936	512,737	(1,801)
Conservation	10,393	10,441	10,441	-
Economic development	1,500	1,500	508	992
Debt service:				
Principal	555,768	555,768	555,767	1
Interest	18,114	18,114	18,113	1
Capital outlay	920,000	920,000	843,906	76,094
Total expenditures	<u>14,491,667</u>	<u>14,510,292</u>	<u>13,995,719</u>	<u>514,573</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(701,443)</u>	<u>(701,443)</u>	<u>(38,992)</u>	<u>662,451</u>
Other financing sources (uses):				
Transfers in	977,450	977,450	978,212	762
Transfers out	<u>(536,007)</u>	<u>(536,007)</u>	<u>(531,850)</u>	<u>4,157</u>
Total other financing sources and uses	<u>441,443</u>	<u>441,443</u>	<u>446,362</u>	<u>4,919</u>
Net change in fund balance	<u>\$ (260,000)</u>	<u>\$ (260,000)</u>	407,370	<u>\$ 667,370</u>
Increase in nonspendable fund balance			(131,424)	
Unassigned fund balance, beginning, as restated (see Note 17)			2,162,563	
Unassigned fund balance, ending			<u>\$ 2,438,509</u>	

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

EXHIBIT E-1
TOWN OF HOOKSETT, NEW HAMPSHIRE
Proprietary Fund
Statement of Net Assets
June 30, 2012

	Business-type Activities
	Enterprise Fund (Sewer)
ASSETS	
Cash and cash equivalents	\$ 190,287
Investments	1,527,291
Accounts receivable	981,244
Capital assets, not being depreciated:	
Land	300,000
Construction in progress	307,618
Capital assets, net of accumulated depreciation:	
Buildings and building improvements	12,166,940
Vehicles and equipment	203,330
Infrastructure	3,963,398
Total assets	<u>19,640,108</u>
LIABILITIES	
Accounts payable	63,468
Pollution remediation obligation	241,340
Accrued salaries and benefits	10,163
Accrued interest payable	62,493
Retainage payable	287,855
Escrow and performance deposits	55,553
Unearned revenue	725,782
Noncurrent obligations:	
Due within one year:	
Notes	283,850
Due in more than one year:	
Notes	5,962,481
Compensated absences	27,906
Other postemployment benefits	41,013
Total liabilities	<u>7,761,904</u>
NET ASSETS	
Invested in capital assets, net of related debt	10,694,955
Unrestricted	1,183,249
Total net assets	<u><u>\$ 11,878,204</u></u>

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

EXHIBIT E-2
TOWN OF HOOKSETT, NEW HAMPSHIRE
Proprietary Fund
Statement of Revenues, Expenses, and Changes in Net Assets
For the Fiscal Year Ended June 30, 2012

	Business-type Activities Enterprise Fund (Sewer)
Operating revenues:	
User charges	\$ 1,777,477
Miscellaneous	77,788
Total operating revenues	<u>1,855,265</u>
Operating expenses:	
Personnel services	557,482
Contractual services	129,042
Materials and supplies	310,373
Utilities	191,370
Depreciation	838,993
Miscellaneous	5,186
Total operating expenses	<u>2,032,446</u>
Operating loss	<u>(177,181)</u>
Non-operating revenues (expenses):	
Interest revenue	1,451
Interest expense	(312,705)
ARRA/State revolving loan forgiveness (see Note 12)	3,106,470
Total non-operating revenues (expenses)	<u>2,795,216</u>
Income before special item	<u>2,618,035</u>
Special item - Pollution remediation obligation	<u>(278,490)</u>
Change in net assets	2,339,545
Net assets, beginning, as restated (see Note 17)	9,538,659
Net assets, ending	<u>\$ 11,878,204</u>

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

EXHIBIT E-3
TOWN OF HOOKSETT, NEW HAMPSHIRE
Proprietary Fund
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2012

Cash flows from operating activities:	
Cash received from customers	\$ 2,115,545
Cash paid to suppliers and employees	(1,674,122)
Net cash provided by operating activities	<u>441,423</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of fixed assets	(455,468)
Repayment of long-term debt	(279,232)
Long-term debt obligations incurred	(2,863,091)
Net cash used by capital and related financing activities	<u>(3,597,791)</u>
Cash flows from non-capital financing activities:	
ARRA/State revolving loan	<u>3,106,470</u>
Cash flows from investing activities:	
Sale of investments	137,722
Interest paid	(311,466)
Interest received	1,451
Total cash flows used by investing activities	<u>(172,293)</u>
Net decrease in cash	(222,191)
Cash, beginning	412,478
Cash, ending	<u><u>\$ 190,287</u></u>

Reconciliation of Operating Loss to Net Cash Used by Operating Activities

Operating loss	<u>\$ (177,181)</u>
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation expense	838,993
Special item - Pollution remediation obligation	(278,490)
Decrease in intergovernmental receivables	273,363
Increase in other receivables	(13,083)
Decrease in accounts payable	(162,647)
Decrease in pollution remediation obligation	(14,791)
Decrease in accrued expenses	(92,399)
Increase in retainage payable	30,196
Increase in escrow and performance deposits	2,899
Increase in compensated absences	27,906
Increase in other postemployment benefits	6,657
Total adjustments	<u>618,604</u>
Net cash provided by operating activities	<u><u>\$ 441,423</u></u>

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

EXHIBIT F
TOWN OF HOOKSETT, NEW HAMPSHIRE
Fiduciary Funds
Statement of Fiduciary Net Assets
June 30, 2012

	<u>Agency</u>
ASSETS	
Cash and cash equivalents	\$ 106,220
Investments	<u>3,660,481</u>
Total assets	<u>3,766,701</u>
LIABILITIES	
Due to other governmental units	1,939,210
Due to others	<u>1,827,491</u>
Total liabilities	<u>3,766,701</u>
NET ASSETS	<u><u>\$ -</u></u>

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

TOWN OF HOOKSETT, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2012

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TOWN OF HOOKSETT, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

1-A Reporting Entity

The Town of Hooksett was incorporated in 1822 and is a municipal corporation governed by an elected 9-member Town Council. The reporting entity is comprised of the Town.

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

1-B Basis of Presentation

Government-wide Financial Statements – While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

The Statement of Net Assets presents the financial position of the governmental and business-type activities of the Town at year-end. This statement includes all of the Town's assets, liabilities, and net assets.

The Statement of Activities presents a comparison between direct expenses and program revenues for the different functions of the Town's governmental and business-type activities. Direct expenses are those that are specifically associated with a program or function, and therefore, are clearly identifiable to a particular function.

The Statement of Activities reports the expenses of a given function offset by program revenues directly related to the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with the functional activity. Program revenues include: (1) charges for services, which include charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions, which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to the program uses.

Fund Financial Statements – The fund financial statements provide information about the Town's funds, including its fiduciary funds. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in separate columns. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

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

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

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

TOWN OF HOOKSETT, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2012

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

Governmental Fund Financial Statements - Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and nonmajor funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net assets and changes in net assets presented in the government-wide financial statements. The Town has presented all major funds that met those qualifications.

All governmental funds are accounted for on a spending or “current financial resources” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheets. The Statement of Revenues, Expenditures, and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the Town, are property tax, intergovernmental revenues, and other taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

Proprietary Fund Financial Statements - Proprietary fund financial statements include a Statement of Net Assets, a Statement of Revenues, Expenses, and Changes in Net Assets, and a Statement of Cash Flows for the major proprietary fund.

Proprietary funds are accounted for using the “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Assets. The Statement of Revenues, Expenses, and Changes in Net Assets presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows.

Operating revenues in the proprietary fund are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

Fiduciary Fund Financial Statements - Fiduciary fund financial statements include a Statement of Net Assets. The Town’s fiduciary funds are agency funds, which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency funds are accounted for on a spending or “economic resources” measurement focus and the accrual basis of accounting as is the proprietary fund explained above. These funds are as follows:

Agency Funds – are used to account for the capital reserve funds of the Hooksett School District, Hooksett Village Water Precinct, and Central Hooksett Water Precinct, which are held by the Town as required by State law. Other agency funds consist of escrow funds from developers which are also held by the Town.

Major Funds – The Town reports the following major governmental and business-type activities at year-end:

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

The Town reports the following major enterprise fund:

Sewer Fund – accounts for the operation of the sewer treatment plant, pumping station, and sewer lines in the Town.

Nonmajor Funds – The Town also reports ten nonmajor governmental funds.

TOWN OF HOOKSETT, NEW HAMPSHIRE
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1-C Measurement Focus

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. Under this concept, revenues and expenses are matched using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's enterprise fund consists of charges to customers for services and sewer use. Operating expenses of the Town's proprietary fund consist of the costs of services, maintenance, administrative expenses, and depreciation and amortization of capital assets. Revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

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

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

1-D Cash and Cash Equivalents

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

New Hampshire statutes require that the Town Treasurer have custody of all money belonging to the Town and pay out the same only upon orders of the Town Administrator and Sewer Commission. The treasurer shall deposit all such moneys in participation units in the public deposit investment pool established pursuant to New Hampshire RSA 383:22 or in solvent banks in the state. Funds may be deposited in banks outside the state if such banks pledge and deliver to a third party custodial bank or the Federal Reserve Bank, collateral security for such deposits, United States government or government agency obligations or obligations of the State of New Hampshire in value at least equal to the amount of the deposit in each case.

1-E Statement of Cash Flows

For purposes of the statement of cash flows, the Town considers all highly liquid investments (including restricted assets) with a maturity when purchased of three months or less and all local government investment pools to be cash equivalents.

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1-F Investments

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

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

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

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

Investments are stated at fair value based on quoted market prices.

1-G Receivables

Receivables in the government-wide and governmental fund financial statements represent amounts due to the Town at June 30, recorded as revenue, which will be collected in the future and consist primarily of taxes, accounts, and intergovernmental receivables. Receivables in the proprietary fund represent accounts receivables for sewer user fees.

Tax revenue is recorded when a warrant for collection is committed to the tax collector. As prescribed by law, the tax collector executes a lien on properties for all uncollected property taxes in the following year after taxes are due. The lien on these properties has priority over other liens and accrues interest at 18% per annum.

Accounts receivable include various service charges which are recorded as revenue for the period when service was provided. These receivables are reported net of any allowances for uncollectible accounts.

1-H Interfund Balances

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." Short-term interfund loans are reported as "interfund receivables and payables." Interfund receivables and payables between funds are eliminated in the Statement of Net Assets.

1-I Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements and expensed as the items are used.

1-J Capital Assets

General capital assets are those assets of a capital nature which the Town owns. All capital assets are capitalized at cost (or estimated at historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The Town maintains a capitalization threshold of \$10,000 and more than three years of estimated useful life. Improvements to capital assets are capitalized; the costs of normal maintenance and repairs that do not add to the value of an asset or materially extend the asset's life are expensed.

Depreciation and amortization of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. All reported capital assets are depreciated or amortized over their estimated useful lives.

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Depreciation is computed using the straight-line method over the following useful lives:

	<u>Years</u>
Land improvements	20
Buildings and building improvements	20-40
Vehicles and equipment	5-15
Infrastructure	20-100
Intangible assets	Indefinite

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

1-K Allowances for Uncollectible Accounts

Allowances for uncollectible accounts have been recorded for the following purposes:

Taxes – an allowance has been established by management where collectability is in doubt.

Ambulance – an allowance has been established for all receivables that are older than 90 days, and where collectability is in doubt.

1-L Deferred/Unearned Revenue

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

1-M Compensated Absences

The Town’s policy allows certain employees to earn varying amounts of vacation and compensatory time based on the employee’s length of employment. Upon retirement or termination of employment, employees are paid in full for any accrued leave earned as set forth by personnel policy.

All compensated absence liabilities include salary-related payments, where applicable. Governmental and proprietary funds report the compensated absence liability at the fund reporting level only “when due.”

1-N Long-Term Obligations

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

1-O Claims and Judgments

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

1-P Equity/Fund Balance Policy

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

- a) *Invested in capital assets, net of related debt* – Consists of capital assets, including restricted capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, notes, or capital leases that are attributable to the acquisition, construction, or improvement of those assets.
- b) *Restricted net assets* – Consists of net assets with constraints placed on use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

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- c) *Unrestricted net assets* – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Balance Policy – The Town of Hooksett implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in the previous fiscal year. GASB Statement No. 54 establishes fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent.

The components used in the governmental fund financial statements are as follows:

Nonspendable 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 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’s 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 be used for a 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.

1-Q Interfund Activities

Interfund activities are reported as follows:

Interfund Receivables and Payables – Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds.” Interfund receivables and payables between funds are eliminated in the Statement of Net Assets.

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

TOWN OF HOOKSETT, NEW HAMPSHIRE
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1-R Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates and the differences could be material. Significant estimates include depreciation expense, the allowance for uncollectible taxes, accounts receivable, and the liability for other postemployment benefits.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

2-A Budgetary Information

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

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

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

State statutes require balanced budgets, but provide for the use of beginning unassigned fund balance to achieve that end. In the fiscal year 2011, \$260,000 of the beginning general fund unassigned fund balance was applied for this purpose.

2-B Budgetary Reconciliation to GAAP Basis

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

Revenues and other financing sources:	
Per Exhibit D (budgetary basis)	\$ 14,934,939
Adjustments:	
Basis differences:	
GASB Statement No. 54:	
To record income earned in the library fund	45,271
To record income earned in the heritage commission fund	9,510
To record income earned in the Head's Chapel preservation fund	3
To record income earned in the expendable trust funds	7,529
Change in deferred tax revenue relating to 60-day revenue recognition	487,183
Per Exhibit C-3 (GAAP basis)	<u>\$ 15,484,435</u>
Expenditures and other financing uses:	
Per Exhibit D (budgetary basis)	\$ 14,527,569
Adjustments:	
Basis differences:	
Encumbrances, beginning	57,050
Encumbrances, ending	(125,578)
GASB Statement No. 54:	
To record expenditures incurred in the library fund	554,558
To eliminate transfer between the general and library funds	(525,600)
To record expenditures incurred in the heritage commission fund	1,716
To record expenditures incurred in the Head's Chapel preservation fund	262
To record expenditures incurred in the expendable trust funds	50,089
To eliminate transfer between the general and expendable trust funds	(6,250)
Per Exhibit C-3 (GAAP basis)	<u>\$ 14,533,816</u>

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DETAILED NOTES ON ALL FUNDS

NOTE 3 – CASH AND CASH EQUIVALENTS

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2012, none of the Town's bank balances of \$10,765,922 was exposed to custodial credit risk as uninsured and uncollateralized.

Cash and cash equivalents reconciliation:

Cash per Statement of Net Assets (Exhibit A)	\$ 10,924,982
Cash per Statement of Fiduciary Net Assets (Exhibit F)	106,220
Total cash and cash equivalents	<u>\$ 11,031,202</u>

NOTE 4 – INVESTMENTS

The Town maintains a portfolio of short-term maturity investments, including money market investments, which are reported at amortized cost. The Town also maintains a portfolio of intermediate maturity investments that are reported at fair value, based on quoted market prices. The Town's fiscal agent or custodian provides the fair value of all intermediate maturity investments. As of June 30, 2012, the Town had the following investments:

Certificates of deposit	\$ 4,748,739
New Hampshire Public Deposit Investment Pool	8,115,073
Common stocks	8,951
Mutual funds	70,669
US Government obligations	108,288
	<u>\$ 13,051,720</u>

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

Interest Rate Risk – This 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. As of June 30, 2012 the Town's investments had the following maturities:

Type of investment:	Fair Value	Investment Maturities (in Years)		Total
		Less than 1	1-5	
Certificates of deposit	\$ 2,744,135	\$ 2,004,604	\$ -	\$ 4,748,739
New Hampshire Public Deposit Investment Pool	8,115,073	-	-	8,115,073
Common stocks	8,951	-	-	8,951
Mutual funds	70,669	-	-	70,669
US Government obligations	-	20,045	88,243	108,288
	<u>\$ 10,938,828</u>	<u>\$ 2,024,649</u>	<u>\$ 88,243</u>	<u>\$ 13,051,720</u>

Credit Risk – The Town's investment pool had the following credit risk structure at June 30, 2012:

Investment Type	Credit Rating ⁽¹⁾	Fair Value	Percent of Grand Total
Federal agency:			
Federal National Mortgage Assoc.	AA+	\$ 15,251	14.08%
Federal Home Loan Bank	AA+	35,137	32.45%
Federal Home Loan Mortgage Corp.	AA+	21,015	19.41%
US Treasury note	AA+	36,885	34.06%
Total federal agency		<u>\$ 108,288</u>	<u>100.00%</u>

⁽¹⁾ Per Standard & Poor's

TOWN OF HOOKSETT, NEW HAMPSHIRE
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Concentration of Credit Risk – The Town places no limit on the amount it may invest in any one issuer. No more than 5% of the Town's investments are invested in any one issuer.

Custodial Credit Risk – The custodial credit risk is the risk that the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party if the counterparty fails. Of the Town's \$13,051,720 in investments at June 30, 2012, \$8,302,981 of the underlying securities are held by the investment counterparties trust department.

Investment reconciliation:

Investment per Statement of Net Assets (Exhibit A)	\$ 9,391,239
Investment per Statement of Fiduciary Net Assets (Exhibit F)	<u>3,660,481</u>
Total investments	<u><u>\$ 13,051,720</u></u>

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 – TAXES RECEIVABLE

The property tax year is from April 1 to March 31 and all property taxes are assessed on the inventory taken in April of that year. The net assessed valuation as of April 1, 2011, upon which the 2012 property tax levy was based is:

For the New Hampshire education tax	\$ 1,571,391,575
For all other taxes	\$ 1,629,349,475

The Town subscribes to the semi-annual method of tax collection as provided for by RSA 76:15-a. Taxes were levied on November 3, 2011 and May 23, 2012, with payments due on December 8, 2011 and July 2, 2012. Interest accrues at a rate of 12% on bills outstanding after the due dates. The first billing is considered an estimate only and is one half of the previous year's tax billing. The remaining balance of taxes due is billed in the fall after the New Hampshire Department of Revenue Administration has calculated and approved the Town's tax rate for the fiscal year.

In connection with the setting of the tax rate, Town officials with the approval of the Department of Revenue Administration, establish and raise through taxation an amount for abatements and refunds of property taxes, known as overlay. This amount is reported as a reduction in tax revenue and is adjusted by management for any tax allowance at year-end. The property taxes collected by the Town include taxes levied for the State of New Hampshire, Hooksett School District, and Merrimack County, which are remitted as required by law. The ultimate responsibility for the collection of taxes rests with the Town.

The tax rates and amounts assessed for the year ended June 30, 2012 were as follows:

	Per \$1,000 of Assessed Valuation	Property Taxes Assessed
Municipal portion	\$6.16	\$ 10,034,865
School portion:		
State of New Hampshire	\$2.36	3,714,312
Local	\$10.49	17,092,348
County portion	\$2.67	<u>4,345,991</u>
Total		<u><u>\$ 35,187,516</u></u>

During the current fiscal year, the tax collector executed a lien on May 18, 2012 for all uncollected 2011 property taxes.

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Taxes receivable at June 30, 2012, are as follows:

Property:	
Levy of 2012	\$ 4,905,482
Unredeemed (under tax lien):	
Levy of 2011	877,882
Levy of 2010	509,181
Levies of 2009 and prior	893,330
Excavation	5,765
Less: allowance for estimated uncollectible taxes	(785,000)
Net taxes receivable	<u>\$ 6,406,640</u>

NOTE 6 – OTHER RECEIVABLES

Receivables at June 30, 2012, consisted of accounts (billings for police details, sewer, ambulance, and other user charges) and intergovernmental amounts arising from grants. Receivables are recorded on the Town's financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and collectability.

Receivables as of June 30, 2012 for the Town's individual major funds and nonmajor funds in the aggregate, including applicable allowances for uncollectible accounts, are as follows:

	General Fund	Sewer Fund	Nonmajor Funds	Total
Receivables:				
Accounts	\$ 40,101	\$ 981,244	\$ 161,686	\$ 1,183,031
Intergovernmental	4,905	-	-	4,905
Liens	337,506	-	-	337,506
Gross receivables	<u>382,512</u>	<u>981,244</u>	<u>161,686</u>	<u>1,525,442</u>
Less: allowances for uncollectible	<u>(337,506)</u>	<u>-</u>	<u>(101,040)</u>	<u>(438,546)</u>
Net total receivables	<u>\$ 45,006</u>	<u>\$ 981,244</u>	<u>\$ 60,646</u>	<u>\$ 1,086,896</u>

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TOWN OF HOOKSETT, NEW HAMPSHIRE
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NOTE 7 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012 consisted of the following:

	Balance, beginning, as restated	Additions	Disposals	Balance, ending
<u>Governmental activities:</u>				
At cost:				
Not being depreciated/amortized:				
Land	\$ 1,128,969	\$ 474,740	\$ -	\$ 1,603,709
Construction in progress	-	286,102	-	286,102
Total capital assets not being depreciated/amortized	1,128,969	760,842	-	1,889,811
Being depreciated/amortized:				
Land improvements	79,428	83,533	-	162,961
Buildings and building improvements	8,310,032	-	-	8,310,032
Vehicles and equipment	7,022,881	505,910	(62,020)	7,466,771
Infrastructure	93,347,273	-	-	93,347,273
Intangible asset	-	205,000	-	205,000
Total capital assets being depreciated/amortized	108,759,614	794,443	(62,020)	109,492,037
Total all capital assets	109,888,583	1,555,285	(62,020)	111,381,848
Less accumulated depreciation:				
Land improvements	(4,165)	(14,428)	-	(18,593)
Buildings and building improvements	(3,735,228)	(188,625)	-	(3,923,853)
Vehicles and equipment	(4,369,525)	(495,445)	49,687	(4,815,283)
Infrastructure	(92,871,515)	(47,707)	-	(92,919,222)
Total accumulated depreciation	(100,980,433)	(746,205)	49,687	(101,676,951)
Net book value, capital assets being depreciated/amortized	7,779,181	48,238	(12,333)	7,815,086
Net book value, all governmental activities capital assets	\$ 8,908,150	\$ 809,080	\$ (12,333)	\$ 9,704,897
<u>Business-type activities:</u>				
At cost:				
Not being depreciated:				
Land	\$ 300,000	\$ -	\$ -	\$ 300,000
Construction in progress	6,303,067	307,618	(6,303,067)	307,618
Total capital assets not being depreciated	6,603,067	307,618	(6,303,067)	607,618
Being depreciated:				
Infrastructure	11,314,929	-	-	11,314,929
Buildings and building improvements	10,542,148	6,264,565	-	16,806,713
Vehicles and equipment	586,322	186,352	-	772,674
Total capital assets being depreciated	22,443,399	6,450,917	-	28,894,316
Total all capital assets	29,046,466	6,758,535	(6,303,067)	29,501,934
Less accumulated depreciation:				
Infrastructure	(7,210,739)	(140,792)	-	(7,351,531)
Buildings and building improvements	(3,969,867)	(669,906)	-	(4,639,773)
Vehicles and equipment	(541,049)	(28,295)	-	(569,344)
Total accumulated depreciation	(11,721,655)	(838,993)	-	(12,560,648)
Net book value, capital assets being depreciated	10,721,744	5,611,924	-	16,333,668
Net book value, all business-type capital assets	\$ 17,324,811	\$ 5,919,542	\$ (6,303,067)	\$ 16,941,286

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

<u>Governmental activities:</u>	
General government	\$ 26,397
Public safety	386,450
Highways and streets	239,417
Sanitation	60,273
Culture and recreation	33,668
Total governmental activities depreciation expense	<u>\$ 746,205</u>
<u>Business-type activities:</u>	
Sewer	<u>\$ 838,993</u>

NOTE 8 – INTERFUND BALANCES AND TRANSFERS

Interfund receivable and payable balances consisting of overdrafts in pooled cash and budgetary transfers at June 30, 2012, are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor	<u>\$ 108,321</u>

Interfund transfers during the year ended June 30, 2012 are as follows:

	<u>Transfers In:</u>
	General
	Fund
Transfers out:	
Nonmajor funds	<u>\$ 978,212</u>

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; and (2) use unrestricted revenue collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 9 – INTERGOVERNMENTAL PAYABLES

The amount due to other governments at June 30, 2012 on the statement of net assets includes the most recent tax commitment due to the School District and County, totaling \$12,676,161.

Intergovernmental payables in the governmental and fiduciary funds of \$14,751,683 at June 30, 2012 consist of the following:

General fund:	
Property taxes levied prior to their due date and payable to:	
Merrimack County	\$ 2,281,709
Hooksett School District	10,394,452
Miscellaneous fees due to:	
Merrimack County	824
State of New Hampshire	22,074
June portion of retirement due to the New Hampshire Retirement System	113,414
Total intergovernmental payables due from the general fund	<u>12,812,473</u>
Agency fund:	
Balance of trust funds belonging to the Hooksett School District	266,506
Balance of trust funds belonging to the Central Hooksett Water Precinct	857,597
Balance of trust funds belonging to the Hooksett Village Water Precinct	815,107
Total intergovernmental payables due from the agency fund	<u>1,939,210</u>
Total intergovernmental payables due	<u>\$ 14,751,683</u>

TOWN OF HOOKSETT, NEW HAMPSHIRE
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NOTE 10 – ACCRUED LIABILITIES

Accrued liabilities reported by governmental funds at June 30, 2012 were as follows:

	General Fund
Sick and vacation accrual	<u>\$ 384,028</u>

NOTE 11 – DEFERRED/UNEARNED REVENUE

Deferred/unearned revenue of \$6,623,765 at June 30, 2012 consists of the following:

General fund:	
Property taxes levied prior to their due date	\$ 4,929,618 *
Property tax receivables not collected within sixty days of the end of the fiscal year	819,480 *
Donations received in advance of eligible expenditures being made	<u>285,197</u>
Total general fund deferred/unearned revenue	<u>6,034,295</u>
Sewer fund:	
Receipts for various projects collected in advance of expenditures being made	<u>725,782</u>
Total deferred/unearned revenue	<u>\$ 6,760,077</u>

*These amounts are not recorded on the government-wide Statement of Net Assets, as they have been recognized as revenue on the full accrual basis in accordance with GASB Statement No. 34.

NOTE 12 – LONG-TERM LIABILITIES

Changes in the Town's long-term obligations consisted of the following for the year ended June 30, 2012:

	General Obligation Bond Payable	Tax Increment Financing Bond Payable	Capital Leases Payable	Accrued Landfill Postclosure Care Costs Payable	Total
<u>Governmental activities:</u>					
Balance, beginning	\$ 110,000	\$ 520,000	\$ 150,195	\$ 180,000	\$ 960,195
Additions	-	-	-	-	-
Reductions	(110,000)	(260,000)	(122,645)	(10,000)	(502,645)
Balance, ending	<u>\$ -</u>	<u>\$ 260,000</u>	<u>\$ 27,550</u>	<u>\$ 170,000</u>	<u>\$ 457,550</u>
	Notes Payable				
<u>Business-type activities:</u>					
Balance, beginning	\$ 3,419,093				
Additions	3,106,470				
Reductions	(279,232)				
Balance, ending	<u>\$ 6,246,331</u>				

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Long-term liabilities payable are comprised of the following:

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at June 30, 2012	Current Portion
<u>Governmental activities:</u>						
Tax increment financing bond payable:						
TIF district	\$ 2,600,000	2003	2013	3.5 - 4.0	\$ 260,000	\$ 260,000
Capital lease payable:						
Plow truck	\$ 127,432	2009	2013	4.0	27,550	27,550
Accrued landfill postclosure care costs payable					170,000	10,000
Total					<u>\$ 457,550</u>	<u>\$ 297,550</u>
<u>Business-type activities:</u>						
Notes payable:						
Water treatment facility upgrade	\$ 3,500,000	2010	2030	3.7	\$ 3,295,185	\$ 128,527
Water treatment facility upgrade	\$ 3,106,470	2012	2031	3.1	2,951,146	155,323
Total					<u>\$ 6,246,331</u>	<u>\$ 283,850</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. For the current year, principal and interest paid and total tax increment revenues were \$274,950 and \$274,950, respectively. The final payment on the tax increment financing bond is due in 2013 and consists of \$260,000 principal and \$5,200 interest, for a total of \$265,200.

The Town has drawn \$6,606,470 in funds under the State of New Hampshire State Water Pollution Control Revolving Loan Fund Program for improvements to the wastewater treatment facility. Interest on the drawdowns accrues at a rate of 1.00% per annum. The note, plus interest, will be repaid from the sewer fund.

As authorized by the American Recovery and Reinvestment Act, the Town has been 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, has been forgiven. The principal forgiveness of \$3,106,470 was applied when the first principal payment was made during this year.

The annual requirements to amortize the general obligation notes payable as of June 30, 2012 for business-type activities, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2013	\$ 283,850	\$ 214,449	\$ 498,299
2014	288,642	204,835	493,477
2015	293,612	195,044	488,656
2016	298,767	185,068	483,835
2017	304,115	174,899	479,014
2018-2022	1,608,031	714,719	2,322,750
2023-2027	1,775,001	427,217	2,202,218
2028-2031	1,394,313	109,467	1,503,780
Totals	<u>\$ 6,246,331</u>	<u>\$ 2,225,698</u>	<u>\$ 8,472,029</u>

TOWN OF HOOKSETT, NEW HAMPSHIRE
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Accrued Landfill Postclosure Care Costs – The Town ceased operating its landfill in 1999. Federal and State laws and regulations require that the Town place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. A liability is being recognized based the future postclosure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill postclosure care costs is based on the amount of the landfill used through the end of the year. The estimated liability for landfill postclosure care costs has a balance of \$170,000 as of June 30, 2012. 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, 2012. However, the actual cost of postclosure care may be higher or lower due to inflation, changes in technology, or changes in landfill laws and regulations.

The Town has established a capital reserve fund for landfill postclosure care costs. At June 30, 2012, the balance in the landfill capital reserve is \$101,097.

Debt Authorized and Unissued – Debt authorized and unissued as of June 30, 2012 was as follows:

Sewer construction	<u>\$ 14,424</u>
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NOTE 13 – CAPITAL LEASE

Capital lease obligations represent a lease agreement entered into for the financing of equipment acquisition. This contract is subject to cancellation should funds not be appropriated to meet payment obligations. Amounts are annually budgeted in the applicable function. The following is the individual capital lease obligation of the governmental activities at June 30, 2012:

	Standard Interest Rate	Present Value of Remaining Payments as of June 30, 2012
Governmental fund activities:		
Plow truck	4.05%	<u>\$ 27,550</u>

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

Equipment:	
Plow truck	\$ 127,432
Less: accumulated depreciation	(57,079)
Total leased equipment	<u>\$ 70,353</u>

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

The final payment on the capital lease is due in 2013 and consists of \$27,550 principal and \$1,116 interest, for a total of \$28,666.

NOTE 14 – ENCUMBRANCES

Encumbrances outstanding of \$125,578 at June 30, 2012, are as follows:

Description	
Public safety	\$ 57,017
Highways and streets	11,849
Debt service	56,712
Total encumbrances	<u>\$ 125,578</u>

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NOTE 15 – GOVERNMENTAL ACTIVITIES NET ASSETS

Governmental activities net assets reported on the government-wide Statement of Net Assets at June 30, 2012 include the following:

	Governmental Activities	Business-type Activities	Total
Invested in capital assets, net of related debt:			
Capital assets, net of accumulated depreciation	\$ 9,704,897	\$ 16,941,286	\$ 26,646,183
Less:			
Tax increment financing bond payable	(260,000)	-	(260,000)
Capital lease payable	(27,550)	-	(27,550)
Notes payable	-	(6,246,331)	(6,246,331)
Total invested in capital assets, net of related debt	<u>9,417,347</u>	<u>10,694,955</u>	<u>20,112,302</u>
Restricted for:			
Library purposes	135,454	-	135,454
Drug forfeiture	27,206	-	27,206
Permanent funds	25,358	-	25,358
Total restricted for special purposes	<u>188,018</u>	<u>-</u>	<u>188,018</u>
Unrestricted	<u>9,916,103</u>	<u>1,183,249</u>	<u>11,099,352</u>
Total net assets	<u>\$ 19,521,468</u>	<u>\$ 11,878,204</u>	<u>\$ 31,399,672</u>

NOTE 16 – GOVERNMENTAL FUND BALANCES

Governmental fund balances reported on the fund financial statements at June 30, 2012 include the following:

Nonspendable:

Major fund:

General:

Prepaid items	\$ 11,075
Tax deeded property, subject to resale	129,026
	<u>140,101</u>

Nonmajor fund:

Permanent:

Principal portion	172,280	
Total nonspendable fund balance		\$ 312,381

Restricted:

Major fund:

General:

Library	<u>\$ 135,454</u>
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Nonmajor funds:

Special revenue:

Drug forfeiture	27,206
Impact fees	1,451,687

Permanent:

Income portion	25,358
	<u>1,504,251</u>

Total restricted fund balance		1,639,705
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(continued)

TOWN OF HOOKSETT, NEW HAMPSHIRE
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Governmental fund balances, continued:

Committed:		
Major fund:		
General:		
Expendable trusts	\$ 798,896	
Nonmajor funds:		
Special revenue:		
Conservation commission	545,195	
Solid waste disposal	223,414	
Recreation revolving	19,515	
Ambulance revolving	91,176	
Police special details	97,674	
Fire special details	849	
	<u>977,823</u>	
		1,776,719
Assigned:		
Major fund:		
General:		
Encumbrances	\$ 125,578	
Heritage commission	17,185	
Head's Chapel preservation	4,220	
	<u>146,983</u>	
Nonmajor funds:		
Special revenue:		
TIF District	<u>15,630</u>	
Total assigned fund balance		162,613
Unassigned:		
Major fund:		
General	<u>1,619,029</u>	
Total governmental fund balances	<u>\$ 5,510,447</u>	

NOTE 17 – PRIOR PERIOD ADJUSTMENTS

Fund equity at July 1, 2011 was restated to give retroactive effect to the following prior period adjustments:

	Governmental Activities	Business-type Activities
Adjustments:		
To remove prior year balance in compensated absences payable that was reported twice	\$ -	\$ 42,352
To record pollution remediation expenditures incurred in a prior year	-	(48,484)
To record the value of the capital assets, net of accumulated depreciation, not previously reported	475,758	-
Net assets, as previously reported	<u>13,289,409</u>	<u>9,544,791</u>
Net assets, as restated	<u>\$ 13,765,167</u>	<u>\$ 9,538,659</u>

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Reconciliation of beginning unassigned fund balance:

	General Fund
Adjustment:	
Deferred property taxes which are recorded on the modified accrual basis, but not on the budgetary basis	\$ 1,306,663
Unassigned fund balance, as previously reported	855,900
Unassigned fund balance, as restated	<u>\$ 2,162,563</u>

NOTE 18 – EMPLOYEE RETIREMENT PLAN

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

The System is financed by contributions from both the employees and the Town. Member contribution rates are established and may be amended by the State legislature while employer contribution rates are set by the System trustees based on an actuarial valuation. For fiscal year 2012, the contribution rates were 7% for employees other than police officers and firefighters, 11.55% for police officers, and 11.80% for firefighters. The Town's contribution rates for 2012 were as follows:

	Police	Firefighters	Other Employees
July 1 through July 31	16.62%	20.08%	11.09%
August 1 through June 30	19.95%	22.89%	8.80%

The contribution requirements for the Town of Hooksett for the fiscal years 2010, 2011, and 2012 were \$778,286, \$859,974, and \$975,341, respectively, which were paid in full in each year.

Prior to July 1, 2011, the State of New Hampshire funded 25% of the total employer normal contribution rate for police officers and firefighters employed by the Town. As of July 1, the rate increased to 35% of the total employer normal contribution rate. House Bill 2 (Chapter 0224, *Laws of 2011*) amended RSA 100-A:16 by eliminating the State's cost sharing, thereby requiring employers to fund 100% of the total employer contributions, effective August 1, 2011. HB 2 further authorized the State to pay \$3.5 million in the State's FY 2012 towards political subdivision employer contributions for their Group II Police and Fire members. The amount funded for the Town of Hooksett for police and fire from this authorization at June 30, 2012 is \$16,368.

NOTE 19 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

In addition to pension benefits described in preceding note, the Town provides postemployment benefit options for health care and life insurance to 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. The benefits are provided in accordance with the Town's agreements, collective bargaining agreements, and the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA). The criteria to determine eligibility include: years of service, employee age, and whether the employee has vested in the respective retirement plan. The Town funds the benefits on a pay-as-you-go basis. 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. There are 114 active employees and 20 retired employees currently eligible. Expenses for the postretirement health care benefits are recognized as eligible employee claims are paid.

The Governmental Accounting Standards Board (GASB) issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. GASB Statement No. 45 requires that the long-term cost of retirement health care and obligations for other postemployment benefits (OPEB) be determined on an actuarial basis and reported similar to pension plans. GASB Statement No. 45 does not mandate the pre-funding of postemployment benefit liabilities. However, any pre-funding of these benefits will help minimize or eliminate the postemployment benefit obligation that will be required to be reported on the financial statements.

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The Town has only partially funded (on a pay-as-you-go basis) the annual required contribution (ARC), an actuarially determined rate in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table presents the OPEB cost for the year, the amount contributed and changes in the OPEB plan for fiscal year 2012:

Annual required contribution/OPEB cost	\$ 303,879
Contributions made (pay-as-you-go)	<u>(65,188)</u>
Increase in net OPEB obligation	238,691
Net OPEB obligation, beginning	783,306
Net OPEB obligation, ending	<u><u>\$ 1,021,997</u></u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years ending June 30, 2012, 2011, and 2010 are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation	Covered Payroll	OPEB Cost % of Pay
June 30, 2012	\$ 303,879	19.7%	\$ 1,021,997	\$ 5,176,412	5.8%
June 30, 2011	\$ 312,474	13.8%	\$ 783,306	\$ 5,762,651	5.4%
June 30, 2010	\$ 295,192	10.9%	\$ 513,870	\$ 5,762,651	5.1%

The Town's net OPEB obligation as of June 30, 2012 is recognized as a liability in these financial statements.

As of July 1, 2011, the date of the most recent actuarial valuation, the actuarial accrued liability (AAL) for benefits was \$3,005,730, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,005,730. The covered payroll (annual payroll of active employees covered by the plan) was \$5,176,412 during fiscal year 2012, and the ratio of the UAAL to the covered payroll was 58.1%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for Other Postemployment Benefits Plan, presented as required supplementary information following the notes to the financial statements, is designed to present multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer 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 employer and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. The actuarial methods and assumptions used include techniques that are designed to reduce the effect of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2011 actuarial valuation, the entry age normal method was used. The actuarial assumptions included a 4% investment rate of return per annum. The projected annual healthcare cost trend is 9.0% initially, reduced by decrements to an ultimate rate of 5.0% after seven years. The UAAL is being amortized as a level dollar amount over an open basis. The remaining amortization period at July 1, 2011 was 30 years.

NOTE 20 – RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. During fiscal year 2012, the Town was a member of the Local Government Center Property-Liability Trust, LLC, which is a Trust organized to provide certain property and liability insurance coverages to member Towns, cities and other qualified political subdivisions of New Hampshire. As a member of the Local Government Center Property-Liability Trust, LLC, the Town shares in contributing to the cost of, and receiving benefits from, a self-insured pooled risk management program. The

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JUNE 30, 2012

membership and coverage run from July 1 to June 30. The program maintains a self-insured retention above which it purchases reinsurance and excess insurance. This policy covers property, auto physical damage, crime, general liability, and public officials' liability subject to a \$1,000 deductible.

Contributions paid in fiscal year ending June 30, 2012, of \$164,739 for property liability; \$146,856 for workers compensation; and \$14,810 for unemployment compensation for a total insurance expenditure of \$326,405. There were no unpaid contributions for the year ended June 30, 2012. The trust agreement permits the Trust to make additional assessments to members should there be a deficiency in Trust assets to meet its liabilities. At this time, the Trust foresees no likelihood of any additional assessments for past years.

NOTE 21 – CONTINGENT LIABILITIES

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

The Town has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designee. These audits could result in a request for reimbursement from the grantor agency for costs disallowed under terms of the grant. Based on prior experience, the Town believes such disallowances, if any, will be immaterial.

During the fiscal year ending June 30, 2012, the Town incurred \$278,490 of pollution remediation expenses in the sewer fund caused by the release of hazardous material into New Hampshire and Massachusetts's waterways. The Town continues to work with the New Hampshire Department of Environmental Services and affected communities to take appropriate corrective action.

NOTE 22 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

The following GASB pronouncements were effective for the Town for the fiscal year ended June 30, 2012; however, neither GASB Statement impacted these financial statements:

GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employee Plans*, issued in December 2009, and

GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions* (an amendment of GASB Statement No. 53), issued July 2011.

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

GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, issued November 2010, will be effective for the Town beginning with its year ending June 30, 2013. This Statement is intended to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership.

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus and Amendments of GASB Statements No. 14 and No. 34*, issued November 2010, will be effective for the Town beginning with its year ending June 30, 2013. This Statement is intended to improve financial reporting for a governmental financial reporting entity by improving guidance for including, presenting, and disclosing information about component units and equity interest transactions of a financial reporting entity.

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, issued January 2011, will be effective for the Town beginning with its year ending June 30, 2013. This Statement is intended to enhance the usefulness of the Codification of the Governmental Accounting and Financial Reporting Standards by incorporating guidance that previously could only be found in certain FASB and AICPA pronouncements.

TOWN OF HOOKSETT, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
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GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, issued July 2011, will be effective for the Town beginning with its year ending June 30, 2013. This Statement is intended to improve financial reporting by providing citizens and other users of state and local government financial reports with information about how past transactions will continue to impact a government's financial statements in the future.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, issued March 2012, will be effective for the Town beginning with its fiscal year ending June 30, 2014. This Statement is intended to improve financial reporting by clarifying the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting.

GASB Statement No. 66, *Technical Corrections – 2012 – An Amendment of GASB Statements No. 10 and No. 62*, issued March 2012, will be effective for the Town beginning with its fiscal year ending June 30, 2014. This Statement is intended to resolve conflicting accounting and financial report and guidance that emerged from two recent standards, Statement No. 54 and Statement No. 62. These standards conflicted with existing guidance in Statements No. 10, 13, and 48.

GASB Statement No. 66, *Financial Reporting for Pension Plans*, issued in June 2012, will be effective for the Town beginning with its fiscal year ending June 30, 2014. **GASB Statement No. 68, *Accounting and Financial Reporting for Pensions***, issued in June 2012, will be effective for the Town beginning with its fiscal year ending June 30, 2015. The guidance contained in these two statements will change how governments calculate and report the costs and obligations associated with pensions. They replace the requirements of Statement Nos. 27 and 50.

NOTE 23 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the Balance Sheet date, but before the financial statements are issued. Recognized subsequent events are events or transactions that provided additional evidence about conditions that existed at the Balance Sheet date, including the estimates inherent in the process of preparing the financial statements. Nonrecognized subsequent events are events that provide evidence about conditions that did not exist at the Balance Sheet date, but arose after the date. Management has evaluated subsequent events through December 28, 2012, the date the June 30, 2012 financial statements were issued, and the following occurred that require recognition or disclosure:

Fire Tanker Capital Lease

As of July 18, 2012 the Town of Hooksett entered into a five year capital lease at 2.66% interest for a fire tanker, as authorized when March 2012 Warrant Article #5 was approved by the voters of the Town of Hooksett. Further on July 18, 2012 the Town made a payment of \$113,424 which was applied to the principal leaving a loan balance of \$220,576.

Outstanding Property Tax, Tax Lien and Interest Receipt

On November 1, 2012 the Town of Hooksett received payment totaling \$326,195 on a property that had current year tax levy and tax liens dating back to 2005. The breakdown of the receipt is as follows:

- | | |
|---------------------------|-----------|
| • Property Tax Receivable | \$ 13,112 |
| • Tax Liens | \$194,483 |
| • Interest | \$118,600 |

REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT G
TOWN OF HOOKSETT, NEW HAMPSHIRE
Schedule of Funding Progress for Other Postemployment Benefit Plan
For the Fiscal Year Ended June 30, 2012

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (a)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b-a]/c)
July 1, 2011	\$ -	\$ 3,005,730	\$ 3,005,730	0.00%	\$ 5,176,412	58.1%
July 1, 2008	\$ -	\$ 1,988,285	\$ 1,988,285	0.00%	\$ 5,622,099	35.4%

The note to the required supplementary information is an integral part of this schedule.

TOWN OF HOOKSETT, NEW HAMPSHIRE
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED
JUNE 30, 2012

Schedule of Funding Progress for Other Postemployment Benefits (OPEB)

As required by GASB Statement No. 45, Exhibit G represents the actuarial determined costs associated with the Town's other postemployment benefits for the fiscal year ended June 30, 2012.

COMBINING AND INDIVIDUAL FUND SCHEDULES

SCHEDULE 1
TOWN OF HOOKSETT, NEW HAMPSHIRE
Major General Fund
Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2012

	Estimated	Actual	Variance Positive (Negative)
Taxes:			
Property	\$ 9,393,330	\$ 9,212,995	\$ (180,335)
Timber	5,000	9,153	4,153
Excavation	7,500	7,444	(56)
Interest and penalties on taxes	250,000	288,632	38,632
Total from taxes	9,655,830	9,518,224	(137,606)
Licenses, permits, and fees:			
Motor vehicle permit fees	2,435,000	2,656,914	221,914
Building permits	40,000	52,887	12,887
Other	12,725	14,055	1,330
Total from licenses, permits, and fees	2,487,725	2,723,856	236,131
Intergovernmental:			
State:			
Meals and rooms distribution	600,904	600,904	-
Highway block grant	283,795	280,559	(3,236)
State and federal forest land reimbursement	1,182	940	(242)
Other	3,656	1,337	(2,319)
Federal:			
Other	89,562	92,501	2,939
Total from intergovernmental	979,099	976,241	(2,858)
Charges for services:			
Income from departments	225,800	232,035	6,235
Miscellaneous:			
Sale of municipal property	207,000	203,088	(3,912)
Interest on investments	20,000	17,248	(2,752)
Rent of property	-	75,628	75,628
Fines and forfeits	-	150	150
Contributions and donations	9,395	18,623	9,228
Other	224,000	191,634	(32,366)
Total from miscellaneous	460,395	506,371	45,976
Other financing sources:			
Transfers in	977,450	978,212	762
Total revenues and other financing sources	14,786,299	\$ 14,934,939	\$ 148,640
Unassigned fund balance used to reduce tax rate	260,000		
Total revenues, other financing sources, and use of fund balance	\$ 15,046,299		

SCHEDULE 2
TOWN OF HOOKSETT, NEW HAMPSHIRE
Major General Fund

Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2012

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
General government:					
Executive	\$ -	\$ 323,317	\$ 307,204	\$ -	\$ 16,113
Election and registration	-	23,833	23,111	-	722
Financial administration	-	669,799	639,934	-	29,865
Legal	-	127,000	123,437	-	3,563
Personnel administration	-	176,068	161,683	-	14,385
Planning and zoning	-	223,684	192,438	-	31,246
General government buildings	20,010	442,354	452,596	-	9,768
Cemeteries	-	850	303	-	547
Insurance, not otherwise allocated	-	170,000	165,033	-	4,967
Advertising and regional associations	-	22,407	22,580	-	(173)
Other	-	404,413	268,759	-	135,654
Total general government	20,010	2,583,725	2,357,078	-	246,657
Public safety:					
Police	-	3,284,308	3,159,697	57,017	67,594
Ambulance	-	74,577	47,187	-	27,390
Fire	-	3,557,952	3,449,977	-	107,975
Building inspection	-	158,748	150,575	-	8,173
Emergency management	-	27,046	24,724	-	2,322
Total public safety	-	7,102,631	6,832,160	57,017	213,454
Highways and streets:					
Highways and streets	37,040	1,434,833	1,573,570	11,849	(113,546)
Street lighting	-	60,000	59,168	-	832
Total highways and streets	37,040	1,494,833	1,632,738	11,849	(112,714)
Sanitation:					
Administration	-	182,856	177,935	-	4,921
Solid waste collection	-	257,478	243,759	-	13,719
Solid waste disposal	-	674,926	645,608	-	29,318
Total sanitation	-	1,115,260	1,067,302	-	47,958
Health:					
Administration	-	2,400	-	-	2,400
Welfare:					
Direct assistance	-	185,732	144,201	-	41,531
Intergovernmental welfare payments	-	8,952	8,952	-	-
Total welfare	-	194,684	153,153	-	41,531
Culture and recreation:					
Parks and recreation	-	499,490	499,488	-	2
Patriotic purposes	-	2,945	2,945	-	-
Other	-	8,501	10,304	-	(1,803)
Total culture and recreation	-	510,936	512,737	-	(1,801)
Conservation	-	10,441	10,441	-	-
Economic development	-	1,500	508	-	992

(Continued)

SCHEDULE 2 (Continued)
TOWN OF HOOKSETT, NEW HAMPSHIRE
Major General Fund

Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2012

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Debt service:					
Principal of long-term debt	-	370,000	370,000	-	-
Interest on long-term debt	-	18,113	18,113	-	-
Interest on tax anticipation notes	-	1	-	-	1
Capital leases	-	185,768	129,055	56,712	1
Total debt service	-	573,882	517,168	56,712	2
Capital outlay:					
Automated trash collection	-	920,000	843,906	-	76,094
Other financing uses:					
Transfers out	-	536,007	531,850	-	4,157
Total appropriations, expenditures, other financing uses, and encumbrances	\$ 57,050	\$ 15,046,299	\$ 14,459,041	\$ 125,578	\$ 518,730

SCHEDULE 3
TOWN OF HOOKSETT, NEW HAMPSHIRE
Major General Fund
Schedule of Changes in Unassigned Fund Balance (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2012

Unassigned fund balance, beginning, as restated (see Note 17)		\$ 2,162,563
Changes:		
Unassigned fund balance used to reduce 2012 tax rate		(260,000)
2012 Budget summary:		
Revenue surplus (Schedule 1)	\$ 148,640	
Unexpended balance of appropriations (Schedule 2)	<u>518,730</u>	
2011 Budget surplus		667,370
Increase in nonspendable fund balance		<u>(131,424)</u>
Unassigned fund balance, ending, budgetary basis		<u>2,438,509</u>
Reconciliation of Non-GAAP Budgetary Basis to GAAP Basis:		
To comply with generally accepted accounting principles (National Council of Governmental Accounting Interpretation 3, <i>Revenue Recognition - Property Taxes</i> , as amended) by deferring property taxes not collected within 60 days of fiscal year-end		<u>(819,480)</u>
Unassigned fund balance, ending, GAAP basis (Exhibit C-1)		<u>\$ 1,619,029</u>

SCHEDULE 4
TOWN OF HOOKSETT, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2012

	Special Revenue Funds				
	TIF District	Conservation Commission	Impact Fees	Solid Waste Disposal	Recreation Revolving
ASSETS					
Cash and cash equivalents	\$ 15,599	\$ 426,278	\$ 905,146	\$ 223,414	\$ -
Investments	31	136,534	561,181	-	23,620
Accounts receivable, net of allowance for uncollectible	-	-	-	-	-
Total assets	<u>\$ 15,630</u>	<u>\$ 562,812</u>	<u>\$ 1,466,327</u>	<u>\$ 223,414</u>	<u>\$ 23,620</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accrued salaries and benefits	\$ -	\$ -	\$ -	\$ -	\$ 3,636
Interfund payable	-	17,617	14,640	-	469
Total liabilities	<u>-</u>	<u>17,617</u>	<u>14,640</u>	<u>-</u>	<u>4,105</u>
Fund balances:					
Nonspendable	-	-	-	-	-
Restricted	-	-	1,451,687	-	-
Committed	-	545,195	-	223,414	19,515
Assigned	15,630	-	-	-	-
Total fund balances	<u>15,630</u>	<u>545,195</u>	<u>1,451,687</u>	<u>223,414</u>	<u>19,515</u>
Total liabilities and fund balances	<u>\$ 15,630</u>	<u>\$ 562,812</u>	<u>\$ 1,466,327</u>	<u>\$ 223,414</u>	<u>\$ 23,620</u>

Special Revenue Funds					
Ambulance Revolving	Drug Forfeiture	Police Special Details	Fire Special Details	Permanent Fund	Total
\$ 103,525	\$ 27,206	\$ -	\$ -	\$ 12,989	\$ 1,714,157
	-	100,830	849	187,911	1,010,956
56,837	-	3,809	-	-	60,646
<u>\$ 160,362</u>	<u>\$ 27,206</u>	<u>\$ 104,639</u>	<u>\$ 849</u>	<u>\$ 200,900</u>	<u>\$ 2,785,759</u>
\$ 1,690	\$ -	\$ 2,128	\$ -	\$ -	\$ 7,454
67,496	-	4,837	-	3,262	108,321
<u>69,186</u>	<u>-</u>	<u>6,965</u>	<u>-</u>	<u>3,262</u>	<u>115,775</u>
-	-	-	-	172,280	172,280
-	27,206	-	-	25,358	1,504,251
91,176	-	97,674	849	-	977,823
-	-	-	-	-	15,630
<u>91,176</u>	<u>27,206</u>	<u>97,674</u>	<u>849</u>	<u>197,638</u>	<u>2,669,984</u>
<u>\$ 160,362</u>	<u>\$ 27,206</u>	<u>\$ 104,639</u>	<u>\$ 849</u>	<u>\$ 200,900</u>	<u>\$ 2,785,759</u>

SCHEDULE 5
TOWN OF HOOKSETT, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2012

	Special Revenue Funds				
	TIF District	Conservation Commission	Impact Fees	Solid Waste Disposal	Recreation Revolving
Revenues:					
Taxes	\$ 274,950	\$ 106,748	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-
Charges for services	-	-	-	123,843	42,288
Miscellaneous	-	2,287	267,222	719	14
Total revenues	<u>274,950</u>	<u>109,035</u>	<u>267,222</u>	<u>124,562</u>	<u>42,302</u>
Expenditures:					
Current:					
Public safety	-	-	1,125	-	-
Culture and recreation	-	-	17,165	-	39,236
Conservation	-	893	-	-	-
Capital outlay	-	508,478	-	-	-
Intergovernmental payment	-	-	118,107	-	-
Total expenditures	<u>-</u>	<u>509,371</u>	<u>136,397</u>	<u>-</u>	<u>39,236</u>
Excess (deficiency) of revenues over (under) expenditures	<u>274,950</u>	<u>(400,336)</u>	<u>130,825</u>	<u>124,562</u>	<u>3,066</u>
Other financing uses:					
Transfers out	<u>(274,950)</u>	<u>-</u>	<u>-</u>	<u>(700,000)</u>	<u>-</u>
Net change in fund balances	-	(400,336)	130,825	(575,438)	3,066
Fund balances, beginning	15,630	945,531	1,320,862	798,852	16,449
Fund balances, ending	<u>\$ 15,630</u>	<u>\$ 545,195</u>	<u>\$ 1,451,687</u>	<u>\$ 223,414</u>	<u>\$ 19,515</u>

Special Revenue Funds					
Ambulance Revolving	Drug Forfeiture	Police Special Details	Fire Special Details	Permanent Fund	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 381,698
-	23,187	-	-	-	23,187
196,669	-	63,454	3,591	-	429,845
27	-	71	-	4,208	274,548
<u>196,696</u>	<u>23,187</u>	<u>63,525</u>	<u>3,591</u>	<u>4,208</u>	<u>1,109,278</u>
105,520	1,179	48,903	4,167	-	160,894
-	-	-	-	-	56,401
-	-	-	-	-	893
-	-	-	-	-	508,478
-	-	-	-	-	118,107
<u>105,520</u>	<u>1,179</u>	<u>48,903</u>	<u>4,167</u>	<u>-</u>	<u>844,773</u>
91,176	22,008	14,622	(576)	4,208	264,505
-	-	-	-	(3,262)	(978,212)
91,176	22,008	14,622	(576)	946	(713,707)
-	5,198	83,052	1,425	196,692	3,383,691
<u>\$ 91,176</u>	<u>\$ 27,206</u>	<u>\$ 97,674</u>	<u>\$ 849</u>	<u>\$ 197,638</u>	<u>\$ 2,669,984</u>



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INDEPENDENT AUDITOR'S COMMUNICATION OF SIGNIFICANT DEFICIENCIES

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

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, the major fund, and the aggregate remaining fund information of the Town of Hooksett as of and for the year ended June 30, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered the Town's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Hooksett's internal control.

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

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

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in the Town of Hooksett's internal control to be significant deficiencies:

Sewer Warrants

We noted that sewer commitment warrants are not being approved by the Sewer Commissioners prior to the mailing of sewer billings. In addition, we noted that changes which were made to the sewer bills prior to their final issuance were not being documented and approved.

We recommend that the Sewer Commissioners approve the sewer commitment warrants prior to the issuance of bills. We also recommend that any changes to the sewer bills be recorded, approved, and reconciled with the final sewer warrant.

Management's Response: The Sewer Commission is in agreement with the recommendations and has already implemented the recommended changes.

Tax Deeded Property

Upon examination of the Tax Collector's records we found that there are many properties that should have been taken to tax deed but have not. In accordance with RSA 80:76, Tax Deed, the tax collector shall execute a tax deed for any property where the tax liens receivable have not been paid for 2 years and a day from when the tax lien was taken. However, RSA 80:76 states that the tax collector shall not execute a deed if the Town has been notified of a potential liability or subject the Town to undesirable

Town of Hooksett
Independent Auditor's Communication of Significant Deficiencies

obligations or liability risks. By not taking the tax deeds as required the Town is not in compliance with state statutes and this could also lead to cash flow issues since property is essentially frozen and not generating the necessary revenue to fund the operations of the Town.

We therefore recommend that the Town follow RSA 80:76 and take tax deeds as required.

Management's Response: At the November 28, 2012 Town Council meeting the Tax Collector presented information on the deedable properties for 2005 and 2009 tax years. Currently the Code Enforcement Officers are visiting all properties listed to identify any that are ineligible for deeding, due to reason allowed under RSA 80:76 II. Town Council will be holding a non-public meeting in February regarding residential hardship. It's the Tax Collector's intention to deed any qualifying properties in 2013.

The Town of Hooksett's written responses to the significant deficiencies identified in our audit has not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

December 28, 2012

Plodzik & Sanderson
Professional Association