

**TOWN OF ALLENSTOWN,
NEW HAMPSHIRE**

ANNUAL FINANCIAL REPORT

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

TOWN OF ALLENSTOWN, NEW HAMPSHIRE
ANNUAL FINANCIAL REPORT
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2012

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PLODZIK & SANDERSON

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

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

***Town of Allenstown
Independent Auditor's Report***

Other Matters

Management has omitted a Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by the missing information.

Accounting principles generally accepted in the United States of America require that the Schedule of Funding Progress for Other Postemployment Benefit Plan (page 34) 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 them to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Allenstown'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.

The combining and individual fund financial schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated July 17, 2013 on our consideration of the Town of Allenstown's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Allenstown's internal control over financial reporting and compliance.

July 17, 2013


SHERYL A. PLATT, CPA
FLODZIK & SANDERSON
Professional Association

BASIC FINANCIAL STATEMENTS

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

| | Governmental Activities | Business-type Activities | Total |
|--|----------------------------|-----------------------------|---------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 1,643,234 | \$ 280,861 | \$ 1,924,095 |
| Investments | 208,098 | 988,282 | 1,196,380 |
| Intergovernmental receivables | 42,999 | - | 42,999 |
| Other receivables, net of allowances for uncollectible | 930,036 | 271,208 | 1,201,244 |
| Prepaid items | 33,622 | - | 33,622 |
| Tax deeded property, subject to resale | 27,085 | - | 27,085 |
| Capital assets, not being depreciated: | | | |
| Land | 2,637,950 | 25,962 | 2,663,912 |
| Construction in progress | - | 271,453 | 271,453 |
| Capital assets, net of accumulated depreciation: | | | |
| Land improvements | - | 12,523 | 12,523 |
| Buildings and building improvements | 710,172 | - | 710,172 |
| Machinery, equipment, and vehicles | 343,513 | 590,221 | 933,734 |
| Infrastructure | - | 2,530,933 | 2,530,933 |
| Total assets | <u>6,576,709</u> | <u>4,971,443</u> | <u>11,548,152</u> |
| LIABILITIES | | | |
| Accounts payable | 109,430 | 165,919 | 275,349 |
| Accrued salaries and benefits | 29,146 | 689 | 29,835 |
| Accrued interest payable | 7,708 | - | 7,708 |
| Intergovernmental payable | 1,136,307 | - | 1,136,307 |
| Unearned revenue | 94,860 | - | 94,860 |
| Noncurrent liabilities: | | | |
| Due within one year: | | | |
| Bond | 60,000 | - | 60,000 |
| Capital leases | 18,923 | - | 18,923 |
| Compensated absences | 1,738 | - | 1,738 |
| Due in more than one year: | | | |
| Bond | 120,000 | - | 120,000 |
| Capital leases | 10,799 | - | 10,799 |
| Compensated absences | 31,713 | - | 31,713 |
| Other postemployment benefits | 98,615 | - | 98,615 |
| Total liabilities | <u>1,719,239</u> | <u>166,608</u> | <u>1,885,847</u> |
| NET POSITION | | | |
| Net investment in capital assets | 3,481,913 | 3,431,092 | 6,913,005 |
| Restricted | 23,648 | - | 23,648 |
| Unrestricted | 1,351,909 | 1,373,743 | 2,725,652 |
| Total net position | <u>\$ 4,857,470</u> | <u>\$ 4,804,835</u> | <u>\$ 9,662,305</u> |

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

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

| | Program Revenues | | | Net (Expense) Revenue and | |
|--|----------------------------|--|--|----------------------------|-----------------------------|
| | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-type Activities |
| Expenses | | | | | Total |
| Governmental activities: | | | | | |
| General government | \$ 1,059,757 | \$ - | \$ 16,647 | \$ (1,043,110) | \$ (1,043,110) |
| Public safety | 2,341,221 | 17,116 | 1,441,349 | (882,756) | (882,756) |
| Highways and streets | 508,241 | - | 83,205 | (425,036) | (425,036) |
| Sanitation | 116,827 | 57,961 | - | (58,866) | (58,866) |
| Health | 31,940 | - | - | (31,940) | (31,940) |
| Welfare | 62,701 | - | - | (62,701) | (62,701) |
| Culture and recreation | 100,986 | - | - | (100,986) | (100,986) |
| Conservation | 1,102 | - | 8,124 | 7,022 | 7,022 |
| Interest on long-term debt | 8,690 | - | - | (8,690) | (8,690) |
| Total governmental activities | 4,231,465 | 75,077 | 1,549,325 | (2,607,063) | (2,607,063) |
| Business-type activities: | | | | | |
| Sewer | 1,689,979 | 2,222,949 | - | - | 1,525,524 |
| Total | \$ 5,921,444 | \$ 2,298,026 | \$ 992,554 | (2,607,063) | (1,081,539) |
| General revenues: | | | | | |
| Taxes: | | | | | |
| Property | | | | 2,357,953 | 2,357,953 |
| Other | | | | 161,433 | 161,433 |
| Motor vehicle permit fees | | | | 519,391 | 519,391 |
| Licenses and other fees | | | | 20,899 | 20,899 |
| Grants and contributions not restricted to specific programs | | | | 192,491 | 192,491 |
| Miscellaneous | | | | 67,143 | 114,223 |
| Total general revenues | | | | 3,319,310 | 3,366,390 |
| Changes in net position | | | | 712,247 | 2,284,851 |
| Net position, beginning | | | | 4,145,223 | 7,377,454 |
| Net position, ending | | | | \$ 4,857,470 | \$ 9,662,305 |

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

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

| | General | Grants | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|------------------|--------------------------------|--------------------------------|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 1,560,616 | \$ 53,014 | \$ 29,604 | \$ 1,643,234 |
| Investments | 201,340 | - | 6,758 | 208,098 |
| Receivables, net of allowance for uncollectible: | | | | |
| Taxes | 924,303 | - | - | 924,303 |
| Accounts | 5,733 | - | - | 5,733 |
| Intergovernmental | 28,100 | 14,899 | - | 42,999 |
| Interfund receivable | - | 25,952 | 1,499 | 27,451 |
| Voluntary tax liens | 18,385 | - | - | 18,385 |
| Voluntary tax liens reserved until collected | (18,385) | - | - | (18,385) |
| Prepaid items | 33,622 | - | - | 33,622 |
| Tax dedeed property, subject to resale | 27,085 | - | - | 27,085 |
| Total assets | <u>\$ 2,780,799</u> | <u>\$ 93,865</u> | <u>\$ 37,861</u> | <u>\$ 2,912,525</u> |
| LIABILITIES | | | | |
| Accounts payable | \$ 109,430 | \$ - | \$ - | \$ 109,430 |
| Accrued salaries and benefits | 29,146 | - | - | 29,146 |
| Intergovernmental payable | 1,131,746 | 4,561 | - | 1,136,307 |
| Interfund payable | 27,451 | - | - | 27,451 |
| Deferred revenue | 5,556 | 89,304 | - | 94,860 |
| Total liabilities | <u>1,303,329</u> | <u>93,865</u> | <u>-</u> | <u>1,397,194</u> |
| FUND BALANCES | | | | |
| Nonspendable | 60,707 | - | 1,375 | 62,082 |
| Restricted | 10,502 | - | 11,771 | 22,273 |
| Committed | 218,990 | - | 24,715 | 243,705 |
| Assigned | 46,926 | - | - | 46,926 |
| Unassigned | 1,140,345 | - | - | 1,140,345 |
| Total fund balances | <u>1,477,470</u> | <u>-</u> | <u>37,861</u> | <u>1,515,331</u> |
| Total liabilities and fund balances | <u>\$ 2,780,799</u> | <u>\$ 93,865</u> | <u>\$ 37,861</u> | <u>\$ 2,912,525</u> |

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

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

| | | |
|---|--------------------|---------------------|
| Total fund balances of governmental funds (Exhibit C-1) | | \$ 1,515,331 |
| Amounts reported for governmental activities in the Statement of Net Position are different because: | | |
| Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds. | | |
| Cost | \$ 6,379,956 | |
| Less accumulated depreciation | <u>(2,688,321)</u> | |
| | | 3,691,635 |
| Interfund receivables and payables between governmental funds are eliminated on the Statement of Net Position. | | |
| Receivables | \$ (27,451) | |
| Payables | <u>27,451</u> | |
| | | - |
| Interest on long-term debt is not accrued in governmental funds. | | |
| Accrued interest payable | | (7,708) |
| Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the funds. | | |
| Bond | \$ 180,000 | |
| Capital leases | 29,722 | |
| Compensated absences | 33,451 | |
| Other postemployment benefits | <u>98,615</u> | |
| | | <u>(341,788)</u> |
| Net position of governmental activities (Exhibit A) | | <u>\$ 4,857,470</u> |

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

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

| | General | Grants | Other Governmental Funds | Total Governmental Funds |
|--------------------------------------|---------------------|------------------|--------------------------------|--------------------------------|
| REVENUES | | | | |
| Taxes | \$ 2,519,386 | \$ - | \$ - | \$ 2,519,386 |
| Licenses and permits | 540,290 | - | - | 540,290 |
| Intergovernmental | 356,060 | 1,362,300 | - | 1,718,360 |
| Charges for services | 91,496 | - | 8,935 | 100,431 |
| Miscellaneous | 65,181 | - | 64 | 65,245 |
| Total revenues | <u>3,572,413</u> | <u>1,362,300</u> | <u>8,999</u> | <u>4,943,712</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 1,000,878 | - | 42 | 1,000,920 |
| Public safety | 1,379,821 | 1,362,300 | 6,498 | 2,748,619 |
| Highways and streets | 522,217 | - | - | 522,217 |
| Sanitation | 116,827 | - | - | 116,827 |
| Health | 31,940 | - | - | 31,940 |
| Welfare | 62,701 | - | - | 62,701 |
| Culture and recreation | 93,452 | - | 10 | 93,462 |
| Conservation | 1,102 | - | - | 1,102 |
| Debt service: | | | | |
| Principal | 60,000 | - | - | 60,000 |
| Interest | 11,025 | - | - | 11,025 |
| Capital outlay | 46,172 | - | - | 46,172 |
| Total expenditures | <u>3,326,135</u> | <u>1,362,300</u> | <u>6,550</u> | <u>4,694,985</u> |
| Excess of revenues over expenditures | 246,278 | - | 2,449 | 248,727 |
| OTHER FINANCING SOURCE | | | | |
| Capital lease inception | <u>32,439</u> | <u>-</u> | <u>-</u> | <u>32,439</u> |
| Net changes in fund balances | 278,717 | - | 2,449 | 281,166 |
| Fund balances, beginning | 1,198,753 | - | 35,412 | 1,234,165 |
| Fund balances, ending | <u>\$ 1,477,470</u> | <u>\$ -</u> | <u>\$ 37,861</u> | <u>\$ 1,515,331</u> |

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

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

| | | |
|---|------------------|--------------------------|
| Net change in fund balances of governmental funds (Exhibit C-3) | | \$ 281,166 |
| 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 in the current period. | | |
| Capitalized capital outlay | \$ 557,011 | |
| Depreciation expense | <u>(114,649)</u> | |
| | | 442,362 |
| The inception of capital leases provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. | | |
| Capital lease inception | \$ (32,439) | |
| Repayment of capital lease principals | 28,791 | |
| Repayment of bond principal | <u>60,000</u> | |
| | | 56,352 |
| 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 | \$ 2,335 | |
| Increase in compensated absences payable | (21,310) | |
| Increase in postemployment benefits payable | <u>(48,658)</u> | |
| | | (67,633) |
| Change in net position of governmental activities (Exhibit B) | | <u><u>\$ 712,247</u></u> |

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

EXHIBIT D
TOWN OF ALLENSTOWN, NEW HAMPSHIRE
Statement of Revenues, Expenditures, and Change in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Fiscal Year Ended December 31, 2012

| | Budgeted Amounts | | | Variance with Final Budget Positive/(Negative) |
|---------------------------------------|------------------|--------------|--------------|--|
| | Original | Final | Actual | |
| REVENUES | | | | |
| Taxes | \$ 2,489,852 | \$ 2,489,852 | \$ 2,519,386 | \$ 29,534 |
| Licenses and permits | 518,140 | 518,140 | 540,290 | 22,150 |
| Intergovernmental | 321,851 | 335,615 | 356,060 | 20,445 |
| Charges for services | 100,000 | 100,000 | 91,496 | (8,504) |
| Miscellaneous | 35,750 | 35,750 | 62,932 | 27,182 |
| Total revenues | 3,465,593 | 3,479,357 | 3,570,164 | 90,807 |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 1,141,189 | 1,141,189 | 1,012,696 | 128,493 |
| Public safety | 1,343,956 | 1,343,956 | 1,335,363 | 8,593 |
| Highways and streets | 469,318 | 469,318 | 522,217 | (52,899) |
| Sanitation | 184,540 | 184,540 | 116,827 | 67,713 |
| Health | 46,512 | 46,512 | 31,940 | 14,572 |
| Welfare | 65,930 | 65,930 | 62,701 | 3,229 |
| Culture and recreation | 34,001 | 34,001 | 33,346 | 655 |
| Conservation | 9 | 9 | 1,102 | (1,093) |
| Economic development | 1,050 | 1,050 | - | 1,050 |
| Debt service: | | | | |
| Principal | 60,000 | 60,000 | 60,000 | - |
| Interest | 26,256 | 26,256 | 11,025 | 15,231 |
| Capital outlay | 25,000 | 38,764 | 46,172 | (7,408) |
| Total expenditures | 3,397,761 | 3,411,525 | 3,233,389 | 178,136 |
| Excess of revenues over expenditures | 67,832 | 67,832 | 336,775 | 268,943 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | - | - | 6,210 | 6,210 |
| Transfers out | (67,832) | (67,832) | (67,832) | - |
| Total other financing sources (uses) | (67,832) | (67,832) | (61,622) | 6,210 |
| Net change in fund balance | \$ - | \$ - | 275,153 | \$ 275,153 |
| Increase in nonspendable fund balance | | | (53,526) | |
| Unassigned fund balance, beginning | | | 918,718 | |
| Unassigned fund balance, ending | | | \$ 1,140,345 | |

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

EXHIBIT E-1
TOWN OF ALLENSTOWN, NEW HAMPSHIRE
Proprietary Fund
Statement of Net Position
December 31, 2012

| | Business-type Activities |
|--|---------------------------------------|
| | Enterprise Fund (Sewer Department) |
| ASSETS | |
| Cash and cash equivalents | \$ 280,861 |
| Investments | 988,282 |
| Receivables, net of allowance for uncollectible | 271,208 |
| Capital assets, not being depreciated: | |
| Land | 25,962 |
| Construction in progress | 271,453 |
| Capital assets, net of accumulated depreciation: | |
| Land improvements | 12,523 |
| Machinery, equipment, and vehicles | 590,221 |
| Infrastructure | 2,530,933 |
| Total assets | <u>4,971,443</u> |
| LIABILITIES | |
| Accounts payable | 165,919 |
| Accrued salaries and benefits | 689 |
| Total liabilities | <u>166,608</u> |
| NET POSITION | |
| Net investment in capital assets | 3,431,092 |
| Unrestricted | 1,373,743 |
| Total net position | <u><u>\$ 4,804,835</u></u> |

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

EXHIBIT E-2
TOWN OF ALLENSTOWN, NEW HAMPSHIRE
Proprietary Fund
Statement of Revenues, Expenses, and Change in Net Position
For the Fiscal Year Ended December 31, 2012

| | Business-type Activities |
|---------------------------------------|---------------------------------------|
| | Enterprise Fund (Sewer Department) |
| Operating revenues: | |
| User charges | \$ 2,222,949 |
| Miscellaneous | 34,704 |
| Total operating revenues | <u>2,257,653</u> |
| Operating expenses: | |
| Cost of sales and services | 1,523,460 |
| Depreciation | 166,519 |
| Total operating expenses | <u>1,689,979</u> |
| Operating gain | 567,674 |
| Nonoperating revenue: | |
| Interest | 12,376 |
| ARRA/State revolving loan forgiveness | 992,554 |
| Total nonoperating revenues | <u>1,004,930</u> |
| Change in net position | 1,572,604 |
| Net position, beginning | 3,232,231 |
| Net position, ending | <u><u>\$ 4,804,835</u></u> |

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

EXHIBIT E-3
TOWN OF ALLENSTOWN, NEW HAMPSHIRE
Proprietary Fund
Statement of Cash Flows
For the Fiscal Year Ended December 31, 2012

| | |
|---|--------------------------|
| Cash flows from operating activities: | |
| Receipts from customers and users | \$ 2,340,854 |
| Payments to suppliers and employees | (1,581,929) |
| Net cash provided by operating activities | <u>758,925</u> |
| Cash flows from capital and related financing activities: | |
| Acquisition and construction of fixed assets | (753,123) |
| Repayment of long-term note | (1,625,000) |
| Net cash used by capital and related financing activities | <u>(2,378,123)</u> |
| Cash flows from non-capital financing activities: | |
| ARRA/State revolving loan forgiveness | <u>992,554</u> |
| Cash flows from investing activities: | |
| Purchase of investments | (988,282) |
| Interest received | 12,376 |
| Net cash used by investing activities | <u>(975,906)</u> |
| Net decrease in cash | (1,602,550) |
| Cash, beginning | 1,883,411 |
| Cash, ending | <u><u>\$ 280,861</u></u> |

Reconciliation of Operating Gain to Net Cash Provided by Operating Activities

| | |
|---|--------------------------|
| Operating gain | <u>\$ 567,674</u> |
| Adjustments to reconcile operating gain to net cash provided by operating activities: | |
| Depreciation expense | 166,519 |
| Decrease in other receivables | 83,201 |
| Decrease in accounts payable | (14,930) |
| Decrease in accrued salaries and benefits | (362) |
| Decrease in retainage payable | (43,177) |
| Total adjustments | <u>191,251</u> |
| Net cash provided by operating activities | <u><u>\$ 758,925</u></u> |

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

EXHIBIT F
TOWN OF ALLENSTOWN, NEW HAMPSHIRE
Fiduciary Fund
Statement of Fiduciary Net Position
December 31, 2012

| | |
|---------------------------------|----------------|
| | Agency Fund |
| ASSETS | |
| Investments | \$ 115,256 |
| LIABILITIES | |
| Due to other governmental units | <u>115,256</u> |
| NET POSITION | <u>\$ -</u> |

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

1-B Basis of Presentation

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

The Statement of Net Position presents the financial position of the governmental and business-type activities of the Town at year-end. This statement includes all of the Town's assets, liabilities, and net position. Net position is reported as one of three categories: net investment in capital assets; restricted; or unrestricted.

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

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

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

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

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

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

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

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

Proprietary Fund Types – Proprietary fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Change in Net Position, and a Statement of Cash Flows. 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 Position. The Statement of Revenues, Expenses, and Change in Net Position 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 funds 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.

This fund is as follows:

Enterprise Fund – is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (including depreciation) to provide certain goods and services to the general public be financed or recovered primarily through user charges or where the governing body has deemed that periodic determination of net income is appropriate for purposes of monitoring capital maintenance, accountability, or other purposes.

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

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

Major Funds – The Town reports the following major governmental funds:

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.

Grants Fund – the grants fund accounts for the resources received from various federal, state, and local agencies. The resources are restricted to accomplishing various objectives of the grantor agencies.

The Town reports the following major enterprise fund:

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

Nonmajor Funds – The Town also reports five nonmajor governmental funds: conservation commission, recreation revolving, DARE, public safety services revolving, and permanent funds.

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

1-C Measurement Focus

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

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

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

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

1-D Cash and Cash Equivalents

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

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

1-E 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.

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

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

1-G Receivables

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

1-H Interfund Balances

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

1-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. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

1-J Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure, are reported in the applicable governmental or business-type activities column in the government-wide financial statements.

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

Interest incurred during the construction phase of capital assets of enterprise funds is included as part of the capitalized value of the assets constructed. The amount of interest capitalized depends on the specific circumstances; i.e. tax-exempt bond anticipation notes (BANS) were issued to finance specific water system improvements.

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

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

| Capital Asset Classes | <u>Years</u> |
|-------------------------------------|---------------------|
| Land improvements | 40 |
| Buildings and building improvements | 33-100 |
| Machinery, equipment, and vehicles | 5-40 |
| Infrastructure | 20-40 |

1-K Net Position Flow Assumption

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

1-L Fund Balance Flow Assumptions

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

1-M Revenues and Expenditures/Expenses

Program Revenues - Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes and clerks fees are reported as general revenues rather than as program revenues.

Property Taxes - The Town subscribes to the semi-annual method of tax collection as provided for by RSA 76:15-a. Taxes were levied on May 7 and November 2, with payments due on July 1 and December 3. Interest accrues at a rate of 12% on bills outstanding after the due dates and 18% on tax liens outstanding. 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 after the New Hampshire Department of Revenue Administration has 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 tax abatement and refunds, known as overlay. This amount is reported as a reduction in tax revenue and is adjusted by management for any reserve for uncollectable at year end. The property taxes collected by the Town include taxes levied for the State of New Hampshire, Allentown School District, and Merrimack County, which are remitted to these entities as required by law.

1-N Deferred/Unearned Revenue

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

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

1-O Compensated Absences

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

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

1-P Long-Term Obligations

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

1-Q 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-R 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 Position.

1-S Equity/Fund Balance Policy/Classifications

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

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

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

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

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

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

Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the legislative body (Town Meeting). These amounts cannot be used for any other purpose unless the legislative body removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. The expendable trust, conservation commission, recreation revolving, and public safety services revolving funds are included in this classification.

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

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

1-T Impact of Recently Issued Accounting Principles

In December 2010, the Governmental Accounting Standards Board (GASB) issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASBS No. 62 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure. This Statement is effective as of January 1, 2012.

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

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

2-A Budgetary Information

General governmental revenues and expenditures accounted for in budgetary funds are controlled by a formal integrated budgetary accounting system in accordance with various legal requirements which govern the Town's operations. At its annual meeting, the Town adopts a budget for the current year for the general and sewer department 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.

2-B Budgetary Reconciliation to GAAP Basis

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

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

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

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

| | |
|--|---------------------|
| Revenues and other financing sources: | |
| Per Exhibit D (budgetary basis) | \$ 3,576,374 |
| Adjustments: | |
| Basis differences: | |
| Inception of capital lease | 32,439 |
| GASB Statement No. 54: | |
| To record income earned on eliminated expendable trust funds | 1,035 |
| To record income earned on eliminated public library fund | 1,214 |
| To eliminate transfer between general and expendable trust funds | (6,210) |
| Per Exhibit C-3 (GAAP basis) | <u>\$ 3,604,852</u> |
| Expenditures and other financing uses: | |
| Per Exhibit D (budgetary basis) | \$ 3,301,221 |
| Adjustments: | |
| Basis differences: | |
| Encumbrances, beginning | 46,911 |
| Encumbrances, ending | (46,926) |
| Inception of capital lease | 32,439 |
| GASB Statement No. 54: | |
| To record expenditures incurred in the eliminated expendable trust funds | 216 |
| To record expenditures incurred in the eliminated public library fund | 60,106 |
| To eliminate transfer between general and expendable trust funds | (20,000) |
| To eliminate transfer between general and public library fund | (47,832) |
| Per Exhibit C-3 (GAAP basis) | <u>\$ 3,326,135</u> |

DETAILED NOTES ON ALL FUNDS

NOTE 3 – INVESTMENTS

Note 1-F describes statutory requirements covering the investment of the Town's funds. The Town 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 December 31, 2012, the Town had the following investments:

| Investment Type | Fair Value | Weighted Average Maturity (years) |
|--|---------------------|---|
| US Government obligations | \$ 848,573 | 1.78 |
| Corporate bonds | 441,845 | 2.21 |
| New Hampshire Public Deposit Investment Pool | 905 | N/A |
| Other | 20,313 | N/A |
| Total investments | <u>\$ 1,311,636</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 Position.

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.

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

Concentration of Credit Risk – The Town places no limit on the amount it may invest in any one issuer. More than 5% of the Town's investments are in US Treasury bonds and notes, Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, General Electric Capital Corporation, and Ontario Province. These investments are 50%, 9%, 5%, 5%, and 5%, respectively, of the Town's total investments.

Investment reconciliation:

| | |
|---|----------------------------|
| Investments per Statement of Net Position (Exhibit A) | \$ 1,196,380 |
| Investments per Statement of Fiduciary Net Position (Exhibit F) | <u>115,256</u> |
| Total investments | <u><u>\$ 1,311,636</u></u> |

NOTE 4 – 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, 2012, upon which the 2012 property tax levy was based is:

| | |
|-------------------------------------|----------------|
| For the New Hampshire education tax | \$ 259,745,481 |
| For all other taxes | \$ 267,810,771 |

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

| | Per \$1,000 of Assessed Valuation | Property Taxes Assessed |
|------------------------|---|-------------------------------|
| Municipal portion | <u>\$9.30</u> | <u>\$ 2,488,054</u> |
| School portion: | | |
| State of New Hampshire | \$2.39 | 621,657 |
| Local | \$10.01 | 2,682,072 |
| County portion | \$2.51 | <u>672,640</u> |
| Total | | <u><u>\$ 6,464,423</u></u> |

During the current fiscal year, the tax collector executed a lien on April 4 for all uncollected 2011 property taxes.

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

| | |
|---|--------------------------|
| Property: | |
| Levy of 2012 | \$ 518,572 |
| Unredeemed (under tax lien): | |
| Levy of 2011 | 247,577 |
| Levy of 2010 | 166,198 |
| Levies of 2009 and prior | 71,956 |
| Less: allowance for estimated uncollectible taxes | <u>(80,000)</u> |
| Net taxes receivable | <u><u>\$ 924,303</u></u> |

NOTE 5 – OTHER RECEIVABLES

Receivables at December 31, 2012, consisted of accounts (billings for sewer 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.

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Receivables as of December 31, 2012 for the Town's individual major funds, including applicable allowances for uncollectible accounts, are as follows:

| | Governmental Activities | | Business-type Activities |
|------------------------------------|----------------------------|------------------|-----------------------------|
| | Governmental Funds | | Enterprise Fund |
| | (General Fund) | (Grants Fund) | (Sewer Department) |
| Receivables: | | | |
| Accounts | \$ 5,733 | \$ - | \$ 294,341 |
| Intergovernmental | 28,100 | 14,899 | - |
| Liens | 18,385 | - | - |
| Gross receivables | 52,218 | 14,899 | 294,341 |
| Less: allowances for uncollectible | (18,385) | - | (23,133) |
| Net total receivables | <u>\$ 33,833</u> | <u>\$ 14,899</u> | <u>\$ 271,208</u> |

NOTE 6 – PREPAID ITEMS

Prepaid items in the general fund at December 31, 2012 consisted of the following:

| | |
|------------------|------------------|
| Postage | \$ 2,393 |
| Health insurance | 30,965 |
| Alarm system | 264 |
| | <u>\$ 33,622</u> |

NOTE 7 – CAPITAL ASSETS

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

| | Balance, beginning | Additions | Disposals | Balance, ending |
|--|-----------------------|-------------------|-------------|---------------------|
| <u>Governmental activities:</u> | | | | |
| At cost: | | | | |
| Not being depreciated: | | | | |
| Land* | \$ 2,198,150 | \$ 439,800 | \$ - | \$ 2,637,950 |
| Being depreciated: | | | | |
| Buildings and building improvements | 1,079,159 | 22,513 | - | 1,101,672 |
| Machinery, equipment, and vehicles | 2,545,636 | 94,698 | - | 2,640,334 |
| Total capital assets being depreciated | 3,624,795 | 117,211 | - | 3,742,006 |
| Total all capital assets | 5,822,945 | 557,011 | - | 6,379,956 |
| Less accumulated depreciation: | | | | |
| Buildings and building improvements | (365,881) | (25,619) | - | (391,500) |
| Machinery, equipment, and vehicles | (2,207,791) | (89,030) | - | (2,296,821) |
| Total accumulated depreciation | (2,573,672) | (114,649) | - | (2,688,321) |
| Net book value, capital assets being depreciated | 1,051,123 | 2,562 | - | 1,053,685 |
| Net book value, all governmental activities capital assets | <u>\$ 3,249,273</u> | <u>\$ 442,362</u> | <u>\$ -</u> | <u>\$ 3,691,635</u> |

(Continued)

TOWN OF ALLENSTOWN, NEW HAMPSHIRE
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Capital assets continued:

| | Balance, beginning | Additions | Disposals | Balance, ending |
|--|-----------------------|--------------|----------------|--------------------|
| <u>Business-type activities:</u> | | | | |
| At cost: | | | | |
| Not being depreciated: | | | | |
| Land | \$ 25,962 | \$ - | \$ - | \$ 25,962 |
| Construction in progress | 1,810,136 | 271,453 | (1,810,136) | 271,453 |
| Total capital assets not being depreciated | 1,836,098 | 271,453 | (1,810,136) | 297,415 |
| Being depreciated: | | | | |
| Land improvements | 125,230 | - | - | 125,230 |
| Buildings | 655,504 | - | - | 655,504 |
| Machinery, equipment, and vehicles | 1,246,086 | 98,130 | - | 1,344,216 |
| Infrastructure | 1,631,996 | 2,193,675 | - | 3,825,671 |
| Total capital assets being depreciated | 3,658,816 | 2,291,805 | - | 5,950,621 |
| Total all capital assets | 5,494,914 | 2,563,258 | (1,810,136) | 6,248,036 |
| Less accumulated depreciation: | | | | |
| Land improvements | (109,576) | (3,131) | - | (112,707) |
| Buildings | (655,504) | - | - | (655,504) |
| Machinery, equipment, and vehicles | (688,186) | (65,809) | - | (753,995) |
| Infrastructure | (1,197,160) | (97,578) | - | (1,294,738) |
| Total accumulated depreciation | (2,650,426) | (166,518) | - | (2,816,944) |
| Net book value, capital assets being depreciated | 1,008,390 | 2,125,287 | - | 3,133,677 |
| Net book value, all business-type capital assets | \$ 2,844,488 | \$ 2,396,740 | \$ (1,810,136) | \$ 3,431,092 |

*Included in the total balance is \$1,478,935 of land located in a flood plain, which the Town acquired through a federal Flood Mitigation Assistance Grant. As the land does not possess a practical use for the Town, and was acquired only to ensure the safety of the public, it has been recorded at assessment value rather than acquisition cost. GASB Statement No. 42, Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries, mandates that "capital assets that will no longer be used by the government should be reported at the lower of carrying value or fair value."

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 | \$ 8,879 |
| Public safety | 75,254 |
| Highways and streets | 22,992 |
| Culture and recreation | 7,524 |
| Total depreciation expense | <u>\$ 114,649</u> |
| <u>Business-type activities:</u> | |
| Sewer department | <u>\$ 166,518</u> |

NOTE 8 – INTERFUND BALANCES

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

| Receivable Fund | Payable Fund | Amount |
|-----------------|--------------|------------------|
| Grants | General | \$ 25,952 |
| Nonmajor | General | 1,499 |
| Total | | <u>\$ 27,451</u> |

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

NOTE 9 – INTERGOVERNMENTAL PAYABLES

Amounts due to other governments of \$1,251,563 at December 31, 2012 consist of the following:

| | |
|--|----------------------------|
| General fund: | |
| Balance of 2012-2013 district assessment due to the Allenstown School District | \$ 1,130,729 |
| Miscellaneous fees due to the State of New Hampshire | 1,017 |
| Total intergovernmental payables due from the general fund | <u>1,131,746</u> |
| Grants fund: | |
| Unspent grant monies due to the federal government | <u>4,561</u> |
| Agency fund: | |
| Balance of trust funds belonging to the Allenstown School District | <u>115,256</u> |
| Total intergovernmental payables | <u><u>\$ 1,251,563</u></u> |

NOTE 10 – DEFERRED/UNEARNED REVENUE

Deferred/unearned revenue of \$94,860 at December 31, 2012 consists of the following:

| | |
|---|-------------------------|
| General fund: | |
| Insurance reimbursement received in advance of eligible expenditures being made | <u>\$ 5,556</u> |
| Grants fund: | |
| Federal grant revenue collected in advance of eligible expenditures being made | <u>89,304</u> |
| Total deferred/unearned revenue | <u><u>\$ 94,860</u></u> |

NOTE 11 – LONG-TERM LIABILITIES

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

| | General Obligation Bond Payable | Capital Leases Payable | Compensated Absences Payable | Total |
|--------------------|---------------------------------------|------------------------------|------------------------------------|-------------------|
| Balance, beginning | \$ 1,865,000 | \$ 26,074 | \$ 12,141 | \$ 1,903,215 |
| Additions | 360,108 | 32,439 | 21,310 | 413,857 |
| Reductions | (2,045,108) * | (28,791) | - | (2,073,899) |
| Balance, ending | <u>\$ 180,000</u> | <u>\$ 29,722</u> | <u>\$ 33,451</u> | <u>\$ 243,173</u> |

***Water Pollution Control Revolving Loan Fund Program** - Included in the \$2,045,108 debt reduction is the repayment of a loan received under the Water Pollution Control Revolving Loan Fund Program. The loan was consolidated by a promissory note in fiscal year 2012, upon the substantial completion of upgrades to the wastewater treatment facility. Total drawdowns related to the project amounted to \$1,985,108, with 50% of the drawdowns (\$992,554) being forgiven as a result of the American Recovery and Reinvestment Act (ARRA) through the State of New Hampshire. The note was repaid from the sewer department fund.

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Long-term liabilities payable are comprised of the following:

| | Original Amount | Issue Date | Maturity Date | Interest Rate % | Outstanding at December 31, 2012 | Current Portion |
|---------------------------------------|--------------------|---------------|------------------|--------------------|--|--------------------|
| General obligation bond payable: | | | | | | |
| Police station acquisition/renovation | \$ 600,000 | 2005 | 2015 | 4.7-7.0 | \$ 180,000 | \$ 60,000 |
| Capital leases payable: | | | | | | |
| Police cruiser | \$ 26,378 | 2011 | 2013 | 6.0 | 8,783 | 8,783 |
| Police vehicle | \$ 32,439 | 2012 | 2014 | 6.5 | 20,939 | 10,140 |
| | | | | | <u>29,722</u> | <u>18,923</u> |
| Compensated absences payable: | | | | | | |
| Accrued vacation leave | | | | | 33,451 | 1,738 |
| Total | | | | | <u>\$ 243,173</u> | <u>\$ 80,661</u> |

The annual requirements to amortize the general obligation bond outstanding as of December 31, 2012, including interest payments, are as follows:

| Fiscal Year Ending December 31, | Principal | Interest | Total |
|------------------------------------|-------------------|------------------|-------------------|
| 2013 | \$ 60,000 | \$ 8,442 | \$ 68,442 |
| 2014 | 60,000 | 5,628 | 65,628 |
| 2015 | 60,000 | 2,814 | 62,814 |
| Totals | <u>\$ 180,000</u> | <u>\$ 16,884</u> | <u>\$ 196,884</u> |

All debt is general obligation debt of the Town, which is backed by its full faith and credit, and will be repaid from general governmental revenues.

NOTE 12 – CAPITAL LEASE OBLIGATIONS

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

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

| | |
|--------------------------------|------------------|
| Equipment: | |
| Police cruiser | \$ 27,300 |
| Police vehicle | 37,879 |
| Less: accumulated depreciation | (18,496) |
| Total net book value | <u>\$ 46,683</u> |

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

The annual requirements to amortize the capital leases payable as of December 31, 2012, including interest payments, are as follows:

| Fiscal Year Ending December 31, | |
|-------------------------------------|------------------|
| 2013 | \$ 20,811 |
| 2014 | <u>11,501</u> |
| Total requirements | 32,312 |
| Less: interest | (2,590) |
| Present value of remaining payments | <u>\$ 29,722</u> |

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NOTE 13 – ENCUMBRANCES

Encumbrances outstanding in the general fund of \$46,926 at December 31, 2012, are as follows:

| Description | |
|------------------------------|------------------|
| General government: | |
| General government buildings | \$ 12,034 |
| Public safety: | |
| Police | 26,075 |
| Fire | 8,817 |
| Total encumbrances | <u>\$ 46,926</u> |

NOTE 14 – NET POSITION

Net position reported on the government-wide Statement of Net Position at December 31, 2012 includes the following:

| | Governmental Activities | Business- Type Activities | Total |
|---|----------------------------|------------------------------|---------------------|
| Net investment in capital assets: | | | |
| Capital assets, net of accumulated depreciation | \$ 3,691,635 | \$ 3,431,092 | \$ 7,122,727 |
| Less: | | | |
| General obligation bond payable | (180,000) | - | (180,000) |
| Capital leases payable | (29,722) | - | (29,722) |
| Total net investment in capital assets | <u>3,481,913</u> | <u>3,431,092</u> | <u>\$ 6,913,005</u> |
| Restricted for: | | | |
| Library purposes | 10,502 | - | 10,502 |
| Perpetual care | 6,758 | - | 6,758 |
| Drug forfeiture | 6,388 | - | 6,388 |
| Total restricted | <u>23,648</u> | <u>-</u> | <u>23,648</u> |
| Unrestricted | <u>1,351,909</u> | <u>1,373,743</u> | <u>2,725,652</u> |
| Total net position | <u>\$ 4,857,470</u> | <u>\$ 4,804,835</u> | <u>9,662,305</u> |

NOTE 15 – GOVERNMENTAL FUND BALANCES

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

Nonspendable:

Major fund:

General:

| | |
|--|---------------|
| Prepaid items | \$ 33,622 |
| Tax dedeed property, subject to resale | 27,085 |
| | <u>60,707</u> |

Nonmajor fund:

Permanent:

| | | |
|---------------------------------|--------------|-----------|
| Principal portion | <u>1,375</u> | |
| Total nonspendable fund balance | | \$ 62,082 |

(Continued)

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Governmental fund balances continued:

| | | |
|----------------------------------|---------------------|---------|
| Restricted: | | |
| Major fund: | | |
| General: | | |
| Public library | \$ 10,502 | |
| Nonmajor funds: | | |
| Special revenue: | | |
| DARE | 6,388 | |
| Permanent: | | |
| Income portion | 5,383 | |
| | <u>11,771</u> | |
| Total restricted fund balance | | 22,273 |
| Committed: | | |
| Major fund: | | |
| General: | | |
| Expendable trust funds | \$ 218,990 | |
| Nonmajor funds: | | |
| Special revenue: | | |
| Conservation commission | 1,351 | |
| Recreation revolving | 138 | |
| Public safety services revolving | 23,226 | |
| | <u>24,715</u> | |
| Total committed fund balance | | 243,705 |
| Assigned: | | |
| Major fund: | | |
| General: | | |
| Encumbrances | | 46,926 |
| Unassigned: | | |
| Major fund: | | |
| General | 1,140,345 | |
| Total governmental fund balances | <u>\$ 1,515,331</u> | |

NOTE 16 – EMPLOYEE RETIREMENT PLAN

The Town participates in the New Hampshire Retirement System (the System) which is the administrator of a cost-sharing multiple-employer contributory pension plan and trust established in 1967 by RSA 100-A:2 and is qualified as a tax-exempt organization under Sections 401(a) and 501(a) of the Internal Revenue Code. The plan is a contributory, defined benefit plan providing service, disability, death and vested retirement benefits to members and their beneficiaries. Provision for benefits and contributions are established and can be amended by the New Hampshire Legislature. The System issues a publicly available financial report that may be obtained by writing the New Hampshire Retirement System, 54 Regional Drive, Concord, NH 03301. The System is financed by contributions from both the employees and the Town. Member contribution rates are established and may be amended by the State legislature while employer contribution rates are set by the System trustees based on an actuarial valuation. For fiscal year 2012, all employees except police officers and firefighters were required to contribute 7% of earnable compensation. The contribution rates were 11.55% for police officers and 11.80% for firefighters. The Town's contribution rates for 2012 for pension and medical subsidy were as follows; police officers 19.95%; firefighter, 22.89%; all other employees, 8.80%.

The contribution requirements for the Town of Allentown for the fiscal years 2010, 2011, and 2012 were \$117,273, \$146,312, and \$161,797, respectively, which were paid in full in each year.

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NOTE 17 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

In addition to pension benefits described in the preceding note, the Town provides postemployment benefit options for health care to eligible retirees, terminated employees, and their dependents. The benefits are provided in accordance with the Town's agreements and the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA). The criteria to determine eligibility include: years of service, employee age, and whether the employee has vested in the respective retirement plan. The Town funds the benefits on a pay-as-you-go basis. Eligible employees are required to pay set premiums for a portion of the cost with the Town subsidizing the remaining costs. There are 27 participants 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 was implemented by the Town during fiscal year 2011, and 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.

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 | \$ 63,081 |
| Contributions made (pay-as-you-go) | <u>(14,423)</u> |
| Increase in net OPEB obligation | 48,658 |
| Net OPEB obligation, beginning | <u>49,957</u> |
| Net OPEB obligation, ending | <u><u>\$ 98,615</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 year 2012 was as follows:

| Fiscal Year Ended | Annual Required Contribution (ARC) | Actual Contributions (pay-as-you-go) | Percentage Contributed | Net OPEB Obligation |
|-------------------|------------------------------------|--------------------------------------|------------------------|---------------------|
| December 31, 2012 | \$ 63,081 | \$ 14,423 | 22.86% | \$ 98,615 |
| December 31, 2011 | \$ 63,068 | \$ 13,111 | 20.79% | \$ 49,957 |

As of January 1, 2011, the date of the most recent actuarial valuation, the actuarial accrued liability (AAL) for benefits was \$378,877, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$378,877. The covered payroll (annual payroll of active employees covered by the plan) was \$1,399,091 during fiscal year 2011, and the ratio of the UAAL to the covered payroll was 27.08%.

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

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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 January 1, 2011 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 4% investment rate of return per annum. The projected annual healthcare cost trend is 10% initially, reduced by decrements to an ultimate rate of 5% after 10 years. The UAAL is being amortized as a level dollar amount over an open basis. The remaining amortization period at January 1, 2011 was 30 years.

NOTE 18 – 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, and the New Hampshire Public Risk Management Exchange (Primex³) Workers' Compensation Program. These entities are considered public entity risk pools, currently operating as common risk management and insurance programs for member Towns and cities.

The Local Government Center Property-Liability Trust, LLC, 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 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 December 31, 2012, to be recorded as an insurance expenditure totaled \$61,910. There were no unpaid contributions for the year ended December 31, 2012.

The New Hampshire Public Risk Management Exchange (Primex³) Workers' Compensation Program is a pooled risk management program under RSAs 5-B and 281-A. Coverage was provided from January 1, 2012 to December 31, 2012 by Primex³, which retained \$1,000,000 of each workers' compensation loss, \$500,000 of each liability loss, and \$200,000 of each property loss. The Board has decided to self-insure the aggregate exposure and has allocated funds based on actuarial analysis for that purpose. The estimated net contribution from the Town of Allentown billed and paid for the year ended December 31, 2012 was \$31,041 for workers' compensation.

NOTE 19 – CONTINGENCIES

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

NOTE 20 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

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

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

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

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

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

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

NOTE 21 – SUBSEQUENT EVENTS

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

REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT G
TOWN OF ALLENSTOWN, NEW HAMPSHIRE
Schedule of Funding Progress for Other Postemployment Benefit Plan
For the Fiscal Year Ended December 31, 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) |
|--------------------------------|--|---|------------------------------------|--------------------------|---------------------------|---|
| January 1, 2011 | \$ - | \$ 378,877 | \$ 378,877 | 0.00% | \$1,399,091 | 27.08% |

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

TOWN OF ALLENSTOWN, NEW HAMPSHIRE
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED
DECEMBER 31, 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 December 31, 2012.

COMBINING AND INDIVIDUAL FUND SCHEDULES

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

| | Estimated | Actual | Variance Positive (Negative) |
|---|--------------|--------------|------------------------------------|
| Taxes: | | | |
| Property | \$ 2,342,452 | \$ 2,357,953 | \$ 15,501 |
| Timber | 15,400 | 15,393 | (7) |
| Interest and penalties on taxes | 132,000 | 146,040 | 14,040 |
| Total from taxes | 2,489,852 | 2,519,386 | 29,534 |
| Licenses, permits, and fees: | | | |
| Business licenses, permits, and fees | 640 | - | (640) |
| Motor vehicle permit fees | 500,000 | 519,391 | 19,391 |
| Building permits | 7,000 | 8,960 | 1,960 |
| Other | 10,500 | 11,939 | 1,439 |
| Total from licenses, permits, and fees | 518,140 | 540,290 | 22,150 |
| Intergovernmental: | | | |
| State: | | | |
| Meals and rooms distribution | 192,522 | 192,491 | (31) |
| Highway block grant | 83,205 | 83,205 | - |
| State and federal forest land reimbursement | 8,124 | 8,124 | - |
| Other | 51,764 | 72,240 | 20,476 |
| Total from intergovernmental | 335,615 | 356,060 | 20,445 |
| Charges for services: | | | |
| Income from departments | 100,000 | 91,496 | (8,504) |
| Miscellaneous: | | | |
| Sale of municipal property | - | 111 | 111 |
| Interest on investments | 750 | 774 | 24 |
| Fines and forfeits | - | 2,882 | 2,882 |
| Insurance dividends and reimbursements | - | 20,640 | 20,640 |
| Other | 35,000 | 38,525 | 3,525 |
| Total from miscellaneous | 35,750 | 62,932 | 27,182 |
| Other financing sources: | | | |
| Transfers in | - | 6,210 | 6,210 |
| Total revenues and other financing sources | \$ 3,479,357 | \$ 3,576,374 | \$ 97,017 |

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

| | Encumbered from Prior Year | Appropriations | Expenditures | Encumbered to Subsequent Year | Variance Positive (Negative) |
|---------------------------------------|----------------------------------|----------------|--------------|-------------------------------------|------------------------------------|
| Current: | | | | | |
| General government: | | | | | |
| Executive | \$ - | \$ 157,673 | \$ 154,635 | \$ - | \$ 3,038 |
| Election and registration | - | 57,209 | 52,851 | - | 4,358 |
| Financial administration | - | 190,574 | 164,304 | - | 26,270 |
| Legal | - | 20,000 | 16,489 | - | 3,511 |
| Personnel administration | - | 602,200 | 522,224 | - | 79,976 |
| Planning and zoning | - | 28,452 | 16,422 | - | 12,030 |
| General government buildings | - | 24,750 | 23,374 | 12,034 | (10,658) |
| Cemeteries | - | 3 | - | - | 3 |
| Insurance, not otherwise allocated | - | 53,500 | 45,825 | - | 7,675 |
| Advertising and regional associations | - | 6,828 | 4,538 | - | 2,290 |
| Total general government | - | 1,141,189 | 1,000,662 | 12,034 | 128,493 |
| Public safety: | | | | | |
| Police | 3,691 | 843,868 | 844,235 | 26,075 | (22,751) |
| Ambulance | - | 117,447 | 120,954 | - | (3,507) |
| Fire | 43,220 | 310,560 | 308,296 | 8,817 | 36,667 |
| Building inspection | - | 31,081 | 36,441 | - | (5,360) |
| Emergency management | - | 41,000 | 37,456 | - | 3,544 |
| Total public safety | 46,911 | 1,343,956 | 1,347,382 | 34,892 | 8,593 |
| Highways and streets: | | | | | |
| Highways and streets | - | 446,418 | 490,935 | - | (44,517) |
| Street lighting | - | 22,900 | 19,582 | - | 3,318 |
| Other | - | - | 11,700 | - | (11,700) |
| Total highways and streets | - | 469,318 | 522,217 | - | (52,899) |
| Sanitation | - | 184,540 | 116,827 | - | 67,713 |
| Health: | | | | | |
| Administration | - | 6,975 | 5,269 | - | 1,706 |
| Pest control | - | 10,515 | 8,464 | - | 2,051 |
| Health agencies | - | 29,022 | 18,207 | - | 10,815 |
| Total health | - | 46,512 | 31,940 | - | 14,572 |
| Welfare | - | 65,930 | 62,701 | - | 3,229 |
| Culture and recreation: | | | | | |
| Parks and recreation | - | 31,650 | 31,046 | - | 604 |
| Patriotic purposes | - | 2,351 | 2,300 | - | 51 |
| Total culture and recreation | - | 34,001 | 33,346 | - | 655 |
| Conservation | - | 9 | 1,102 | - | (1,093) |
| Economic development | - | 1,050 | - | - | 1,050 |
| Debt service: | | | | | |
| Principal of long-term debt | - | 60,000 | 60,000 | - | - |
| Interest on long-term debt | - | 11,256 | 11,025 | - | 231 |
| Interest on tax anticipation notes | - | 15,000 | - | - | 15,000 |
| Total debt service | - | 86,256 | 71,025 | - | 15,231 |

(Continued)

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

Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2012

| | Encumbered from Prior Year | Appropriations | Expenditures | Encumbered to Subsequent Year | Variance Positive (Negative) |
|---|----------------------------------|---------------------|--------------------|-------------------------------------|------------------------------------|
| Capital outlay: | | | | | |
| Town hall interior repairs | - | 25,000 | 22,513 | - | 2,487 |
| Shelter trailer | - | 13,764 | 13,764 | - | - |
| Boiler replacement | - | - | 9,895 | - | (9,895) |
| Total capital outlay | - | 38,764 | 46,172 | - | (7,408) |
| Other financing uses: | | | | | |
| Transfers out | - | 67,832 | 67,832 | - | - |
| Total appropriations, expenditures, other financing uses, and encumbrances | <u>\$ 46,911</u> | <u>\$ 3,479,357</u> | <u>\$3,301,206</u> | <u>\$ 46,926</u> | <u>\$ 178,136</u> |

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

| | | |
|---|----------------|----------------------------|
| Unassigned fund balance, beginning | | \$ 918,718 |
| Changes: | | |
| 2012 Budget summary: | | |
| Revenue surplus (Schedule 1) | \$ 97,017 | |
| Unexpended balance of appropriations (Schedule 2) | <u>178,136</u> | |
| 2012 Budget surplus | | 275,153 |
| Increase in nonspendable fund balance | | <u>(53,526)</u> |
| Unassigned fund balance, ending | | <u><u>\$ 1,140,345</u></u> |

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

| | Special Revenue Funds | | | | | Total |
|---------------------------|----------------------------|-------------------------|-----------------|--|-------------------|------------------|
| | Conservation Commission | Recreation Revolving | DARE | Public Safety Services Revolving | Permanent Fund | |
| ASSETS | | | | | | |
| Cash and cash equivalents | \$ 1,351 | \$ 138 | \$ 6,388 | \$ 21,727 | \$ - | \$ 29,604 |
| Investments | - | - | - | - | 6,758 | 6,758 |
| Interfund receivable | - | - | - | 1,499 | - | 1,499 |
| Total assets | <u>\$ 1,351</u> | <u>\$ 138</u> | <u>\$ 6,388</u> | <u>\$ 23,226</u> | <u>\$ 6,758</u> | <u>\$ 37,861</u> |
| FUND BALANCES | | | | | | |
| Nonspendable | \$ - | \$ - | \$ - | \$ - | \$ 1,375 | \$ 1,375 |
| Restricted | - | - | 6,388 | - | 5,383 | 11,771 |
| Committed | 1,351 | 138 | - | 23,226 | - | 24,715 |
| Total fund balances | <u>\$ 1,351</u> | <u>\$ 138</u> | <u>\$ 6,388</u> | <u>\$ 23,226</u> | <u>\$ 6,758</u> | <u>\$ 37,861</u> |

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

| | Special Revenue Funds | | | | | |
|------------------------------|----------------------------|-------------------------|----------|--|-------------------|-----------|
| | Conservation Commission | Recreation Revolving | DARE | Public Safety Services Revolving | Permanent Fund | Total |
| Revenues: | | | | | | |
| Charges for services | \$ - | \$ 30 | \$ - | \$ 8,905 | \$ - | \$ 8,935 |
| Miscellaneous | 1 | - | 9 | 31 | 23 | 64 |
| Total revenues | 1 | 30 | 9 | 8,936 | 23 | 8,999 |
| Expenditures: | | | | | | |
| Current: | | | | | | |
| General government | - | - | - | - | 42 | 42 |
| Public safety | - | - | - | 6,498 | - | 6,498 |
| Culture and recreation | - | 10 | - | - | - | 10 |
| Total expenditures | - | 10 | - | 6,498 | 42 | 6,550 |
| Net changes in fund balances | 1 | 20 | 9 | 2,438 | (19) | 2,449 |
| Fund balances, beginning | 1,350 | 118 | 6,379 | 20,788 | 6,777 | 35,412 |
| Fund balances, ending | \$ 1,351 | \$ 138 | \$ 6,388 | \$ 23,226 | \$ 6,758 | \$ 37,861 |

***SINGLE AUDIT ACT SCHEDULES
AND INDEPENDENT AUDITOR'S REPORTS***



PLODZIK & SANDERSON

Professional Association/Accountants & Auditors

193 North Main Street • Concord • New Hampshire • 03301-5063 • 603-225-6996 • FAX-224-1380

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

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

We have audited, in accordance with the auditing standards generally accepted in the United State of America and the standards applicable to the financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Allenstown, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Town of Allenstown's basic financial statements, and have issued our report thereon dated July 17, 2013.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Sheryl A. Platt, CPA

PLODZIK & SANDERSON
Professional Association

July 17, 2013



PLODZIK & SANDERSON

Professional Association/Accountants & Auditors

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR 1-33

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

Report on Compliance for the Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on the Major Federal Program

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

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 12-01. Our opinion on the major federal program is not modified with respect to this matter.

Report on Internal Control over Compliance

Management of the Town of Allenstown is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Allenstown's internal control over compliance with the types of requirements that could have a direct and

Town of Allentown

Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with OMB Circular A-133

material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the major program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Allentown's internal control over compliance.

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

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

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

Sheryl A. Platt, CPA

PLODZIK & SANDERSON
Professional Association

July 17, 2013

SCHEDULE I
TOWN OF ALLENSTOWN, NEW HAMPSHIRE
Summary Schedule of Prior Audit Findings
For the Year Ended December 31, 2012

**Auditor
Reference
Number**

- 09-04 U.S. Department of Homeland Security passed through the State of New Hampshire Department of Safety: CFDA No. 97.029 Flood Mitigation Assistance**
- Criteria:** Interest earned by local government and Indian tribal government grantees and sub-grantees on advances of Federal funding is required to be submitted promptly, but at least quarterly, to the Federal granting agency. Up to \$100 per year may be kept for administrative expenses.
- Condition:** While documenting internal controls over the Cash Management requirement with the Town, it was noted that the Town has placed Federal funding advancements into an interest bearing bank account and has earned over \$100 of interest income on the funds; however, the excess interest over \$100 has not been remitted to the Federal Government as required.
- Effect:** The Town is not in compliance with cash management requirements.
- Recommendation:** We recommend that the Town determine the exact amount of interest earned on the received federal funds since the first receipt of the funds to date and return to the Federal granting agency any interest earned over \$100 and repeat this process at least quarterly until the grant program has ended.
- Management Response:** The Town agrees with the auditor's recommendation. The Select Board will instruct the Town Administrator to determine the exact amount of interest earned on the received federal funds since first receipt of funds to date and return to the Federal granting agency any interest earned over \$100 and repeat this process on at least a quarterly basis until the program has ended.
- Status:** Interest earned in excess of \$100 per fiscal year is still not being remitted to the Federal granting agency.
- 11-03 U.S. Department of Homeland Security passed through the State of New Hampshire Department of Safety: CFDA No. 97.029: Flood Mitigation Assistance**
- Criteria:** State RSA 41:29 states in part that "The town treasurer shall have custody of all moneys belonging to the town, and shall pay out the same only upon orders of the selectmen..."
- Condition:** While reviewing the accounts payable manifests for fiscal year 2011, it was noted that six registers were not signed by a majority of the Board of Selectmen, which evidence approval for the Treasurer to issue checks. Some of these manifests noted included payments related to the Federal Flood Mitigation Assistance Grant.
- Cause:** A majority of the Board of Selectmen were not available, so the manifests were not properly signed.
- Effect:** The payments related to the above noted accounts payable manifests were not properly authorized for disbursement and the Town is not in compliance with procurement requirements.
- Recommendation:** We recommend that a majority of the Board of Selectmen review and formally approve all accounts payable manifests prior to the Treasurer releasing checks for payment.
- Management Response:** The Town Administrator will work with the Board of Selectmen to ensure that a majority of the Board members sign all accounts payable manifests prior to the release of checks for payment by the Treasurer.
- Status:** Corrective action has been taken.

SCHEDULE II
TOWN OF ALLENSTOWN, NEW HAMPSHIRE
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2012

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? yes X no
- Significant deficiency(ies) identified? yes X none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes X no
- Significant deficiency(ies) identified? yes X none reported

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

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

Identification of major programs:

| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|-----------------------|---|
| <u>97.029</u> | <u>Repetitive Flood Claim</u> |

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

Auditee qualified as low-risk auditee? yes X no

SECTION II - FINANCIAL STATEMENT FINDINGS

NONE

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

NONE

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

| Federal Grantor/Pass-Through Grantor/Program or Cluster Title | Federal CFDA Number | Pass-Through Grantor's Number | Federal Expenditures |
|---|---------------------------|-------------------------------------|--------------------------|
| U.S. DEPARTMENT OF TRANSPORTATION | | | |
| Passed Through the State of New Hampshire Department of Transportation | | | |
| Highway Planning and Construction | 20.205 | 15550 | \$ 25 |
| Passed Through the New Hampshire Highway Safety Agency | | | |
| <i>HIGHWAY SAFETY CLUSTER</i> | | | |
| State and Community Highway Safety: | | | |
| Operation Safe Commute | 20.600 | 315-12B-043 | 7,414 |
| Allenstown Enforcement Patrols | 20.600 | 315-12B-082 | 3,206 |
| Alcohol Impaired Driving Countermeasures Incentive Grants I: | | | |
| DWI Patrols | 20.601 | 308-12B-021 | 7,707 |
| Allenstown Sobriety Checkpoints | 20.601 | 308-12B-059 | 5,129 |
| <i>CLUSTER TOTAL</i> | | | <u>23,456</u> |
| U.S. DEPARTMENT OF HOMELAND SECURITY | | | |
| Passed Through the State of New Hampshire Department of Safety | | | |
| Flood Mitigation Assistance | 97.029 | FMA-PJ-01-NH-2009-001 | 144,019 |
| Disaster Grants - Public Assistance (Presidentially Declared Disasters) | 97.036 | FEMA-4095-DR-NH | 3,130 |
| Emergency Management Performance Grants: | | | |
| Utility Trailer | 97.042 | N/A | 6,882 |
| Radio Upgrade Project | 97.042 | N/A | 23,445 |
| <i>PROGRAM TOTAL</i> | | | <u>30,327</u> |
| Homeland Security Grant Program: | | | |
| Recovery Workshop/Table Top Exercise | 97.067 | N/A | 13,234 |
| Full Scale Exercise | 97.067 | N/A | 16,647 |
| <i>PROGRAM TOTAL</i> | | | <u>29,881</u> |
| Repetitive Flood Claim | 97.092 | EMB-2011-CR-0001 | 595,531 |
| Total Expenditures of Federal Awards | | | <u><u>\$ 826,369</u></u> |

The accompanying notes are an integral part of this schedule.

TOWN OF ALLENTOWN, NEW HAMPSHIRE
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2012

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the “schedule”) includes the federal grant activity of the Town of Allentown under programs of the federal government for the year ended December 31, 2012. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the Town of Allentown, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Town of Allentown.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.