

**TOWN OF ALLENSTOWN,
NEW HAMPSHIRE**

ANNUAL FINANCIAL REPORT

**AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2016**

TOWN OF ALLENSTOWN, NEW HAMPSHIRE
ANNUAL FINANCIAL REPORT
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2016

TABLE OF CONTENTS

	<u>PAGES</u>
INDEPENDENT AUDITOR'S REPORT	1 - 2
MANAGEMENT'S DISCUSSION AND ANALYSIS.....	3 - 11

BASIC FINANCIAL STATEMENTS

Government-wide Financial Statements	
A Statement of Net Position	12
B Statement of Activities	13
Fund Financial Statements	
<i>Governmental Funds</i>	
C-1 Balance Sheet	14
C-2 Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position.....	15
C-3 Statement of Revenues, Expenditures, and Changes in Fund Balances.....	16
C-4 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
<i>Budgetary Comparison Information</i>	
D Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) – General Fund	18
<i>Proprietary Fund</i>	
E-1 Statement of Net Position	19
E-2 Statement of Revenues, Expenses, and Change in Net Position.....	20
E-3 Statement of Cash Flows	21
<i>Fiduciary Funds</i>	
F Statement of Net Position	22
NOTES TO THE BASIC FINANCIAL STATEMENTS	23 - 43

REQUIRED SUPPLEMENTARY INFORMATION

G Schedule of Funding Progress for Other Postemployment Benefit Plan	44
H Schedule of the Town's Proportionate Share of Net Pension Liability	45
I Schedule of Town Contributions	46
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION	47

COMBINING AND INDIVIDUAL FUND SCHEDULES

Governmental Funds	
<i>Major General Fund</i>	
1 Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis).....	48
2 Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis).....	49 - 50
3 Schedule of Changes in Unassigned Fund Balance.....	51
<i>Nonmajor Governmental Funds</i>	
4 Combining Balance Sheet	52
5 Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances.....	53

TOWN OF ALLENSTOWN, NEW HAMPSHIRE
ANNUAL FINANCIAL REPORT
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2016

TABLE OF CONTENTS

	<u>PAGES</u>
SINGLE AUDIT ACT SCHEDULES AND INDEPENDENT AUDITOR'S REPORTS	
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	54
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	55 - 56
I Schedule of Findings and Questioned Costs.....	57
II Schedule of Expenditures of Federal Awards.....	58
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.....	59



PLODZIK & SANDERSON

Professional Association/Accountants & Auditors

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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, business-type activities, each major fund, and aggregate remaining fund information of the Town of Allenstown as of and for the year ended December 31, 2016, 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit 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.

Basis for Adverse Opinion on Governmental Activities, Business-type Activities, and Major Proprietary Fund

As discussed in Note 1-B to the financial statements, management has not recorded all of the capital assets and related accumulated depreciation in the governmental activities, business-type activities, and major proprietary fund, and accordingly, has not recorded depreciation expense on those assets. Accounting principles generally accepted in the United States of America require that capital assets, including infrastructure, be capitalized and depreciated, which would increase the assets, net position, and expenses of the governmental activities, business-type activities, and major proprietary fund. The amount by which this departure would affect the assets, net position, and expenses of the governmental activities, business-type activities, and major proprietary fund is not reasonably determinable.

Adverse Opinion

In our opinion, because of the significance of the matter described in the "Basis for Adverse Opinion on Governmental Activities, Business-type Activities, and Major Proprietary Fund" paragraph, the financial statements referred to above do not

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

present fairly the financial position of the governmental activities, business-type activities, and major proprietary fund financial statements of the Town of Allenstown, as of December 31, 2016, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of the Town of Allenstown as of December 31, 2016, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1-F to the basic financial statements, effective January 1, 2016, the Town adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement, and Application*. As a result of the implementation of GASB Statement No. 72, the Town disclosed its investments in accordance with fair value hierarchy. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information - Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of Funding Progress for Other Postemployment Benefit Plan, the Schedule of Town's Proportionate Share of Net Pension Liability, and the Schedule of Town Contributions 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 schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual fund schedules and Schedule of Expenditures of Federal Awards 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 schedules and Schedule of Expenditures of Federal Awards 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 October 2, 2017 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 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.

October 2, 2017


PLODZIK & SANDERSON
Professional Association

TOWN OF ALLENSTOWN, NH

Management's Discussion and Analysis Calendar Year Ended December 31, 2016

Our discussion and analysis of the Town of Allenstown's financial performance provides an overview of the Town's financial activities for the year ended December 31, 2016. Please read it in conjunction with the Town's financial statements, which begin on page 10.

FINANCIAL HIGHLIGHTS

For the year ended December 31, 2016:

The Town's total net position was \$11,229,299, an increase of \$2,225,114 from the prior year balance. This total is comprised of: \$5,760,895 for Governmental Activities and \$5,468,404 from Business-Type Activities. The Government Activities net position was significantly increased due to a \$2,200,137 increase in Net Investment in Capital Assets, the majority of which is the new Community Center building. This building was financed by \$1,425,822 in grant funds, and \$441,589 in contributions. Programs operated in the facility include the Central New Hampshire Boys' and Girls' Club satellite program, Suncook Area Senior Center, and the Regional Headquarters of the Capital Area Assistance Program Meals on Wheels.

- Capital assets, net of depreciation for the Governmental Activities were \$6,142,521, an increase of \$2,061,676 from the prior year. Capital assets, net of depreciation for the Business-Type Activities were \$3,954,289, an increase of \$148,967 from the prior year. Depreciation expense for 2016 was \$188,561 for the governmental activities and \$328,826 for the business-type activities. Depreciation expense does not include roadway infrastructure or the sewer collection system.
- The total long-term obligations for the Town Governmental Activities were \$3,762,826, and \$633,055 for Business-Type Activities. This represents an increase of \$1,087,001 from the prior year. The long-term obligations include capital leases, compensated absences, other postemployment benefits, accrued landfill post closure care costs, and the net pension liability of \$3,075,149 for Governmental Activities and \$633,055 for Business-Type Activities. The Town's liabilities were significantly impacted by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, implemented by the Town as of December 31, 2015. This requires the Town to report their proportionate share of the New Hampshire Retirement System's net pension liability based upon their plan contributions for the year. The New Hampshire Retirement System has a statutory funding schedule whose goal is to reach 100% plan funding by June 30, 2039. The amount recorded as a liability at December 31, 2015 was \$2,670,973. This liability existed in 2014 and prior, however this is the first time it has been recorded in this report.
- The unassigned fund balance of the General Fund was \$1,676,822.

TOWN OF ALLENSTOWN, NH

Management's Discussion and Analysis Calendar Year Ended December 31, 2016

OVERVIEW OF FINANCIAL STATEMENTS

The basic financial statements consist of two types of statements:

Government-Wide Financial Statements

The Statement of Net Position, page 10 and the Statement of Activities, page 11, are designed to report the Town's financial activities in a manner similar to private-sector companies. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting, thereby reporting all current year revenue and expenses regardless of when cash is paid or received. These two statements report the Town's net position and changes in them. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial health of the Town is improving or deteriorating.

- **Governmental Activities** - Most of the Town's basic services are reported in this section. These include general government, law enforcement, emergency medical services, fire protection, public works, sanitation, health and welfare, culture and recreation, and capital outlay. These activities are supported primarily by property taxes, motor vehicle fees, intergovernmental revenues, charges for service, and other miscellaneous revenues.
- **Business-Type Activities** – The Town charges a user fee to customers to cover all, or most, of the cost of certain services provided. The Town's wastewater treatment operations are reported here.

Fund Financial Statements

The fund financial statements begin on page 12, and provide information on the Town's most significant funds; not the Town as a whole. A fund is a grouping of accounts, each of which is considered a separate accounting entity. The following fund types are utilized by the Town:

- **Governmental Funds**: This fund type is used to account for the Town's basic services such as general government, law enforcement, fire protection, public works, culture, recreation, health, welfare, and capital outlay. These activities are supported primarily by property taxes, motor vehicle permits, and intergovernmental revenues. Unlike the government-wide financial statements, these funds are reported using an accounting method called modified accrual accounting. This method of accounting measures cash and all other financial assets that can readily be converted to cash.

TOWN OF ALLENSTOWN, NH

Management's Discussion and Analysis Calendar Year Ended December 31, 2016

The governmental fund financial statements provide a short-term view of the Town's general government operations. It is useful to compare this information to similar information on the government-wide financial statements to gain a better understanding of the long-term impact of the Town's near term financial decisions.

- Proprietary Funds: These funds are commonly referred to as Enterprise Funds. Proprietary Funds are comprised of the Wastewater Treatment Fund. It is presented in the same format as the business-type activities in the government-wide financial statements, only in more detail.
- Fiduciary Funds: Fiduciary funds account for assets held by the Town as a trustee or agent for individual, groups, private organizations, or other units of government. These funds are not reflected in the government-wide financial statements, because these assets are unavailable to finance the Town's operation.

Notes to the Financial Statements

The notes to the Financial Statements provide additional information that is essential to an overall comprehension of the data provided in the government-wide and fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS:

The following is a summary of the government-wide financial data for the fiscal year ended December 31, 2016:

Statement of Net Position

The Statement of Net Position, is presented on page 10 of the financial statements.

- Net investment in Capital Assets: The Town has recorded its inventory in capital assets such as land, buildings, equipment and the wastewater treatment facility. Infrastructure such as roadways, wastewater collection system and stormwater collection system have not been inventoried and amortized in accordance with GASB 34. The Town has recorded its inventory in capital assets for the Business-Type Activities such as land, buildings, equipment, and system infrastructure (pipes including installation costs, etc.), net of accumulated depreciation, and the related debt obligations. The Town is completing a project in 2016 to inventory the roadway, wastewater collection system and stormwater collection system.

TOWN OF ALLENSTOWN, NH

Management's Discussion and Analysis Calendar Year Ended December 31, 2016

- Restricted Net Position: Approximately .1% of the Town's Governmental Activities' net position are the Town's permanent funds which represent resources that are subject to external restrictions on how they may be used.
- Unrestricted Net Position: The Town's unrestricted net position may be used to meet the Town's ongoing obligations.
- Total Net Position: The Town is reporting positive net position in its Governmental Activities and Business-Type Activities.

Statement of Activities

The Statement of Activities is presented on page 11 of the financial statements.

Governmental Activities

- Revenues: Revenues are classified as either Program or General.

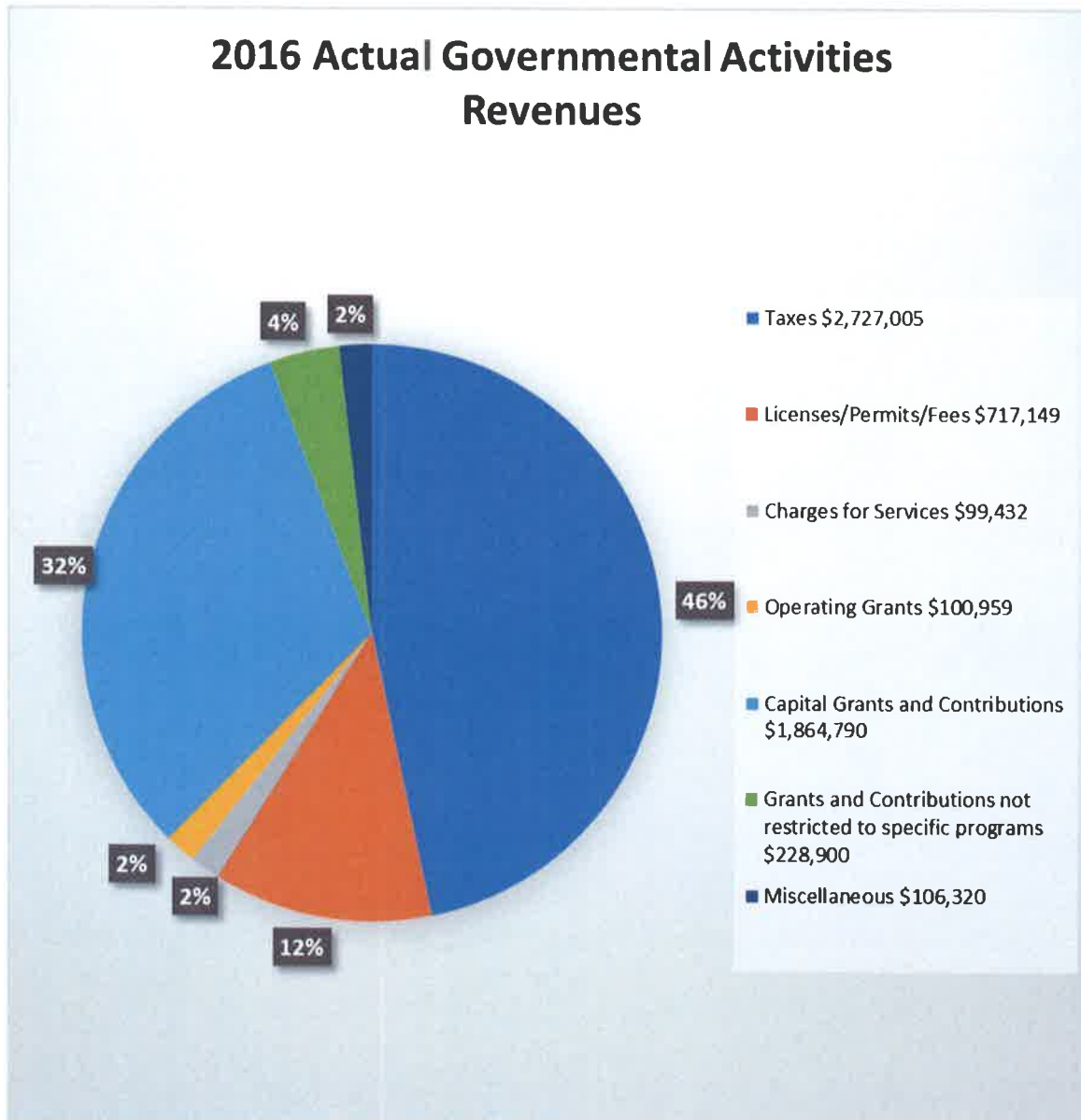
Program revenues are targeted to directly offset expenses. For 2016, program revenues consisted of charges for services (\$99,432) which account for 4.8% of total program revenues, operating grants and contributions (\$100,959) which account for 4.9% of total program revenues, and capital grants and contributions (\$1,864,790) which account for 90.3% of total program revenues. Note that the capital grants and contributions are the funds used to construct the Community Center.

General revenues for 2016 accounted for 64.7% of total governmental activities revenues. Revenues not specifically targeted for an activity are known as general revenues. Taxes make up 72.2% of the Town's general revenues and 46% of total governmental activities revenues. Licenses and permits, mainly auto registrations, account for 18.9% of general revenues and 12% of total governmental activities revenues. Detail of the total governmental activities revenues is as follows:

TOWN OF ALLENSTOWN, NH

Management's Discussion and Analysis Calendar Year Ended December 31, 2016

2016 Actual Governmental Activities Revenues



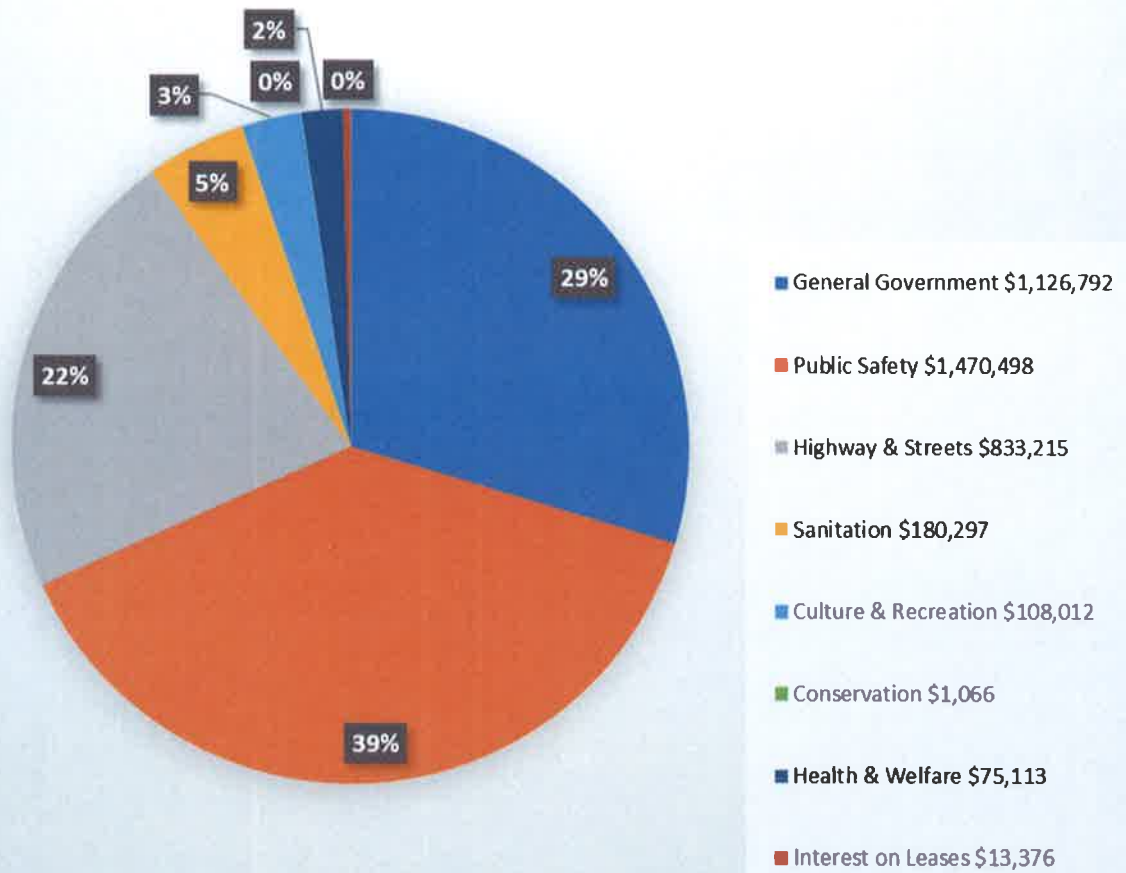
- **Expenses:** Expenses are classified by major governmental function or program and are offset by related program income. Depreciation has been recorded for 2016 by function and/or program as noted in Note 7 of the notes to financial statements.

The largest expenses for the governmental activities were for General government (including employee benefits and payroll taxes for all employees) 29%, Public Safety 39%, Highways and Streets 22%, Sanitation 5%, Welfare 2%, Culture and recreation, 3%, Conservation, <1%, and interest on long term debt <1%. Details are as follows:

TOWN OF ALLENSTOWN, NH

Management's Discussion and Analysis Calendar Year Ended December 31, 2016

2016 Actual Governmental Activities Expenses



TOWN OF ALLENSTOWN, NH

Management's Discussion and Analysis Calendar Year Ended December 31, 2016

Business-Type Activities

➤ Revenues:

Program revenues for the Business-Type Activities, accounted for 99.4% of total program revenues for these activities. These are charges for service for Wastewater Treatment and Septage Haulers. the remaining .6% was from operating grants.

➤ Expenses:

Expenses of the Business-Type Activities consist of operating expenses, and depreciation expense for the Sewer utility.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

- Governmental Funds: The fund financial statements are provided on pages 12-20. The focus of the governmental funds is to provide information on near-term inflows, outflows, and balance of resources. This information is most useful in assessing financing requirements. For example, unassigned fund balance may serve as a useful measure of a government's net resources available at year end. The Town's General Fund is its largest Governmental Fund.

During the fiscal year, the Town recognized \$4,048,512 in revenues and other financing sources in the General Fund and \$1,874,790 in the Grants Fund, which is an increase of \$1,450,933 from the prior year. The Town incurred \$3,997,908 in General Fund and \$1,874,790 in Grants Fund expenditures and other financing uses during the year, which represents an increase of \$1,818,583 from the prior year.

The Town finished the fiscal year with the General Fund balance in the amount of \$2,320,687, an increase from the prior year. The current year net change in fund balance is \$50,604. Of the total fund balance, \$1,026 is Non-spendable; \$3,785 is Restricted; \$428,628 is Committed; and \$210,426 is Assigned, leaving an unassigned balance of \$1,676,822.

- Proprietary Funds: Proprietary funds provide the same type of information found in the business-type activities reported in the government wide financial statements, only in more detail.

The Proprietary funds reported an overall change in net position of \$188,928. Depreciation expense for 2016 was \$328,826, which is an increase of \$144,226 from 2015, due to completion of plant construction projects and new machinery and equipment.

TOWN OF ALLENSTOWN, NH

Management's Discussion and Analysis Calendar Year Ended December 31, 2016

BUDGETARY HIGHLIGHTS

The town budget was approved at Town Meeting for the year ending December 31, 2016. This means that the budget for the general fund passed as \$3,885,825 and the budget for the sewer fund passed at \$2,126,967. Also included in the budget was a \$50,000 appropriation to be added to the Fire Safety Equipment Capital Reserve Fund, \$32,000 to be added to the Highway Equipment Capital Reserve Fund, \$15,000 to be added to the Highway Garage Capital Reserve Fund, and a \$15,000 appropriation to be added to the Town Hall Repair and Maintenance Capital Reserve Fund.

Of the total voted appropriations of \$6,124,792, the General Fund accounted for \$3,997,825 and \$2,126,967 for the Sewer Fund.

CAPITAL ASSETS

As shown in Note 7 on page 31 of the financial statements, the Town of Allenstown has \$6,142,521 from Governmental activities and \$3,954,289 from Business-type activities invested in capital assets, including land, buildings, building improvements, machinery, equipment and vehicles. This represents an increase of \$2,061,676 on the Governmental activities as a result of the new Community Center facility, and an increase of \$148,967 on the Business-type activities, as a result of upgrades at the wastewater treatment plant.

NON-CURRENT OBLIGATIONS

As shown in Note 13 on page 34 of the Governmental financial statements, the Town of Allenstown has \$3,762,826 in long-term liabilities. Long term obligations include capital leases, compensated absences, landfill site monitoring, other postemployment benefits, and the net pension liability.

ECONOMIC FACTORS AND THE 2016 BUDGET

New Hampshire Department of Employment Security and the United States Department of Labor reported the following unemployment rates for December 2014 and December 2016:

	<u>2015</u>	<u>2016</u>
Allenstown	4.3%	2.9%
Merrimack County	3.1%	2.2%
State of New Hampshire*	2.9%	2.7%
United States	6.2%	4.7%

*Seasonally adjusted rate

The Northeast Regional Consumer Price Index (CPI) increased 1.9% from December 2015 to December 2016. The National CPI for the same period increased by 2.07%.

TOWN OF ALLENTOWN, NH

Management's Discussion and Analysis Calendar Year Ended December 31, 2016

REQUESTS FOR INFORMATION

This financial report was designed to provide a general overview of the Town of Allentown's finances for any party with an interest in the government's finances. Questions related to this financial statement, or request for additional information should be addressed to the following:

Karen Simmons
Finance Director
Town of Allentown
16 School Street
Allentown, NH 03275
(603) 485-4276 ext. 120

BASIC FINANCIAL STATEMENTS

EXHIBIT A
TOWN OF ALLENSTOWN, NEW HAMPSHIRE
Statement of Net Position
December 31, 2016

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 3,730,722	\$ 960,256	\$ 4,690,978
Investments	319,535	1,232,692	1,552,227
Accounts receivable	23,338	283,854	307,192
Taxes receivable (net)	783,621	-	783,621
Internal balances	284,716	(284,716)	-
Prepaid items	1,026	-	1,026
Capital assets:			
Land and construction in progress	2,669,255	42,953	2,712,208
Other capital assets, net of depreciation	3,473,266	3,911,336	7,384,602
Total assets	11,285,479	6,146,375	17,431,854
DEFERRED OUTFLOWS OF RESOURCES			
Amounts related to pensions	821,171	140,745	961,916
LIABILITIES			
Accounts payable	224,314	144,773	369,087
Accrued salaries and benefits	63,579	13,119	76,698
Intergovernmental payable	2,228,485	-	2,228,485
Accrued interest payable	4,116	-	4,116
Escrow and performance deposits	15,653	-	15,653
Long-term liabilities:			
Due within one year	167,241	-	167,241
Due in more than one year	3,595,585	633,055	4,228,640
Total liabilities	6,298,973	790,947	7,089,920
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	7,951	-	7,951
Amounts related to pensions	38,831	27,769	66,600
Total deferred inflows of resources	46,782	27,769	74,551
NET POSITION			
Net investment in capital assets	5,905,384	3,954,289	9,859,673
Restricted	16,641	-	16,641
Unrestricted	(161,130)	1,514,115	1,352,985
Total net position	\$ 5,760,895	\$ 5,468,404	\$ 11,229,299

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

EXHIBIT B
TOWN OF ALLENSTOWN, NEW HAMPSHIRE
Statement of Activities
For the Fiscal Year Ended December 31, 2016

	Program Revenues			Net (Expense) Revenue and	
	Expenses	Charges for Services	Operating Grants and Contributions	Change in Net Position	
				Governmental Activities	Business-type Activities
Governmental activities:					
General government	\$ 1,126,792	\$ 49,158	\$ -	\$ (1,077,634)	\$ -
Public safety	1,470,498	44,305	11,080	(1,415,113)	-
Highways and streets	833,215	-	89,879	(743,336)	-
Sanitation	180,297	5,969	-	(174,328)	-
Health	3,304	-	-	(3,304)	-
Welfare	71,809	-	-	(71,809)	-
Culture and recreation	108,012	-	-	1,756,778	-
Conservation	1,066	-	-	(1,066)	-
Interest on long-term debt	13,376	-	-	(13,376)	-
Total governmental activities	3,808,369	99,432	100,959	(1,743,188)	-
Business-type activities:					
Sewer	2,483,393	2,655,872	19,542	-	192,021
Total	\$ 6,291,762	\$ 2,755,304	\$ 120,501	(1,743,188)	192,021
General revenues:					
Taxes:					
Property				2,587,457	-
Other				139,548	-
Motor vehicle permit fees				694,691	-
Licenses and other fees				22,458	-
Grants and contributions not restricted to specific programs				228,900	-
Miscellaneous				106,320	(3,093)
Total general revenues				3,779,374	(3,093)
Change in net position				2,036,186	188,928
Net position, beginning				3,724,709	5,279,476
Net position, ending				\$ 5,760,895	\$ 5,468,404
					\$ 11,229,299

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, 2016

	General	Grants	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 3,645,694	\$ -	\$ 85,028	\$ 3,730,722
Investments	313,770	-	5,765	319,535
Accounts receivable	17,500	-	5,838	23,338
Taxes receivable	803,621	-	-	803,621
Interfund receivable	301,910	-	-	301,910
Voluntary tax liens	34,367	-	-	34,367
Voluntary tax liens reserved until collected	(34,367)	-	-	(34,367)
Prepaid items	1,026	-	-	1,026
Total assets	<u>\$ 5,083,521</u>	<u>\$ -</u>	<u>\$ 96,631</u>	<u>\$ 5,180,152</u>
LIABILITIES				
Accounts payable	\$ 223,235	\$ -	\$ 1,079	\$ 224,314
Accrued salaries and benefits	63,579	-	-	63,579
Intergovernmental payable	2,228,485	-	-	2,228,485
Interfund payable	-	-	17,194	17,194
Escrow and performance deposits	15,653	-	-	15,653
Total liabilities	<u>2,530,952</u>	<u>-</u>	<u>18,273</u>	<u>2,549,225</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	<u>231,882</u>	<u>-</u>	<u>-</u>	<u>231,882</u>
FUND BALANCES				
Nonspendable	1,026	-	5,606	6,632
Restricted	3,785	-	7,251	11,036
Committed	428,628	-	65,501	494,129
Assigned	210,426	-	-	210,426
Unassigned	1,676,822	-	-	1,676,822
Total fund balances	<u>2,320,687</u>	<u>-</u>	<u>78,358</u>	<u>2,399,045</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 5,083,521</u>	<u>\$ -</u>	<u>\$ 96,631</u>	<u>\$ 5,180,152</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 the Balance Sheet of Governmental Funds to the Statement of Net Position
December 31, 2016

Total fund balances of governmental funds (Exhibit C-1)		\$ 2,399,045
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources, therefore, are not reported in the funds.		
Cost	\$ 9,184,404	
Less accumulated depreciation	<u>(3,041,883)</u>	
		6,142,521
Interfund receivables and payables between governmental funds are eliminated on the Statement of Net Position.		
Receivables	\$ (17,194)	
Payables	<u>17,194</u>	
		-
Certain resources are not current financial resources in the governmental funds, but instead are reported in the Statement of Net Position.		
Deferred outflows of resources related to pensions	\$ 821,171	
Deferred inflows of resources related to pensions	<u>(38,831)</u>	
		782,340
Property taxes are recognized on an accrual basis in the Statement of Net Position and on a modified accrual basis in the governmental funds.		
Deferred inflows of resources - property taxes	\$ 223,931	
Allowance for uncollectible property taxes	<u>(20,000)</u>	
		203,931
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(4,116)
Long-term liabilities are not due and payable in the current period, therefore, are not reported in the funds.		
Capital leases	\$ 237,137	
Compensated absences	80,735	
Accrued landfill postclosure care costs	94,500	
Other postemployment benefits	275,305	
Net pension liability	<u>3,075,149</u>	
		<u>(3,762,826)</u>
Net position of governmental activities (Exhibit A)		<u><u>\$ 5,760,895</u></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, 2016

	General	Grants	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 2,790,382	\$ -	\$ -	\$ 2,790,382
Licenses and permits	717,149	-	-	717,149
Intergovernmental	320,259	1,433,201	-	1,753,460
Charges for services	80,929	-	18,503	99,432
Miscellaneous	105,373	441,589	547	547,509
Total revenues -	<u>4,014,092</u>	<u>1,874,790</u>	<u>19,050</u>	<u>5,907,932</u>
EXPENDITURES				
Current:				
General government	1,145,318	-	26	1,145,344
Public safety	1,453,026	10,000	11,090	1,474,116
Highways and streets	749,372	-	-	749,372
Sanitation	179,047	-	-	179,047
Health	3,304	-	-	3,304
Welfare	71,809	-	-	71,809
Culture and recreation	107,000	-	-	107,000
Conservation	1,066	-	-	1,066
Capital outlay	287,966	1,864,790	-	2,152,756
Total expenditures	<u>3,997,908</u>	<u>1,874,790</u>	<u>11,116</u>	<u>5,883,814</u>
Excess (deficiency) of revenues over (under) expenditures	<u>16,184</u>	<u>-</u>	<u>7,934</u>	<u>24,118</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,699	-	-	1,699
Transfers out	-	-	(1,699)	(1,699)
Capital lease inception	32,721	-	-	32,721
Total other financing sources (uses)	<u>34,420</u>	<u>-</u>	<u>(1,699)</u>	<u>32,721</u>
Net change in fund balances	50,604	-	6,235	56,839
Fund balances, beginning	2,270,083	-	72,123	2,342,206
Fund balances, ending	<u>\$ 2,320,687</u>	<u>\$ -</u>	<u>\$ 78,358</u>	<u>\$ 2,399,045</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, 2016

Net change in fund balances of governmental funds (Exhibit C-3)		\$ 56,839
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	\$ 2,250,237	
Depreciation expense	<u>(188,561)</u>	
		2,061,676
Revenue in the Statement of Activities that does not provide current financial resources is not reported as revenue in the governmental funds.		
Change in deferred tax revenue	\$ (48,638)	
Change in allowance for uncollectible property taxes	<u>(14,739)</u>	
		(63,377)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.		
Inception of capital lease	\$ (32,721)	
Repayment of capital leases	<u>171,182</u>	
		138,461
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	\$ 65	
Decrease in compensated absences payable	5,019	
Increase in accrued landfill postclosure care costs	(2,100)	
Increase in postemployment benefits payable	(27,951)	
Changes in GASB Statement No. 68 pension related balances	<u>(132,446)</u>	
		(157,413)
Changes in net position of governmental activities (Exhibit B)		<u>\$ 2,036,186</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 Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Fiscal Year Ended December 31, 2016

	Budgeted Amounts			Variance Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes	\$ 2,771,983	\$ 2,771,983	\$ 2,727,005	\$ (44,978)
Licenses and permits	667,325	667,325	717,149	49,824
Intergovernmental	317,943	322,808	320,259	(2,549)
Charges for services	62,365	62,365	80,929	18,564
Miscellaneous	66,209	66,209	73,632	7,423
Total revenues	<u>3,885,825</u>	<u>3,890,690</u>	<u>3,918,974</u>	<u>28,284</u>
EXPENDITURES				
Current:				
General government	1,287,759	1,286,459	1,150,937	135,522
Public safety	1,447,123	1,447,123	1,478,630	(31,507)
Highways and streets	598,689	598,689	572,411	26,278
Sanitation	181,500	181,500	179,047	2,453
Health	7,983	7,983	3,304	4,679
Welfare	83,899	83,899	71,809	12,090
Culture and recreation	106,749	111,614	98,752	12,862
Conservation	501	1,801	1,066	735
Debt service:				
Interest	15,000	15,000	-	15,000
Capital outlay	156,622	231,779	288,055	(56,276)
Total expenditures	<u>3,885,825</u>	<u>3,965,847</u>	<u>3,844,011</u>	<u>121,836</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(75,157)</u>	<u>74,963</u>	<u>150,120</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	75,157	81,256	6,099
Transfers out	(112,000)	(112,000)	(112,000)	-
Total other financing sources (uses)	<u>(112,000)</u>	<u>(36,843)</u>	<u>(30,744)</u>	<u>6,099</u>
Net change in fund balances	<u>\$ (112,000)</u>	<u>\$ (112,000)</u>	<u>44,219</u>	<u>\$ 156,219</u>
Decrease in nonspendable fund balance			1,070	
Decrease in assigned fund balance for contingency			52,274	
Unassigned fund balance, beginning			1,783,190	
Unassigned fund balance, ending			<u>\$ 1,880,753</u>	

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, 2016

	Business-type Activities Enterprise Fund (Sewer Department)
ASSETS	
Cash and cash equivalents	\$ 960,256
Investments	1,232,692
Receivables	283,854
Capital assets:	
Land and construction in progress	42,953
Other capital assets, net of depreciation	3,911,336
Total assets	<u>6,431,091</u>
DEFERRED OUTFLOWS OF RESOURCES	
Amounts related to pensions	<u>140,745</u>
LIABILITIES	
Current liabilities:	
Accounts payable	144,773
Accrued salaries and benefits	13,119
Internal balances	284,716
Noncurrent liabilities:	
Due in more than one year:	<u>633,055</u>
Total liabilities	<u>1,075,663</u>
DEFERRED INFLOWS OF RESOURCES	
Amounts related to pensions	<u>27,769</u>
NET POSITION	
Net investment in capital assets	3,954,289
Unrestricted	<u>1,514,115</u>
Total net position	<u><u>\$ 5,468,404</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, 2016

	Business-type Activities Enterprise Fund (Sewer Department)
Operating revenues:	
User charges	\$ 2,655,872
Miscellaneous	6,322
Total operating revenues	<u>2,662,194</u>
Operating expenses:	
Salaries and wages	420,459
Operation and maintenance	1,733,440
Depreciation	328,826
Total operating expenses	<u>2,482,725</u>
Operating gain	<u>179,469</u>
Nonoperating revenue (expenses):	
Intergovernmental revenue	19,542
Interest and investment loss	(9,415)
Investment fees	(668)
Total nonoperating revenues	<u>9,459</u>
Change in net position	188,928
Net position, beginning	5,279,476
Net position, ending	<u>\$ 5,468,404</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, 2016

	Business-type Activities Enterprise Fund (Sewer Department)
Cash flows from operating activities:	
Receipts from customers and users	\$ 2,655,106
Payments to employees	(407,340)
Payments to suppliers	(1,379,400)
Net cash provided by operating activities	<u>868,366</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of fixed assets, net of disposals	(477,793)
Payments from the State	19,542
Transfers from capital reserves	412,107
Net cash used by capital and related financing activities	<u>(46,144)</u>
Cash flows from investing activities:	
Interest income	160
Investment fees	(668)
Net cash used by investing activities	<u>(508)</u>
Net increase in cash	821,714
Cash, beginning	138,542
Cash, ending	<u>\$ 960,256</u>

Reconciliation of Operating Gain to Net Cash Provided by Operating Activities

Operating gain	<u>\$ 179,469</u>
Adjustments to reconcile operating gain to net cash provided by operating activities:	
Depreciation expense	328,826
Increase in receivables	(7,088)
Decrease in prepaid items	14,794
Increase in accounts payable	34,118
Increase in accrued salaries and benefits	13,119
Increase in internal balances	284,716
Increase in deferred outflows related to pensions	(118,925)
Decrease in deferred inflows related to pensions	(18,308)
Increase in net pension liability	157,645
Total adjustments	<u>688,897</u>
Net cash provided by operating activities	<u>\$ 868,366</u>

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

EXHIBIT F
TOWN OF ALLENSTOWN, NEW HAMPSHIRE
Fiduciary Funds
Statement of Net Position
December 31, 2016

	<u>Agency</u>
ASSETS	
Investments	\$ 87,043
LIABILITIES	
Intergovernmental payable	<u>87,043</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, 2016

	<u>NOTE</u>
Summary of Significant Accounting Policies	1
Reporting Entity	1-A
Government-wide and Fund Financial Statements	1-B
Measurement Focus, Basis of Accounting, and Financial Statement Presentation.....	1-C
Cash and Cash Equivalents.....	1-D
Statement of Cash Flows	1-E
Investments.....	1-F
Receivables.....	1-G
Prepaid Items	1-H
Capital Assets	1-I
Interfund Activities.....	1-J
Property Taxes.....	1-K
Accounts Payable	1-L
Deferred Outflows/Inflows of Resources	1-M
Long-term Obligations	1-N
Compensated Absences	1-O
Defined Benefit Pension Plan	1-P
Net Position/Fund Balances.....	1-Q
Use of Estimates	1-R
Stewardship, Compliance, and Accountability	2
Budgetary Information.....	2-A
Budgetary Reconciliation to GAAP Basis	2-B

DETAILED NOTES ON ALL FUNDS

Cash and Cash Equivalents	3
Investments	4
Taxes Receivable	5
Other Receivables.....	6
Capital Assets.....	7
Interfund Balances and Transfers	8
Intergovernmental Payables.....	9
Deferred Outflows/Inflows of Resources.....	10
Capital Leases	11
Long-term Liabilities	12
Defined Benefit Pension Plan	13
Other Postemployment Benefits (OPEB)	14
Encumbrances	15
Governmental and Business-type Activities Net Position	16
Governmental Fund Balances	17
Risk Management.....	18
Contingent Liabilities.....	19
Subsequent Events.....	20

TOWN OF ALLENSTOWN, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Allenstown, New Hampshire (the Town), have been prepared 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.

In 2016 the Town implemented GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which establishes the order of priority of pronouncements and other sources of accounting and financial reporting guidance that a government should apply.

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

1-A Reporting Entity

The Town of Allenstown is a municipal corporation governed by an elected 3-member Board of Selectmen. In evaluating how to define the Town for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth by the GASB. The Town has no component units to include in its reporting entity.

1-B Government-wide and Fund Financial Statements

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the primary government. Generally, the effect of interfund activity has been eliminated from these statements. Primary government activities are distinguished between governmental and business-type activities. Governmental activities normally are supported through taxes and intergovernmental revenues. Business-type activities rely, to a significant extent, on fees and charges for support.

The *Statement of Net Position* presents the financial position of the Town at year-end. This statement includes all of the Town's non-fiduciary assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position, with the exception of the capital assets and related accumulated depreciation, which have been partially omitted because they have not all been inventoried at historical cost.

The *Statement of Activities* demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. 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 that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not meeting the definition of program revenues are reported instead as general revenues. Resources that are dedicated internally are reported as general revenue rather than program revenue. As in the Statement of Net Position mentioned above, the Town has not recorded all of the depreciation expense in this statement.

Fund Financial Statements - Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements.

In the governmental fund financial statements, expenditures are reported by character: current, debt service or capital outlay. Current expenditures are subclassified by function and are for items such as salaries, grants, supplies, and services. Debt service includes both interest and principal outlays related to bonds. Capital outlay includes expenditures for equipment, real property, or infrastructure.

Revenues and expenses of proprietary funds are classified as operating or nonoperating and are subclassified by object (e.g. administration and depreciation). Operating revenues and expenses generally result from providing services and producing and delivering goods. All other revenues and expenses are generally reported as nonoperating.

Other Financing Sources (Uses) – these additions to and reductions from resources in governmental fund financial statements normally result from transfers from/to other funds and financing provided by bond proceeds. Transfers are reported when incurred as “transfers in” by the receiving fund and as “transfers out” by the disbursing fund.

TOWN OF ALLENSTOWN, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2016

1-C Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Measurement Focus and Basis of Accounting - The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements, except for agency funds which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources* measurement focus and the *modified accrual basis* of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Property taxes, licenses and permits, intergovernmental revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. All other revenue items are considered to be measurable and available only when cash is received by the government.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Financial Statement Presentation - A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to report financial position and the results of operations, to demonstrate legal compliance, and to aid financial management by segregating transactions related to certain government functions or activities.

The Town reports the following major governmental funds:

General Fund – is the Town’s primary operating fund. The general fund accounts for all financial resources except those required to be accounted for in another fund. The primary revenue sources include property taxes, State grants and motor vehicle permit fees. The primary expenditures are for general government, public safety, highways and streets, sanitation, culture and recreation, debt service and capital outlay. Under GASB Statement No. 54 guidance the library and expendable trust funds are consolidated in the general fund.

Grants Fund – accounts for the activity relating to all of the Town’s federal and state grant programs.

The Town reports the following major proprietary fund:

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

Additionally, the Town reports the following fund types:

Special Revenue Funds - are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Permanent Fund - is used to record activity of legal trusts for which the interest on the corpus provides funds for the Town’s cemetery operations.

Fiduciary Fund – The Town also reports the following fiduciary fund:

Agency Fund – is custodial in nature and does not involve the measurement of operating results. An agency fund is used to account for assets held on behalf of outside parties, including other governments.

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 and savings accounts. A cash pool is maintained that is available for use by all funds. Each fund’s portion of this pool is reflected on the combined financial statements under the caption “cash and cash equivalents.”

TOWN OF ALLENSTOWN, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2016

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 of 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 to 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 with a maturity when purchased of three months or less and all local government investment pools to be cash equivalents.

1-F Investments

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

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

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

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

Investments are reported at fair value. The Town discloses the fair value of its investments in a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy is as follows:

Level 1 – Inputs that reflect quoted prices (unadjusted) in active markets for identical assets and liabilities that the Town has the ability to access at the measurement date. Most of the Town's directly held marketable equity securities would be examples of Level 1 investments.

Level 2 – Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly, including inputs in markets that are not considered to be active. Because they most often are priced on the basis of transactions involving similar but not identical securities or do not trade with sufficient frequency, certain directly held fixed income securities are categorized in Level 2. All of the Town's holdings in U.S. government obligations and corporate bonds would be examples of Level 2 investments.

Level 3 – Unobservable inputs based on the best information available, using assumptions in determining the fair value of investments and derivative financial instruments.

In determining fair value, the Town utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible.

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 allowance for uncollectibles) line for certain funds and aggregated columns. They consist primarily of taxes, billing for charges, and other user fees.

1-H Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

TOWN OF ALLENSTOWN, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2016

1-I Capital Assets

Capital assets are defined by the Town as assets with an initial individual cost of \$5,000 or more and an estimated life in excess of one year. Capital assets include property, plant, and equipment, infrastructure assets (e.g. roads, bridges, sidewalks, drainage, and similar items) and are reported in the applicable governmental or business-type activities and major proprietary fund. All infrastructure has not been capitalized as the Town has not determined the historical cost for the initial reporting of these assets and does not maintain adequate records to capture annual capital outlay for infrastructure.

The accounting and reporting treatment applied to capital assets associated with a fund are determined by the fund's measurement focus. General capital assets are assets of the Town as a whole. When purchased, such assets are recorded as expenditures in a governmental fund and capitalized as assets in the governmental activities column of the government-wide Statement of Net Position. When cost of general capital assets cannot be determined from available records, estimated historical cost is used.

Additions, improvements, and other capital outlay that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend lives are not capitalized.

In the government-wide financial statements and in the proprietary fund financial statements, the cost of property sold or retired, together with the related accumulated depreciation, is removed and any resulting gain or loss is included in income.

Capital assets of the Town are depreciated or amortized using the straight-line method over the following estimated useful lives:

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

1-J Interfund Activities

Interfund activities are reported as follows:

Interfund Receivables and Payables – Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business activities are reported in the government-wide financial statements as “internal balances.” Interfund receivables and payables between funds are eliminated in the Statement of Net Position.

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

1-K Property Taxes

Property tax billings occur semi-annually and are based on the assessed inventory values as of April 1 of each year. Warrants for the year were issued on May 4, 2016 and October 25, 2016, and due on July 1, 2016 and December 1, 2016. Interest accrues at a rate of 12% on bills outstanding after the due date and 18% on tax liens outstanding.

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

TOWN OF ALLENSTOWN, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2016

The Town net assessed valuation as of April 1, 2016 utilized in the setting of the tax rate was as follows:

For the New Hampshire education tax	\$ 241,468,083
For all other taxes	\$ 249,523,983

The tax rates and amounts assessed for the year ended December 31, 2016 were as follows:

	Per \$1,000 of Assessed Valuation	Property Taxes Assessed
Municipal portion	\$ 11.36	\$ 2,836,204
School portion:		
State of New Hampshire	2.44	588,012
Local	17.07	4,259,156
County portion	2.99	745,853
Total	<u>\$ 33.86</u>	<u>\$ 8,429,225</u>

1-L Accounts Payable

Accounts payable represent the gross amount of expenditures or expenses incurred as a result of normal operations, but for which no actual payment has yet been issued to vendors/providers as of December 31, 2016.

1-M Deferred Outflows/Inflows of Resources

Deferred outflows of resources, a separate financial statement element, represents a consumption of net position or fund balance that applies to a future period(s) and thus will not be recognized as an outflow of resources (expenses) until then.

Deferred inflows of resources, a separate financial statement element, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

1-N Long-term Obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund Statement of fund Net Position.

1-O Compensated Absences

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.

1-P Defined Benefit Pension Plan

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* and GASB Statement No. 82 *Pension Issues – an amendment of GASB Statement No. 67, No. 68 and No. 73* requires participating employers to recognize their proportionate share of collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense, and schedules have been prepared to provide employers with their calculated proportionate share of these amounts. The collective amounts have been allocated based on employer contributions during the respective fiscal years. Contributions from employers are recognized when legally due, based on statutory requirements.

The schedules are prepared by New Hampshire Retirement System, and are audited by the plan's independent auditors.

TOWN OF ALLENSTOWN, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2016

1-Q Net Position/Fund Balances

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

- a) *Net investment in capital assets* – Consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any capital leases that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets.
- b) *Restricted net position* – Consists of net position 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 position that does not meet the definition of “restricted” or “net investment in capital assets.”

Fund Balance Classifications – GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, provides more clearly defined fund balance categories to make sure the nature and extend of the constraints placed on a government’s fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

Nonspendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form (such as prepaid items, inventory or tax deeded property subject to resale); or (b) are legally or contractually required to be maintained intact.

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.

Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the legislative body (Town Meeting). These amounts cannot be used for any other purpose unless the legislative body removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

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.

Unassigned – This classification includes the amounts that are available for any purpose. Positive amounts are reported only in the general fund.

When multiple net position/fund balance classifications are available for use, it is the government’s policy to utilize the most restricted balances first, then the next most restricted balance as needed. When components of unrestricted fund balance are used, committed fund balance is depleted first followed by assigned fund balance. Unassigned fund balance is applied last.

The Town will maintain an appropriate level of unassigned fund balance following the guidelines established by NH Government Finance Officers Association (GFOA), which are as follows:

- 5% to 15% of regular general fund operating revenues, or
- 8% to 17% of regular general fund operating expenditures.

1-R Use of Estimates

The financial statements and related disclosures are prepared in conformity with accounting principles generally accepted in the United States. Management is required to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources, the disclosure of contingent assets and liabilities at the date

TOWN OF ALLENSTOWN, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2016

of the financial statements, and revenues and expenses during the period reported. These estimates include assessing the collectability of accounts receivable, and the useful lives of capital assets, among others. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from estimates.

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.

State statutes require balanced budgets, but provide for the use of beginning unassigned fund balance to achieve that end. For the fiscal year 2016, \$112,000 of the beginning general fund unassigned fund balance was applied for this purpose.

2-B Budgetary Reconciliation to GAAP Basis

The Town employs certain accounting principles for budgetary reporting purposes that differ from a GAAP basis. The Statement of Revenues, Expenditures, and Changes in Fund Balance - 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.

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

Revenues and other financing sources:	
Per Exhibit D (budgetary basis)	\$ 4,000,230
Adjustment:	
Basis difference:	
Inception of capital lease	32,721
GASB Statement No. 54:	
To record revenue of the blended funds	31,741
To eliminate transfers between blended funds	(79,557)
Change in property tax revenue relating to 60-day revenue recognition	48,638
Change in allowance for uncollectible property taxes	14,739
Per Exhibit C-3 (GAAP basis)	<u>\$ 4,048,512</u>
	<i>(Continued)</i>

TOWN OF ALLENSTOWN, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2016

Budgetary reconciliation to GAAP basis continued:

Expenditures and other financing uses:	
Per Exhibit D (budgetary basis)	\$ 3,956,011
Adjustment:	
Basis differences:	
Encumbrances, beginning	327,205
Encumbrances, ending	(210,426)
Inception of capital lease	32,721
GASB Statement No. 54:	
To record expenditures of the blended funds	4,397
To eliminate transfers between the blended general and expendable trust funds	(112,000)
Per Exhibit C-3 (GAAP basis)	<u><u>\$ 3,997,908</u></u>

DETAILED NOTES ON ALL FUNDS

NOTE 3 – CASH AND CASH EQUIVALENTS

At December 31, 2016, the reported amount of the Town's deposits was \$4,690,978 and the bank balance was \$5,227,206. Of the bank balance \$4,913,151 was covered by federal depository insurance or by collateral held by the Town's agent in the Town's name, and \$165,428 was uninsured and uncollateralized and \$148,627 was held in short-term investments not subject to custodial credit risk disclosures.

NOTE 4 – INVESTMENTS

Note 1-F describes statutory requirements covering the investment of the Town funds. The Town holds investments that are measured at fair value on a recurring basis. Because investing is not a core part of the Town's mission, the Town determines that the disclosures related to these investments only need to be disaggregated by major type. The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Town has the following recurring fair value measurements as of December 31, 2016:

	Valuation Measurement Method	Fair Value	Less than 1 year	1-5 Years	Total
Investments type:					
Corporate bonds	Level 2	\$ -	\$ 169,776	\$ 512,445	\$ 682,221
New Hampshire Public Deposit Investment Pool	Level 2	913	-	-	913
U.S. Government obligations	Level 2	-	-	956,136	956,136
Total fair value		<u><u>\$ 913</u></u>	<u><u>\$ 169,776</u></u>	<u><u>\$ 1,468,581</u></u>	<u><u>\$ 1,639,270</u></u>

Fair Value Measurements of Investments – In accordance with GASB Statement No. 72 *Fair Value Measurement and Application*, except for investments measured using net asset value (NAV) as a practical expedient to estimate fair value, the Town categorizes the fair value measurements of its investments within the fair value hierarchy established by US GAAP. The fair value hierarchy categorizes the inputs to valuation techniques used for fair value measurement into three levels as follows:

Level 1 inputs reflect quoted prices (unadjusted) in active markets for identical assets or liabilities that the Town has the ability to access at the measurement date. Most of the Town's directly held marketable equity securities would be examples of Level 1 investments.

Level 2 inputs are other than quoted prices that are observable for the assets or liabilities, either directly or indirectly, including inputs in markets that are not considered to be active. Because they most often are priced on the basis of transactions involving similar but not identical securities or do not trade with sufficient frequency, certain directly held fixed income securities are categorized in Level 2.

Level 3 inputs are significant unobservable inputs.

TOWN OF ALLENSTOWN, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2016

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. In certain instances, where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, is the level in the fair value hierarchy based on the lowest level of input that is significant to the fair value measurement. Investments are reported at fair value. If an investment is held directly by the Town and an active market with quoted prices exists, such as for domestic equity securities, the market price of an identical security is used to report fair value and is classified in Level 1. Corporate fixed income securities and certain governmental securities utilize pricing that may involve estimation using similar securities or trade dates and are classified in Level 2. Fair values for shares in registered mutual funds and exchange-traded funds are based on published share prices and classified in Level 1.

Investments in Certain External Investment Pools – In accordance with GASB Statement No. 79, Town held investments with the New Hampshire Public Deposit Investment Pool (NHPDIP) are categorized as Level 2. The NHPDIP measures all of its investments at amortized cost. There are no redemption restrictions and shares may be redeemed by the Town in accordance with the NHPDIP's Information Statement.

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.

Credit Risk – State law limits investments as explained in Note 1-F. As of December 31, 2016, the Town's investments had the following credit ratings:

	AAA	AA	A	BBB	Total
Corporate bonds	\$ -	\$ 309,674	\$ 337,726	\$ 34,821	\$ 682,221
U.S. Government obligations	956,136	-	-	-	956,136
	<u>\$ 956,136</u>	<u>\$ 309,674</u>	<u>\$ 337,726</u>	<u>\$ 34,821</u>	<u>\$ 1,638,357</u>

Custodial Credit Risk – This is the risk that in the event of the failure of the counterparty (e.g. broker/dealer) to honor a transaction, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

Concentration of Credit Risk – The Town places no limit on the amount it may invest in any one issuer. None of the Town's investments in individual issuers exceeds 5% of the total investment balance.

Investment reconciliation:

Investments per Statement of Net Position (Exhibit A)	\$ 1,552,227
Investments per Statement of Net Position - Fiduciary Funds (Exhibit F)	87,043
Total investments	<u>\$ 1,639,270</u>

NOTE 5 – TAXES RECEIVABLE

Taxes receivable represent the amount of current and prior year taxes which have not been collected as of December 31, 2016. The amount has been reduced by an allowance for an estimated uncollectible amount of \$20,000. Taxes receivable by year are as follows:

	As reported on:	
	Exhibit A	Exhibit C-1
Property:		
Levy of 2016	\$ 530,111	\$ 530,111
Unredeemed (under tax lien):		
Levy of 2015	187,390	187,390
Levy of 2014	77,794	77,794
Levies of 2013 and prior	8,326	8,326
Less: allowance for estimated uncollectible taxes	(20,000) *	-
Net taxes receivable	<u>\$ 783,621</u>	<u>\$ 803,621</u>

*The allowance for uncollectible property taxes is not recognized under the modified accrual basis of accounting (Exhibit C-1 and C-3) due to the 60-day rule as explained in Note 1-C. However, the allowance is recognized under the full accrual basis of accounting (Exhibits A and B).

TOWN OF ALLENSTOWN, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2016

NOTE 6 – OTHER RECEIVABLES

Receivables at December 31, 2016, consisted of accounts (billings for police details, 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.

Receivables as of December 31, 2016 for the Town's general fund, nonmajor funds in the aggregate, and business-type activities including applicable allowances for uncollectible accounts as follows:

	Governmental Activities		Business -type Activities	
	Governmental Funds		Enterprise Fund	
	General Fund	Nonmajor Funds	Sewer Fund	Total
Receivables:				
Accounts	\$ 17,500	\$ 5,838	\$ 303,854	\$ 327,192
Liens	34,367	-	-	-
Gross receivables	51,867	5,838	303,854	327,192
Less: allowance for uncollectibles	(34,367)	-	(20,000)	54,367
Net total receivables	<u>\$ 17,500</u>	<u>\$ 5,838</u>	<u>\$ 283,854</u>	<u>\$ 381,559</u>

NOTE 7 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2016 is as follows:

	Balance, beginning	Additions	Disposals	Balance, ending
Governmental activities:				
At cost:				
Not being depreciated:				
Land*	\$ 2,669,255	\$ -	\$ -	\$ 2,669,255
Being depreciated:				
Buildings and building improvements	1,101,672	2,090,177	-	3,191,849
Machinery, equipment, and vehicles	3,227,240	160,060	(64,000)	3,323,300
Total capital assets being depreciated	4,328,912	2,250,237	(64,000)	6,515,149
Total all capital assets	6,998,167	2,250,237	(64,000)	9,184,404
Less accumulated depreciation:				
Buildings and building improvements	(469,907)	(52,186)	-	(522,093)
Machinery, equipment, and vehicles	(2,447,415)	(136,375)	64,000	(2,519,790)
Total accumulated depreciation	(2,917,322)	(188,561)	64,000	(3,041,883)
Net book value, capital assets being depreciated	1,411,590	2,061,676	-	3,473,266
Net book value, all governmental activities capital assets	<u>\$ 4,080,845</u>	<u>\$ 2,061,676</u>	<u>\$ -</u>	<u>\$ 6,142,521</u>

*Included in the total balance is \$1,533,435 of land located in a flood plain, which the Town acquired through a Federal Flood Mitigation Assistance Grant. As the land was acquired to ensure the safety of the public as well as to enhance flood plain capacity, it has been recorded as 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."

TOWN OF ALLENSTOWN, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2016

Capital assets continued:

	Balance, beginning	Additions	Disposals	Balance, ending
Business-type activities:				
At cost:				
Not being depreciated:				
Land	\$ 25,962	\$ -	\$ -	\$ 25,962
Construction in progress	492,660	9,584	(485,253)	16,991
Total capital assets not being depreciated	518,622	9,584	(485,253)	42,953
Being depreciated:				
Land improvements	125,230	-	-	125,230
Buildings	1,218,821	233,580	-	1,452,401
Machinery, equipment, and vehicles	1,404,479	727,310	(26,819)	2,104,970
Infrastructure	3,839,671	-	-	3,839,671
Total capital assets being depreciated	6,588,201	960,890	(26,819)	7,522,272
Total all capital assets	7,106,823	970,474	(512,072)	7,565,225
Less accumulated depreciation:				
Land improvements	(122,100)	(3,130)	-	(125,230)
Buildings	(691,613)	(21,154)	-	(712,767)
Machinery, equipment, and vehicles	(899,617)	(206,498)	19,391	(1,086,724)
Infrastructure	(1,588,171)	(98,044)	-	(1,686,215)
Total accumulated depreciation	(3,301,501)	(328,826)	19,391	(3,610,936)
Net book value, capital assets being depreciated	3,286,700	632,064	(7,428)	3,911,336
Net book value, all business-type activities capital assets	\$ 3,805,322	\$ 641,648	\$ (492,681)	\$ 3,954,289

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:

Governmental activities:	
General government	\$ 4,825
Public safety	94,876
Highways and streets	82,527
Culture and recreation	6,333
Total depreciation expense	<u>\$ 188,561</u>
Business-type activities:	
Sewer	<u>\$ 328,826</u>

NOTE 8 – INTERFUND BALANCES AND TRANSFERS

Interfund Balances - The composition of interfund balances as of December 31, 2016 is as follows:

Receivable Fund	Payable Fund	Amount
General	Sewer department	\$ 284,716
	Nonmajor	17,194
		<u>\$ 301,910</u>

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.

TOWN OF ALLENSTOWN, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2016

Interfund Transfers - The composition of interfund transfers for the year ended December 31, 2016 is as follows:

	Transfers In:
	General
	Fund
Transfers out:	
Nonmajor fund	\$ 1,699

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

NOTE 9 – INTERGOVERNMENTAL PAYABLES

Amounts due to other governments of \$2,315,528 at December 31, 2016 consist of the following:

General fund:	
Balance of the 2016-2017 district assessment due to the Allenstown School District	\$ 2,222,168
Miscellaneous fees due to the State of New Hampshire	6,317
Total general fund	2,228,485
Agency fund:	
Balance of trust funds belonging to the Allenstown School District	87,043
Total intergovernmental payables due	\$ 2,315,528

NOTE 10 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Deferred outflows of resources reported in the governmental and business-type activities are as follows:

	Governmental	Business-type	
	Activities	Activities	Totals
Amounts related to pensions (see Note 14)	\$ 821,171	\$ 140,745	\$ 961,916

Deferred inflows of resources reported in the governmental activities, business-type activities, and general fund are as follows:

	Governmental	Business-type	General
	Activities	Activities	Fund
Town's portion of property taxes not collected within 60 days of the fiscal year-end	\$ -	\$ -	\$ 223,931
Property taxes paid in advance of warrants	7,951	-	7,951
Amounts related to pensions (see Note 14)	38,831	27,769	-
Total deferred inflows of resources	\$ 46,782	\$ 27,769	\$ 231,882

NOTE 11 – CAPITAL LEASES

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

	Standard	Present Value
	Interest	of Remaining
	Rate	Payments as of
		December 31,
		2016
Capital lease obligations:		
Ford interceptor	3.49%	\$ 21,438
Fire truck	2.52%	81,935
Wheel loader	2.75%	58,574
Dump truck	2.69%	64,759
Police vehicle	3.29%	10,431
Total capital lease obligations		\$ 237,137

TOWN OF ALLENSTOWN, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2016

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

	Governmental Activities
Equipment:	
Ford interceptor	\$ 33,116
Fire truck	399,853
Wheel loader	109,000
Dump truck	164,500
Police vehicle	33,000
Total equipment	<u>739,469</u>
Less: accumulated depreciation	<u>218,836</u>
Total capital lease equipment	<u><u>\$ 520,633</u></u>

The annual requirements to amortize the capital leases payable as of December 31, 2016, including interest payments, are as follows:

Fiscal Year Ending December 31,	Governmental Activities
2017	\$ 170,249
2018	<u>75,476</u>
Total requirements	245,725
Less: interest	<u>(8,588)</u>
Present value of remaining payments	<u><u>\$ 237,137</u></u>

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

NOTE 12 – LONG-TERM LIABILITIES

Changes in the Town's long-term liabilities consisted of the following for the year ended December 31, 2016:

	Balance January 1, 2016	Additions	Reductions	Balance December 31, 2016	Due Within One Year
Governmental activities:					
Capital leases	\$ 375,598	\$ 32,721	\$ (171,182)	\$ 237,137	\$ 163,741
Compensated absences	85,754	-	(5,019)	80,735	-
Accrued landfill postclosure care costs	92,400	2,100	-	94,500	3,500
Net other postemployment benefits	247,354	27,951	-	275,305	-
Net pension liability	2,195,563	879,586	-	3,075,149	-
Total long-term liabilities	<u><u>\$ 2,996,669</u></u>	<u><u>\$ 942,358</u></u>	<u><u>\$ (176,201)</u></u>	<u><u>\$ 3,762,826</u></u>	<u><u>\$ 167,241</u></u>
Business-type activities					
Net pension liability	<u><u>\$ 475,410</u></u>	<u><u>\$ 157,645</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 633,055</u></u>	<u><u>\$ -</u></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.

Bonds/Notes Authorized and Unissued – Bonds and notes authorized and unissued as of December 31, 2016 were as follows:

Per Town Meeting Vote of	Purpose	Unissued Amount
March 10, 2015	Wastewater collection and treatment	<u><u>\$ 10,458</u></u>

TOWN OF ALLENSTOWN, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2016

Accrued Landfill Postclosure Care Costs – The Town ceased operating its landfill in past years. The New Hampshire Department of Environmental Services (NHDES) Groundwater Management Permit (GMP) currently requires annual water quality monitoring and reporting. The landfill is no longer active and has not been required by the NHDES to have an engineered cap constructed. A liability is being recognized based on the future postclosure care costs that will be incurred. The estimated liability for landfill postclosure care cost has a balance of \$94,500 as of December 31, 2016. The estimated total current cost of the landfill postclosure care is based on the amount that would be paid if all equipment, facilities, and services required to monitor and maintain the landfill were acquired as of December 31, 2016. However, the actual cost of postclosure care may be higher or lower due to inflation, changes in technology, or changes in landfill laws and regulations.

The Town has established a capital reserve fund for landfill postclosure care costs. This fund had a balance of \$21,259 at year-end.

NOTE 13 – DEFINED BENEFIT PENSION PLAN

Plan Description: The New Hampshire Retirement System (NHRS or the System) is a public employee retirement system that administers one cost-sharing multiple-employer defined benefit pension plan (Pension Plan), a component unit of the State of New Hampshire, as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25. The Pension Plan was 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 Pension Plan is a contributory, defined benefit plan providing service, disability, death and vested retirement benefits to members and their beneficiaries. Substantially all full-time state employees, public school teachers and administrators, permanent firefighters and permanent police officers with in the State are eligible and required to participate in the Pension Plan. 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.

Benefits Provided: The Pension Plan is divided into two membership groups. State and local employees and teachers belong to Group I. Police and firefighters belong to Group II. All assets are held in a single trust and available to pay retirement benefits to all members.

Group I members at age 60 or 65 (for members who commence service after July 1, 2011) qualify for a normal service retirement allowance based on years of creditable service and average final salary for the highest of either three or five years, depending on when their service commenced. The yearly pension amount is 1/60 or 1.667% of average final compensation (AFC) multiplied by years of creditable service. At age 65, the yearly pension amount is recalculated at 1/66 or 1.515% of AFC multiplied by years of creditable service.

Group II members who are age 60, or members who are at least age 45 with at least 20 years of creditable service, can receive a retirement allowance at a rate of 2.5% of AFC for each year of creditable service, not to exceed 40 years. Members commencing service on or after July 1, 2011 or members who have nonvested status as of January 1, 2012 can receive a retirement allowance at age 52.5 with 25 years of service or age 60. The benefit shall be equal to 2% of AFC times creditable service up to 42.5 years. However, a member who commenced service on or after July 1, 2011 shall not receive a retirement allowance until attaining the age of 52.5, but may receive a reduced allowance after age 50 if the member has at least 25 years of creditable service where the allowance shall be reduced, for each month by which the member attains 52.5 years of age by $\frac{1}{4}$ of 1% or age 60.

Members of both groups may qualify for vested deferred allowances, disability allowances and death benefit allowances, subject to meeting various eligibility requirements. Benefits are based on AFC or earnable compensation and/or service.

Contributions: 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 2016, 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. For fiscal year 2016, the Town contributed 26.38% for police, 29.16% for fire fighters, and 11.17% for all other employees. The contribution requirements for the fiscal years 2014, 2015, and 2016 were \$250,388, \$219,183, and \$245,688, respectively, which were paid in full in each year.

TOWN OF ALLENSTOWN, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2016

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At December 31, 2016 the Town reported a liability of \$3,075,149 in the governmental activities and \$633,055 in the business-type activities for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating towns and school districts, actuarially determined. At June 30, 2016, the Town's proportion were .05782969% in the governmental activities and .01190491% in the business-type activities which was an increase of .00240756% and a decrease of (.00009576%), respectively from its proportion measured as of June 30, 2015.

For the year ended December 31, 2016, the Town recognized pension expense of \$369,793 in the governmental activities and \$63,125 in the business-type activities. At December 31, 2016 the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Governmental activities:		
Changes in proportion	\$ 112,570	\$ -
Changes in assumptions	378,453	-
Difference between expected and actual experience	8,546	38,831
Net difference between projected and actual investment earnings on pension plan investments	192,397	-
Contributions subsequent to the measurement date	129,205	-
	<u>821,171</u>	<u>38,831</u>
Business-type activities:		
Changes in proportion	1,472	19,775
Changes in assumptions	77,909	-
Difference between expected and actual experience	1,759	7,994
Net difference between projected and actual investment earnings on pension plan investments	39,607	-
Contributions subsequent to the measurement date	19,998	-
	<u>140,745</u>	<u>27,769</u>
Total	<u>\$ 961,916</u>	<u>\$ 66,600</u>

The \$149,203 reported as deferred outflows of resources related to pensions results from the Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending December 31,	Governmental Activities	Business-type Activities	Total
2017	\$ 136,674	\$ 15,134	\$ 151,808
2018	136,674	15,134	151,808
2019	203,808	31,921	235,729
2020	167,377	29,380	196,757
2021	8,602	1,409	10,011
Totals	<u>\$ 653,135</u>	<u>\$ 92,978</u>	<u>\$ 746,113</u>

Actuarial Assumptions: The collective total pension liability was determined by a roll forward of the actuarial valuation as of June 30, 2015, using the following actuarial assumptions which, accordingly apply to 2016 measurements:

Inflation:	2.5%
Salary increases:	5.6% average, including inflation
Investment rate of return:	7.25% net of pension plan investment expense, including inflation

TOWN OF ALLENSTOWN, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2016

Mortality rates were based on the RP-2014 employee generational mortality tables for males and females, adjusted for mortality improvements using Scale MP-2015, based on last experience study.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2010 – June 30, 2015.

Long-term Rates of Return: The long-term expected rate of return on pension plan investment was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rate of return net of investment expenses by the target asset allocation percentage and by adding expected inflation. Following is a table presenting target allocations and long-term rates of return for 2016:

Asset Class	Target Allocation	Weighted average long-term expected real rate of return
		2016
Large Cap Equities	22.50%	4.25%
Small/Mid Cap Equities	7.50%	4.50%
Total domestic equity	30.00%	
Int'l Equities (unhedged)	13.00%	4.75%
Emerging Int'l Equities	7.00%	6.25%
Total international equity	20.00%	
Core Bonds	5.00%	(0.64%)
Short Duration	2.00%	(0.25%)
Global Multi-Sector Fixed Income	11.00%	(1.71%)
Absolute Return Fixed Income	7.00%	1.08%
Total fixed income	25.00%	
Private equity	5.00%	6.25%
Private debt	5.00%	4.75%
Opportunistic	5.00%	3.68%
Total alternative investments	15.00%	
Real estate	10.00%	3.25%
Total	100.00%	

Discount Rate: The discount rate used to measure the collective total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. For purposes of the projection, member contributions and employer service cost contributions are projected based on the expected payroll of current members only. Employer contributions are determined based on the Pension Plan's actuarial funding policy as required by RSA 100-A:16. Based on those assumptions, the Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on Pension Plan investment was applied to all periods of projected benefit payments to determine the collective total pension liability.

Sensitivity of the Town's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following table presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.25% as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.25%) or 1-percentage point higher (8.25%) than the current rate:

Actuarial Valuation Date	1% Decrease 6.25%	Current Single Rate Assumption 7.25%	1% Increase 8.25%
Governmental activities:			
June 30, 2016	\$ 3,951,357	\$ 3,075,149	\$ 2,348,473
Business-type activities:			
June 30, 2016	\$ 813,432	\$ 633,055	\$ 483,460

TOWN OF ALLENSTOWN, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2016

Pension Plan Fiduciary Net Position: Detailed information about the pension plan's fiduciary net position is available in the separately issued New Hampshire Retirement System Cost-Sharing Multiple Employer Defined Benefit Pension Plan financial report.

NOTE 14 – 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, collective bargaining agreements, and the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA). The criteria to determine eligibility include, years of service, employee age, and whether the employee has vested in the respective retirement plan. The Town funds the benefits on a pay-as-you-go basis. Eligible employees are required to pay set premiums for a portion of the cost with the Town subsidizing the remaining costs (if any). Expenses for postretirement health care benefits are recognized as eligible employee claims are paid.

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

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 2016:

Annual required contribution/OPEB cost	\$ 49,548
Interest Net OPEB obligation	9,894
Adjustment to annual required contribution	(9,830)
Contributions made (pay-as-you-go)	<u>(21,661)</u>
Increase in net OPEB obligation	27,951
Net OPEB obligation, beginning	247,354
Net OPEB obligation, ending	<u>\$ 275,305</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 2016 and the four preceding years were as follows:

Fiscal Year Ended	Annual OPEB Contribution Cost	Actual Contributions (pay-as-you-go)	Percentage Contributed	Net OPEB Obligation
December 31, 2016	\$ 49,548	\$ 21,661	43.72%	\$ 275,305
December 31, 2015	\$ 66,063	\$ 24,858	37.63%	\$ 247,354
December 31, 2014	\$ 71,450	\$ 11,403	15.94%	\$ 206,095
December 31, 2013	\$ 63,068	\$ 15,789	25.02%	\$ 145,920
December 31, 2012	\$ 63,081	\$ 14,423	22.86%	\$ 98,615

As of January 1, 2016, the date of the most recent actuarial valuation, the actuarial accrued liability (AAL) for benefits was \$417,770, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$417,770. The covered payroll (annual payroll of active employees covered by the plan) was \$1,616,131 during fiscal year 2016, and the ratio of the UAAL to the covered payroll was 25.80%.

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

TOWN OF ALLENSTOWN, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2016

estimates are made about the future. The Schedule of Funding Progress for Other Postemployment Benefits Plan, presented as required supplementary information following the notes to the financial statements, is designed to present multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the January 1, 2016 actuarial valuation, the actuarial cost method was used. The actuarial assumptions included a 4.0% investment rate of return per annum. The projected annual healthcare cost trend is 9% initially, reduced by decrements to an ultimate rate of 5.0% for years 2018 and later. The UAAL is being amortized as a level dollar amount over an open basis. The remaining amortization period at December 31, 2016 was 30 years.

NOTE 15 – ENCUMBRANCES

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at December 31, 2016 and are as follows:

General fund:	
General government	\$ 7,646
Public safety	103,800
Highways and streets	92,151
Capital outlay	6,829
Total encumbrances	<u>\$ 210,426</u>

NOTE 16 – GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES NET POSITION

Governmental and business-type activities net position reported on the government-wide Statement of Net Position at December 31, 2016 include the following:

	Governmental Activities	Business-type Activities	Total
Net investment in capital assets:			
Net book value, all capital assets	\$ 6,142,521	\$ 3,954,289	\$ 10,096,810
Less:			
Capital leases payable	(237,137)	-	(237,137)
Total net investment in capital assets	<u>5,905,384</u>	<u>3,954,289</u>	<u>9,859,673</u>
Restricted net position for:			
Library purposes	3,784	-	3,784
Perpetual care - principal portion	5,606	-	5,606
Perpetual care - income portion	159	-	159
Drug forfeiture	7,092	-	7,092
Total restricted	<u>16,641</u>	<u>-</u>	<u>16,641</u>
Unrestricted	(161,130)	1,514,115	1,352,985
Total net position	<u>\$ 5,760,895</u>	<u>\$ 5,468,404</u>	<u>\$ 11,229,299</u>

TOWN OF ALLENSTOWN, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2016

NOTE 17 – GOVERNMENTAL FUND BALANCES

Governmental fund balances reported on the fund financial statements at December 31, 2016 include the following:

	General Fund	Nonmajor Funds	Total Governmental Funds
Nonspendable:			
Prepaid items	\$ 1,026	\$ -	\$ 1,026
Permanent fund - principal balance	-	5,606	5,606
Total nonspendable fund balance	<u>1,026</u>	<u>5,606</u>	<u>6,632</u>
Restricted:			
Library	3,785	-	3,785
Permanent fund - income balance	-	159	159
DARE fund	-	7,092	7,092
Total restricted fund balance	<u>3,785</u>	<u>7,251</u>	<u>11,036</u>
Committed:			
Expendable trust	428,628	-	428,628
Conservation commission	-	1,354	1,354
Public safety services revolving fund	-	46,292	46,292
Recycling revolving fund	-	17,855	17,855
Total committed fund balance	<u>428,628</u>	<u>65,501</u>	<u>494,129</u>
Assigned:			
Encumbrances	210,426	-	210,426
Unassigned	<u>1,676,822</u>	<u>-</u>	<u>1,676,822</u>
Total governmental fund balances	<u>\$ 2,320,687</u>	<u>\$ 78,358</u>	<u>\$ 2,399,045</u>

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 2016, the Town was a member of the New Hampshire Public Risk Management Exchange (Primex³) Workers' Compensation and Property/Liability Programs. This entity is considered a public entity risk pools, currently operating as common risk management and insurance programs for member Towns and cities.

The New Hampshire Public Risk Management Exchange (Primex³) Workers' Compensation and Property/Liability Programs are pooled risk management programs under RSAs 5-B and 281-A. Coverage was provided from January 1, 2016 to December 31, 2016 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 Allenstown billed and paid for the year ended December 31, 2016 was \$35,131 for workers' compensation and \$79,116 for property/liability.

NOTE 19 – CONTINGENT LIABILITIES

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

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

TOWN OF ALLENSTOWN, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2016

NOTE 20 – 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 October 2, 2017, the date the December 31, 2016 financial statements were available to be issued, and the following was noted:

At the 2017 Annual Town Meeting, five separate Warrant Articles were approved by the voters, authorizing the use of fund balance totaling \$45,221 to fund various capital reserves of the Town.

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, 2016

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b-a]/c)
January 1, 2016	\$ -	\$ 417,770	\$ 417,770	0.00%	\$ 1,616,131	25.80%
January 1, 2015	\$ -	\$ 539,133	\$ 539,133	0.00%	\$ 1,569,059	34.40%
January 1, 2014	\$ -	\$ 389,187	\$ 389,187	0.00%	\$ 1,523,358	25.50%
January 1, 2011	\$ -	\$ 378,877	\$ 378,877	0.00%	\$ 1,399,091	27.08%

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

EXHIBIT H
TOWN OF ALLENSTOWN, NEW HAMPSHIRE
Schedule of the Town's Proportionate Share of Net Pension Liability
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended December 31, 2016

Fiscal Year End	Valuation Date	Town's Proportion of Net Pension Liability	Proportionate Share of Net Pension Liability	Covered Payroll	Town Proportionate Share of Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
Governmental activities:						
December 31, 2016	June 30, 2016	0.05782969%	\$ 3,075,149	\$ 1,272,216	241.72%	58.30%
December 31, 2015	June 30, 2015	0.05542213%	\$ 2,195,563	\$ 1,127,396	194.75%	65.47%
December 31, 2014	June 30, 2014	0.05478257%	\$ 2,056,429	\$ 1,083,160	189.85%	66.32%
December 31, 2013	June 30, 2013	0.05402098%	\$ 2,324,947	\$ 1,048,350	221.77%	59.81%
Business-type activities:						
December 31, 2016	June 30, 2016	0.01190491%	\$ 633,055	\$ 370,512	170.86%	58.30%
December 31, 2015	June 30, 2015	0.01200067%	\$ 475,410	\$ 382,573	124.27%	65.47%
December 31, 2014	June 30, 2014	0.01194540%	\$ 448,381	\$ 391,236	114.61%	66.32%
December 31, 2013	June 30, 2013	0.01277385%	\$ 549,759	\$ 375,122	146.55%	59.81%

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

EXHIBIT I
TOWN OF ALLENSTOWN, NEW HAMPSHIRE
Schedule of Town Contributions
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended December 31, 2016

Fiscal Year End	Valuation Date	Contractually Required Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
Governmental activities:						
December 31, 2016	June 30, 2016	\$ 207,076	\$ 207,076	\$ -	\$ 1,272,216	16.28%
December 31, 2015	June 30, 2015	\$ 185,935	\$ 185,935	\$ -	\$ 1,127,396	16.49%
December 31, 2014	June 30, 2014	\$ 177,738	\$ 177,738	\$ -	\$ 1,083,160	16.41%
December 31, 2013	June 30, 2013	\$ 134,325	\$ 134,325	\$ -	\$ 1,048,350	12.81%
Business-type activities:						
December 31, 2016	June 30, 2016	\$ 42,629	\$ 42,629	\$ -	\$ 370,512	11.51%
December 31, 2015	June 30, 2015	\$ 40,261	\$ 40,261	\$ -	\$ 382,573	10.52%
December 31, 2014	June 30, 2014	\$ 38,754	\$ 38,754	\$ -	\$ 391,236	9.91%
December 31, 2013	June 30, 2013	\$ 31,763	\$ 31,763	\$ -	\$ 375,122	8.47%

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

TOWN OF ALLENSTOWN, NEW HAMPSHIRE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2016

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, 2016, and the preceding three years.

Schedule of the Town's Proportionate Share of Net Pension Liability & Schedule of Town Contributions

As required by GASB Statement No. 68, and as amended by GASB Statement No. 71, Exhibits H and I represent the actuarial determined costs associated with the Town's pension plan at December 31, 2016, and the preceding three years.

Methods and Assumptions Used to Determine Contribution Rates for Fiscal Year 2016:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage-of-Payroll, Closed
Remaining Amortization Period	23 Years beginning July 1, 2016 (30 years beginning July 1, 2009)
Asset Valuation Method	5-Year smooth market for funding purposes
Price Inflation	2.5% per year
Wage Inflation	3.25% per year
Salary Increases	5.6% Average, including inflation
Municipal Bond Rate	2.85% per year
Investment Rate of Return	7.25% per year
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2015.
Mortality	RP-2014 Employee generational mortality tables for males and females, adjusted for mortality improvements using Scale MP-2015, based on the last experience study.

Other Information:

Notes	Contribution rates for Fiscal Year 2014 were determined based on the benefit changes adopted under House Bill No. 2 as amended by 011-2513-CofC.
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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, 2016

	Estimated	Actual	Variance Positive (Negative)
Taxes:			
Property	\$ 2,643,368	\$ 2,587,457	\$ (55,911)
Land use change	7,000	7,600	600
Yield	-	5,532	5,532
Timber	1,200	8,399	7,199
Excavation	115	107	(8)
Payment in lieu of taxes	5,300	5,300	-
Interest and penalties on taxes	115,000	112,610	(2,390)
Total from taxes	<u>2,771,983</u>	<u>2,727,005</u>	<u>(44,978)</u>
Licenses, permits, and fees:			
Business licenses, permits, and fees	500	360	(140)
Motor vehicle permit fees	650,000	694,691	44,691
Building permits	9,000	12,792	3,792
Other	7,825	9,306	1,481
Total from licenses, permits, and fees	<u>667,325</u>	<u>717,149</u>	<u>49,824</u>
Intergovernmental:			
State:			
Meals and rooms distribution	222,558	222,558	-
Highway block grant	89,879	89,879	-
State and federal forest land reimbursement	4,426	4,426	-
Other	5,945	3,396	(2,549)
Total from intergovernmental	<u>322,808</u>	<u>320,259</u>	<u>(2,549)</u>
Charges for services:			
Income from departments	<u>62,365</u>	<u>80,929</u>	<u>18,564</u>
Miscellaneous:			
Sale of municipal property	7,750	7,754	4
Interest on investments	800	2,657	1,857
Fines and forfeits	50,700	50,245	(455)
Insurance dividends and reimbursements	-	4,381	4,381
Other	6,959	8,595	1,636
Total from miscellaneous	<u>66,209</u>	<u>73,632</u>	<u>7,423</u>
Other financing sources:			
Transfers in	<u>75,157</u>	<u>81,256</u>	<u>6,099</u>
Total revenues and other financing sources	<u>3,965,847</u>	<u>\$ 4,000,230</u>	<u>\$ 34,383</u>
Unassigned fund balance used to fund appropriations	<u>112,000</u>		
Total revenues, other financing sources, and use of fund balance	<u>\$ 4,077,847</u>		

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, 2016

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
General government:					
Executive	\$ -	\$ 174,120	\$ 170,836	\$ -	\$ 3,284
Election and registration	-	24,832	22,866	-	1,966
Financial administration	-	158,086	169,532	1,446	(12,892)
Revaluation of property	-	63,298	57,158	-	6,140
Legal	-	50,000	58,234	-	(8,234)
Personnel administration	-	688,385	584,828	-	103,557
Planning and zoning	-	14,619	13,605	-	1,014
General government buildings	-	28,319	33,614	6,200	(11,495)
Insurance, not otherwise allocated	-	80,000	27,875	-	52,125
Advertising and regional associations	-	4,800	4,743	-	57
Total general government	-	1,286,459	1,143,291	7,646	135,522
Public safety:					
Police	29,098	906,294	899,827	-	35,565
Ambulance	-	206,408	206,425	-	(17)
Fire	16,377	284,286	265,714	66,700	(31,751)
Building inspection	-	39,735	39,789	-	(54)
Emergency management	-	10,400	8,550	37,100	(35,250)
Total public safety	45,475	1,447,123	1,420,305	103,800	(31,507)
Highways and streets:					
Public works garage	-	318,017	282,126	-	35,891
Highways and streets	269,112	260,672	451,453	92,151	(13,820)
Street lighting	-	20,000	15,793	-	4,207
Total highways and streets	269,112	598,689	749,372	92,151	26,278
Sanitation:					
Administration	-	10,400	12,752	-	(2,352)
Solid waste collection	-	104,100	105,327	-	(1,227)
Solid waste disposal	-	67,000	60,968	-	6,032
Total sanitation	-	181,500	179,047	-	2,453
Health:					
Administration	-	7,483	3,304	-	4,179
Pest control	-	500	-	-	500
Total health	-	7,983	3,304	-	4,679
Welfare:					
Administration	-	61,692	50,102	-	11,590
Vendor payments	-	22,207	21,707	-	500
Total welfare	-	83,899	71,809	-	12,090
Culture and recreation:					
Parks and recreation	5,878	47,537	52,259	-	1,156
Library	-	61,727	50,071	-	11,656
Patriotic purposes	-	2,350	2,300	-	50
Total culture and recreation	5,878	111,614	104,630	-	12,862
Conservation	-	1,801	1,066	-	735
Debt service:					
Interest on tax anticipation notes	-	15,000	-	-	15,000

(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, 2016

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Capital outlay	6,740	231,779	287,966	6,829	(56,276)
Other financing uses; Transfers out	-	112,000	112,000	-	-
Total appropriations, expenditures, other financing uses, and encumbrances	\$ 327,205	\$ 4,077,847	\$ 4,072,790	\$ 210,426	\$ 121,836

SCHEDULE 3
TOWN OF ALLENSTOWN, NEW HAMPSHIRE
Major General Fund
Schedule of Changes in Unassigned Fund Balance
For the Fiscal Year Ended December 31, 2016

Unassigned fund balance, beginning (Non-GAAP Budgetary Basis)		\$ 1,783,190
Changes:		
Unassigned fund balance used to fund appropriations		(112,000)
2016 Budget summary:		
Revenue surplus (Schedule 1)	\$ 34,383	
Unexpended balance of appropriations (Schedule 2)	121,836	
2016 Budget surplus		156,219
Decrease in nonspendable fund balance		1,070
Decrease in assigned fund balance for contingency		52,274
Unassigned fund balance, ending (Non-GAAP Budgetary Basis)		1,880,753
Reconciliation of Non-GAAP Budgetary Basis to GAAP Basis:		
To record deferred inflows of resources for property taxes not collected within 60 days of the fiscal year-end, not recognized on a budgetary basis		(223,931)
To remove the allowance for uncollectible property taxes, recognized on a budgetary basis, but not on a GAAP basis		20,000
Unassigned fund balance, ending (GAAP basis Exhibit C-1)		\$ 1,676,822

SCHEDULE 4
TOWN OF ALLENSTOWN, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2016

	Special Revenue Funds					Total
	Conservation Commission	DARE	Public Safety Services Revolving	Recycling Revolving	Permanent Fund	
ASSETS						
Cash and cash equivalents	\$ 1,354	\$ 7,092	\$ 58,727	\$ 17,855	\$ -	\$ 85,028
Investments	-	-	-	-	5,765	5,765
Accounts receivable	-	-	5,838	-	-	5,838
Total assets	<u>\$ 1,354</u>	<u>\$ 7,092</u>	<u>\$ 64,565</u>	<u>\$ 17,855</u>	<u>\$ 5,765</u>	<u>\$ 96,631</u>
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ 1,079	\$ -	\$ -	\$ 1,079
Interfund payable	-	-	17,194	-	-	17,194
Total liabilities	<u>-</u>	<u>-</u>	<u>18,273</u>	<u>-</u>	<u>-</u>	<u>18,273</u>
FUND BALANCES						
Nonspendable	-	-	-	-	5,606	5,606
Restricted	-	7,092	-	-	159	7,251
Committed	1,354	-	46,292	17,855	-	65,501
Total fund balances	<u>1,354</u>	<u>7,092</u>	<u>46,292</u>	<u>17,855</u>	<u>5,765</u>	<u>78,358</u>
Total liabilities and fund balances	<u>\$ 1,354</u>	<u>\$ 7,092</u>	<u>\$ 64,565</u>	<u>\$ 17,855</u>	<u>\$ 5,765</u>	<u>\$ 96,631</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, 2016

	Special Revenue Funds					Total
	Conservation Commission	DARE	Public Safety Services Revolving	Recycling Revolving	Permanent Fund	
REVENUES						
Charges for services	\$ -	\$ -	\$ 15,947	\$ 2,556	\$ -	\$ 18,503
Miscellaneous	1	10	77	26	433	547
Total revenues	1	10	16,024	2,582	433	19,050
EXPENDITURES						
Current:						
General government	-	-	-	-	26	26
Public safety	-	-	11,090	-	-	11,090
Total expenditures	-	-	11,090	-	26	11,116
Excess of revenues over expenditures	1	10	4,934	2,582	407	7,934
OTHER FINANCING USES						
Transfers out	-	-	-	(1,699)	-	(1,699)
Net change in fund balances	1	10	4,934	883	407	6,235
Fund balances, beginning	1,353	7,082	41,358	16,972	5,358	72,123
Fund balances, ending	\$ 1,354	\$ 7,092	\$ 46,292	\$ 17,855	\$ 5,765	\$ 78,358

***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 States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and aggregate remaining fund information of the Town of Allenstown, as of and for the year ended December 31, 2016, 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 October 2, 2017. Our report on the financial statements of the governmental activities, business-type activities, and major proprietary fund was adverse as indicated therein.

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

October 2, 2017



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 COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited the Town of Allenstown's compliance with the types of compliance requirements described in the *OMB 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, 2016. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 Each 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, 2016.

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 material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 Allenstown's internal control over compliance.

Town of Allenstown

***Independent Auditor's Report on Compliance for Each Major Program and Report on Internal Control
over Compliance Required by the Uniform Guidance***

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Sheryl A. Platt, CPA

PLODZIK & SANDERSON
Professional Association

October 2, 2017

SCHEDULE I
TOWN OF ALLENSTOWN, NEW HAMPSHIRE
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2016

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP:
Unmodified opinion on the major governmental fund and aggregate remaining fund information;
and an adverse opinion on governmental activities, business-type activities, and major proprietary fund.

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 federal programs: Unmodified

Any audit findings disclosed that are required to be reported in
accordance with 2 CFR 200.516(a)? yes X no

Identification of major federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.228	Community Development Block Grant/State's Program

Dollar threshold used to distinguish between type A and
type B programs: \$750,000

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 II
TOWN OF ALLENSTOWN, NEW HAMPSHIRE
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended December 31, 2016

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Passed Through the New Hampshire Community Development Finance Authority				
Community Development Block Grant/State's Program:				
Concord B&G Club/Suncook Boys & Girls Club	14.228	14-143-CDPF	\$ 353,189	\$ 374,463
CAPBMC/Suncook Senior Center	14.228	15-143-CDPF	484,124	500,000
<i>PROGRAM TOTAL</i>			<u>837,313</u>	<u>874,463</u>
U.S. DEPARTMENT OF HOMELAND SECURITY				
Passed Through the New Hampshire Department of Safety				
Emergency Management Performance Grants:				
Local Emergency Operations Plan	97.042	EMW-2014-EP-00061	-	4,000
Disaster Recovery Plan	97.042	EMW-2015-EP-00067	-	6,000
<i>PROGRAM TOTAL</i>			<u>-</u>	<u>10,000</u>
Total Expenditures of Federal Awards			<u><u>\$ 837,313</u></u>	<u><u>\$ 884,463</u></u>

The accompanying notes are an integral part of this schedule.

TOWN OF ALLENSTOWN, NEW HAMPSHIRE
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activity of the Town of Allenstown under programs of the federal government for the year ended December 31, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Town of Allenstown, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Town of Allenstown.

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 the Uniform Guidance, 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.

Note 3. Indirect Cost Rate

The Town of Allenstown has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.