

**TOWN OF ALLENSTOWN,
NEW HAMPSHIRE**

ANNUAL FINANCIAL REPORT

**AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2010**

TOWN OF ALLENSTOWN, NEW HAMPSHIRE
ANNUAL FINANCIAL REPORT
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2010

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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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Allenstown as of and for the fiscal year ended December 31, 2010, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Allenstown's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As discussed in Note 16 to the financial statements, management has not disclosed a liability and all other information for other postemployment benefits in governmental activities. Accounting principles generally accepted in the United States of America require that other postemployment benefits be disclosed on the government-wide financial statements, which would possibly result in liabilities, reduce the net assets, and change the expenses of the governmental activities. The amount by which this departure would affect the liabilities, net assets, and expenses of the governmental activities is not reasonably determinable.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to previously do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the governmental activities of the Town of Allenstown as of December 31, 2010, or the changes in financial position thereof for the year then ended.

Also, in our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Allenstown as of December 31, 2010, and the year then ended in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison information is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Town of Allenstown has not presented a Management's Discussion and Analysis that accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be part of, the basic financial statements.

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 as a whole. The combining and individual fund financial schedules are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the US Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual fund financial schedules and the schedule of expenditures of federal awards are the responsibility of

Town of Allentown
Independent Auditor's Report

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

December 6, 2011


PŁODZIK & SANDERSON
Professional Association

BASIC FINANCIAL STATEMENTS

EXHIBIT A
TOWN OF ALLENSTOWN, NEW HAMPSHIRE
Statement of Net Assets
December 31, 2010

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 4,505,682	\$ 594,261	\$ 5,099,943
Investments	5,967	-	5,967
Intergovernmental receivable	38,412	35,818	74,230
Other receivables, net of allowance for uncollectible	957,739	317,344	1,275,083
Internal balances	3,800	-	3,800
Prepaid items	872	-	872
Tax deeded property held for resale	6,229	-	6,229
Capital assets, not being depreciated:			
Land	2,144,900	25,962	2,170,862
Construction in progress	-	1,352,361	1,352,361
Capital assets, net of accumulated depreciation:			
Land improvements	-	18,785	18,785
Buildings and building improvements	738,895	-	738,895
Machinery, equipment, and vehicles	202,752	374,668	577,420
Infrastructure	-	428,925	428,925
Total assets	<u>8,605,248</u>	<u>3,148,124</u>	<u>11,753,372</u>
LIABILITIES			
Accounts payable	114,438	186,748	301,186
Accrued salaries and benefits	19,501	370	19,871
Intergovernmental payable	2,449,212	-	2,449,212
Internal balances	-	3,800	3,800
Accrued interest payable	16,504	-	16,504
Unearned revenue	232,315	-	232,315
Noncurrent obligations:			
Due within one year:			
Bonds/note	95,000	-	95,000
Capital leases	16,948	-	16,948
Due in more than one year:			
Bonds/note	240,000	1,435,560	1,675,560
Capital leases	9,005	-	9,005
Compensated absences	20,449	-	20,449
Total liabilities	<u>3,213,372</u>	<u>1,626,478</u>	<u>4,839,850</u>
NET ASSETS			
Invested in capital assets, net of related debt	2,725,594	765,141	3,490,735
Restricted for perpetual care	1,375	-	1,375
Unrestricted	2,664,907	756,505	3,421,412
Total net assets	<u>\$ 5,391,876</u>	<u>\$ 1,521,646</u>	<u>\$ 6,913,522</u>

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, 2010

		Program Revenues		Net (Expense) Revenue and Change in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business- type Activities	Total
Governmental activities:						
General government	\$ 1,049,655	\$ 2,376	\$ 20,992	\$ (1,026,287)	\$ -	\$ (1,026,287)
Public safety	1,211,457	18,196	298,069	(895,192)	-	(895,192)
Highways and streets	406,046	-	131,349	(274,697)	-	(274,697)
Sanitation	179,578	106,218	-	(73,360)	-	(73,360)
Health	30,081	-	-	(30,081)	-	(30,081)
Welfare	55,981	-	-	(55,981)	-	(55,981)
Culture and recreation	76,423	-	-	(76,423)	-	(76,423)
Conservation	-	-	11,639	11,639	-	11,639
Interest on long-term debt	21,354	-	-	(21,354)	-	(21,354)
Capital outlay	1,241,534	-	1,604,097	362,563	-	362,563
Total governmental activities	4,272,109	126,790	2,066,146	(2,079,173)	-	(2,079,173)
Business-type activities:						
Sewer department	3,549,969	3,113,090	-	-	(436,879)	(436,879)
Total	\$ 7,822,078	\$ 3,239,880	\$ 2,066,146	(2,079,173)	(436,879)	(2,516,052)
General revenues:						
Taxes:						
Property				1,880,113	-	1,880,113
Other				151,716	-	151,716
Motor vehicle permit fees				504,604	-	504,604
Licenses and other fees				20,964	-	20,964
Grants and contributions not restricted to specific programs				225,225	-	225,225
Miscellaneous				47,645	7,779	55,424
Transfers				115,000	(115,000)	-
Total general revenues				2,945,267	(107,221)	2,838,046
Change in net assets				866,094	(544,100)	321,994
Net assets, beginning, as restated (see Note 14)				4,525,782	2,065,746	6,591,528
Net assets, ending				\$ 5,391,876	\$ 1,521,646	\$ 6,913,522

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

EXHIBIT C-1
TOWN OF ALLENTOWN, NEW HAMPSHIRE
Governmental Funds
Balance Sheet
December 31, 2010

	General	Expendable Trust	Grants	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 2,714,805	\$ 1,529,533	\$ 210,656	\$ 50,688	\$ 4,505,682
Investments	905	-	-	5,062	5,967
Receivables, net of allowance for uncollectible:					
Taxes	940,678	-	-	-	940,678
Accounts	17,061	-	-	-	17,061
Intergovernmental	-	-	38,412	-	38,412
Interfund receivable	81,877	4,886	6,385	12,788	105,936
Prepaid items	872	-	-	-	872
Tax deeded property subject to resale	6,229	-	-	-	6,229
Total assets	<u>\$ 3,762,427</u>	<u>\$ 1,534,419</u>	<u>\$ 255,453</u>	<u>\$ 68,538</u>	<u>\$ 5,620,837</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 114,438	\$ -	\$ -	\$ -	\$ 114,438
Accrued salaries and benefits	19,501	-	-	-	19,501
Intergovernmental payable	2,445,629	-	3,583	-	2,449,212
Interfund payable	17,674	2,709	72,151	9,602	102,136
Deferred revenue	52,596	-	179,719	-	232,315
Total liabilities	<u>2,649,838</u>	<u>2,709</u>	<u>255,453</u>	<u>9,602</u>	<u>2,917,602</u>
Fund balances:					
Reserved for encumbrances	176,115	-	-	-	176,115
Reserved for endowments	-	-	-	1,375	1,375
Reserved for special purposes	-	-	-	5,299	5,299
Reserved for tax deeded property subject to resale	6,229	-	-	-	6,229
Unreserved, undesignated, reported in:					
General fund	930,245	-	-	-	930,245
Special revenue funds	-	1,531,710	-	52,262	1,583,972
Total fund balances	<u>1,112,589</u>	<u>1,531,710</u>	<u>-</u>	<u>58,936</u>	<u>2,703,235</u>
Total liabilities and fund balances	<u>\$ 3,762,427</u>	<u>\$ 1,534,419</u>	<u>\$ 255,453</u>	<u>\$ 68,538</u>	<u>\$ 5,620,837</u>

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

EXHIBIT C-2
TOWN OF ALLENSTOWN, NEW HAMPSHIRE
Reconciliation of Total Governmental Fund Balances to the Statement of Net Assets
December 31, 2010

Total fund balances of governmental funds (Exhibit C-1)		\$ 2,703,235
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.		
Cost	\$ 5,540,083	
Less accumulated depreciation	<u>(2,453,536)</u>	
		3,086,547
Interfund receivables and payables between governmental funds are eliminated on the statement of net assets.		
Receivables	\$ (102,136)	
Payables	<u>102,136</u>	
		-
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(16,504)
Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the funds.		
Bonds/note	\$ 335,000	
Capital leases	25,953	
Compensated absences payable	<u>20,449</u>	
		<u>(381,402)</u>
Total net assets of governmental activities (Exhibit A)		<u><u>\$ 5,391,876</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, 2010

	General	Expendable Trust	Grants	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 2,031,828	\$ -	\$ -	\$ -	\$ 2,031,828
Licenses and permits	525,568	-	-	-	525,568
Intergovernmental	388,756	-	1,881,623	2,850	2,273,229
Charges for services	118,391	-	-	5,549	123,940
Miscellaneous	46,952	20,884	-	802	68,638
Total revenues	<u>3,111,495</u>	<u>20,884</u>	<u>1,881,623</u>	<u>9,201</u>	<u>5,023,203</u>
Expenditures:					
Current:					
General government	1,047,227	300	-	-	1,047,527
Public safety	1,195,972	10,214	-	10,277	1,216,463
Highways and streets	391,420	-	-	-	391,420
Sanitation	151,970	27,608	-	-	179,578
Health	30,081	-	-	-	30,081
Welfare	55,981	-	-	-	55,981
Culture and recreation	30,904	-	-	37,995	68,899
Debt service:					
Principal	95,000	-	-	-	95,000
Interest	20,967	-	-	-	20,967
Capital outlay	11,211	-	1,881,623	-	1,892,834
Total expenditures	<u>3,030,733</u>	<u>38,122</u>	<u>1,881,623</u>	<u>48,272</u>	<u>4,998,750</u>
Excess (deficiency) of revenues over (under) expenditures	<u>80,762</u>	<u>(17,238)</u>	<u>-</u>	<u>(39,071)</u>	<u>24,453</u>
Other financing sources (uses):					
Transfers in	-	145,000	-	53,927	198,927
Transfers out	(83,927)	-	-	-	(83,927)
Inception of capital lease	27,058	-	-	-	27,058
Total other financing sources and uses	<u>(56,869)</u>	<u>145,000</u>	<u>-</u>	<u>53,927</u>	<u>142,058</u>
Net change in fund balances	23,893	127,762	-	14,856	166,511
Fund balances, beginning	1,088,696	1,403,948	-	44,080	2,536,724
Fund balances, ending	<u>\$ 1,112,589</u>	<u>\$ 1,531,710</u>	<u>\$ -</u>	<u>\$ 58,936</u>	<u>\$ 2,703,235</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, 2010

Net change in fund balances of governmental funds (Exhibit C-3)		\$ 166,511
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	\$ 683,412	
Depreciation expense	<u>(77,649)</u>	
		605,763
Transfers in and out between governmental funds are eliminated on the operating statement.		
Transfers in	\$ (83,927)	
Transfers out	<u>83,927</u>	
		-
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds, but has no effect on net assets.		
Proceeds of capital leases	\$ (27,058)	
Repayment of capital lease principal	31,718	
Repayment of bond principal	<u>95,000</u>	
		99,660
Some expenses reported in the statement of activities do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds.		
Increase in accrued interest expense	\$ (387)	
Increase in compensated absences payable	<u>(5,453)</u>	
		(5,840)
Changes in net assets of governmental activities (Exhibit B)		<u>\$ 866,094</u>

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

EXHIBIT D-1
TOWN OF ALLENSTOWN, NEW HAMPSHIRE
Proprietary Fund
Statement of Net Assets
December 31, 2010

	Business-type Activities
	Enterprise Fund (Sewer Department)
ASSETS	
Cash and cash equivalents	\$ 594,261
Intergovernmental receivable	35,818
Other receivables	317,344
Capital assets, not being depreciated:	
Land	25,962
Construction in progress	1,352,361
Capital assets, net of accumulated depreciation:	
Land improvements	18,785
Machinery, equipment, and vehicles	374,668
Infrastructure	428,925
Total assets	<u>3,148,124</u>
LIABILITIES	
Accounts payable	186,748
Accrued salaries and benefits	370
Interfund payable	3,800
Noncurrent obligations:	
Due in more than one year:	
Note	1,435,560
Total liabilities	<u>1,626,478</u>
NET ASSETS	
Invested in capital assets, net of related debt	765,141
Unrestricted	756,505
Total net assets	<u>\$ 1,521,646</u>

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

EXHIBIT D-2
TOWN OF ALLENSTOWN, NEW HAMPSHIRE
Proprietary Fund
Statement of Revenues, Expenses, and Changes in Fund Net Assets
For the Fiscal Year Ended December 31, 2010

	Business-type Activities Enterprise Fund (Sewer Department)
Operating revenues:	
Charges for sales and services:	
User charges	\$ 3,113,090
Miscellaneous	6,005
Total operating revenues	<u>3,119,095</u>
Operating expenses:	
Cost of sales and services	3,468,288
Depreciation	81,681
Total operating expenses	<u>3,549,969</u>
Operating loss	(430,874)
Nonoperating revenue:	
Interest	<u>1,774</u>
Income before transfers	(429,100)
Other financing uses:	
Transfers out	<u>(115,000)</u>
Change in net assets	(544,100)
Net assets, beginning, as restated (see Note 14)	<u>2,065,746</u>
Net assets, ending	<u><u>\$ 1,521,646</u></u>

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

EXHIBIT D-3
TOWN OF ALLENSTOWN, NEW HAMPSHIRE
Proprietary Fund
Statement of Cash Flows
For the Fiscal Year Ended December 31, 2010

Cash flows from operating activities:	
Receipts from customers and users	\$ 3,107,577
Payments to suppliers and employees	(3,381,413)
Net cash used by operating activities	<u>(273,836)</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of fixed assets	(1,352,387)
Payments to capital reserve	(115,000)
Net cash used by capital and related financing activities	<u>(1,467,387)</u>
Cash flows from non-capital financing activities:	
ARRA/State revolving loan	<u>1,352,361</u>
Cash flows from investing activities:	
Interest received	<u>1,774</u>
Net decrease in cash	(387,088)
Cash, beginning	981,349
Cash, ending	<u><u>\$ 594,261</u></u>

***Reconciliation of Operating Loss to Net Cash
Used by Operating Activities***

Operating loss	<u>\$ (430,874)</u>
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation expense	81,681
Decrease in intergovernmental receivables	55,183
Increase in other receivables	(65,601)
Increase in accounts payable	82,705
Increase in accrued salaries and benefits	370
Decrease in unearned revenue	(1,100)
Increase in interfund payable	3,800
Total adjustments	<u>157,038</u>
Net cash used by operating activities	<u><u>\$ (273,836)</u></u>

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

EXHIBIT E
TOWN OF ALLENSTOWN, NEW HAMPSHIRE
Fiduciary Fund
Statement of Fiduciary Net Assets
December 31, 2010

	<u>Agency</u>
ASSETS	
Cash and cash equivalents	\$ 113,013
LIABILITIES	
Due to other governmental units	<u>113,013</u>
NET ASSETS	<u><u>\$ -</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, 2010

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TOWN OF ALLENTOWN, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

1-A Reporting Entity

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

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

1-B Basis of Presentation

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

The statement of net assets presents information on all of the entity's assets and liabilities, with the difference between the two presented as net assets. Net assets are reported as one of three categories; invested in capital assets, net of related debt; restricted; or unrestricted.

The statement of activities presents a comparison between direct expenses and program revenues for the different functions of the Town's governmental and business-type activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Vehicle maintenance; pension benefit; property and liability insurance; claims and judgments; and state assessments and charges have been allocated to major functions in order to present a more accurate and complete picture of the cost of Town services. Program revenues include (1) charges to customers or applicants for goods received, services rendered or privileges provided, and (2) grants and contributions that are restricted to meeting operational requirements of a particular function. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

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

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

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

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

Special Revenue Funds – are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

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

Proprietary fund type – This fund accounts for operations that are organized to be self-supporting through user charges. The fund included in this category is as follows:

Enterprise Fund – is used to account for operations (1) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (2) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Fiduciary fund type – This fund accounts for assets held by the Town as a trustee or agent for individuals, private organizations, and other units of governments. The fiduciary fund type is not part of the reporting entity in the government-wide financial statements, but is reported in a separate statement of fiduciary net assets. This fund is as follows:

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

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

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

Expendable Trust Fund – the expendable trust fund accounts for the legally established funds for future costs.

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

Enterprise fund – The Town reports the following major enterprise fund:

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

Nonmajor funds – The Town also reports six nonmajor governmental funds.

1-C Measurement Focus

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

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

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Accounting and financial reporting for governmental and business-type activities is based on all applicable Governmental Accounting Standards Board (GASB) pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements:

- a. Financial Accounting Standards Board (FASB) Statements and Interpretations;
- b. Accounting Principles Board Opinions;
- c. Accounting Research Bulletins of the Committee on Accounting Procedure.

In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Town may also apply FASB pronouncements issued after November 30, 1989 to business-type activities and enterprise funds unless these pronouncements conflict with or contradict GASB pronouncements. The Town has elected not to follow subsequent private-sector pronouncements.

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

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

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

Revenues – nonexchange transactions – Nonexchange transactions, in which the Town receives value without directly giving equal value in return, include grants and donations. Revenue from grants and donations is recognized in the fiscal year in which all grantor imposed eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the Town must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Town on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions also must be available (i.e., collected within 60 days) before it can be recognized, with the exception of property taxes which are recognized if expected to be collected in time to be used to pay the liability to the school district which is due over the next six months.

1-D Cash and Cash Equivalents

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

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

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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 stated at fair value based on quoted market prices.

1-G Receivables

Receivables in the government-wide, governmental, and proprietary fund's financial statements represent amounts due to the Town at December 31, recorded as revenue, which will be collected in the future and consist primarily of taxes, accounts, and intergovernmental receivables.

Tax revenue is recorded when a warrant for collection is committed to the tax collector. As prescribed by law, the tax collector executes a lien on properties for all uncollected property taxes in the following year after taxes are due. The lien on these properties has priority over other liens and accrues interest at 18% per annum. If property is not redeemed within the two year redemption period, the property is tax deeded to the Town.

Accounts receivable include various service charges which are recorded as revenue for the period when serviced was provided.

1-H Interfund Balances

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

1-I Prepaid Items

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

1-J Capital Assets

General capital assets are those assets of a capital nature which the Town owns. All capital assets are capitalized at cost (or estimated at historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The Town maintains a capitalization threshold of \$5,000 and more than one year of estimated useful life. Improvements to capital assets are capitalized; the costs of normal maintenance and repairs that do not add to the value of an asset or materially extend the asset's life are expensed.

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Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. All reported capital assets are depreciated over their estimated useful lives. Depreciation is computed using the straight-line method over the following useful lives:

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

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

1-K Allowance for Uncollectible Accounts

An allowance for uncollectible tax accounts has been established and recorded by management where collectability is in doubt.

1-L Deferred/Unearned Revenue

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

1-M Compensated Absences

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

Vested amounts of vacation pay are reported as long-term liabilities in the statement of net assets.

1-N Long-Term Obligations

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

1-O Claims and Judgments

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

1-P Equity Classifications

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

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

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Fund statements – Governmental fund equity is classified as fund balance. Fund balance is classified as reserved and unreserved, with unreserved further split between designated and undesignated. Reserved fund balances represent amounts not available for appropriation, or are legally restricted by outside parties for use for a specific purpose. Designated fund balances represent tentative management plans that are subject to change. Undesignated fund balance amounts represent amounts available for use in future periods.

1-Q Interfund Activities

Interfund activities are reported as follows:

Interfund receivables and payables – Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds.” 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 assets.

Interfund transfers – Interfund transfers represent flows of assets without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making the transfers and other financing sources in the funds receiving the transfers. In 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-R Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates and the differences could be material.

NOTE 2 – CUSTODIAL CREDIT RISK FOR DEPOSITS

Custodial credit risk is the risk that in the event of a bank failure, a government’s deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of December 31, 2010, none of the Town’s bank balances of \$5,365,954 was exposed to custodial credit risk as uninsured and uncollateralized.

Cash and cash equivalents reconciliation:

Cash and cash equivalents per statement of net assets (Exhibit A)	\$ 5,099,943
Cash and cash equivalents per statement of fiduciary net assets (Exhibit E)	113,013
Total cash and cash equivalents	<u>\$ 5,212,956</u>

NOTE 3 – INVESTMENTS

Investments at December 31, 2010 consisted of \$5,967 invested in the New Hampshire Public Deposit Investment Pool.

NOTE 4 – TAXES RECEIVABLE

The property tax year is from April 1 to March 31 and all property taxes are assessed on the inventory taken in April of that year. The net assessed valuation as of April 1, 20010, upon which the 2010 property tax levy was based is:

For the New Hampshire education tax	\$ 257,530,784
For all other taxes	\$ 265,982,984

The Town subscribes to the semi-annual method of tax collection as provided for by RSA 76:15-a. Taxes were levied on May 12 and October 27, with payments due on July 1 and December 1. Interest accrues at a rate of 12% on bills outstanding after the due dates. The first billing is considered an estimate only and is one half of the previous year’s tax billing. The remaining balance of taxes due is billed in the fall after the New Hampshire Department of Revenue Administration has calculated and approved the Town’s tax rate for the fiscal year.

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

The tax rates and amounts assessed for the year ended December 31, 2010 were as follows:

	Per \$1,000 of Assessed Valuation	Property Taxes Assessed
Municipal portion	\$7.61	\$ 2,026,892
School portion:		
State of New Hampshire	\$2.50	643,043
Local	\$14.62	3,887,936
County portion	\$2.65	703,613
Total		<u>\$ 7,261,484</u>

During the current fiscal year, the tax collector executed a lien on April 14, 2010 for all uncollected 2009 property taxes.

Taxes receivable at December 31, 2010, are as follows:

Property:	
Levy of 2010	\$ 590,298
Unredeemed (under tax lien):	
Levy of 2009	230,959
Levy of 2008	164,175
Levies of 2007 and prior	14,185
Yield	3,061
Less: allowance for estimated uncollectible taxes	(62,000)
Net taxes receivable	<u>\$ 940,678</u>

NOTE 5 – OTHER RECEIVABLES

Receivables at December 31, 2010, consisted of accounts (refuse charges and billings for sewer) and intergovernmental amounts arising from grants.

Receivables are recorded on the Town's financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and collectability.

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NOTE 6 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2010 consisted of the following:

	Balance, beginning (as restated)	Changes	Balance, ending
Governmental activities:			
At cost:			
Not being depreciated:			
Land*	\$ 1,493,600	\$ 651,300	\$ 2,144,900
Being depreciated:			
Buildings and building improvements	1,079,159	-	1,079,159
Machinery, equipment, and vehicles	2,283,912	32,112	2,316,024
Total capital assets being depreciated	3,363,071	32,112	3,395,183
Total all capital assets	4,856,671	683,412	5,540,083
Less accumulated depreciation:			
Buildings and building improvements	(314,647)	(25,617)	(340,264)
Machinery, equipment, and vehicles	(2,061,240)	(52,032)	(2,113,272)
Total accumulated depreciation	(2,375,887)	(77,649)	(2,453,536)
Net book value, capital assets being depreciated	987,184	(45,537)	941,647
Net book value, all capital assets	<u>\$ 2,480,784</u>	<u>\$ 605,763</u>	<u>\$ 3,086,547</u>
Business-type activities:			
At cost:			
Not being depreciated:			
Land	\$ 25,962	\$ -	\$ 25,962
Construction in progress	-	1,352,361	1,352,361
Total capital assets not being depreciated	25,962	1,352,361	1,378,323
Being depreciated:			
Land improvements	125,230	-	125,230
Buildings	655,504	-	655,504
Machinery, equipment, and vehicles	1,013,895	-	1,013,895
Infrastructure	1,583,541	-	1,583,541
Total capital assets being depreciated	3,378,170	-	3,378,170
Total all capital assets	3,404,132	1,352,361	4,756,493
Less accumulated depreciation:			
Land improvements	(103,315)	(3,130)	(106,445)
Buildings	(651,929)	(3,575)	(655,504)
Machinery, equipment, and vehicles	(606,143)	(33,084)	(639,227)
Infrastructure	(1,112,724)	(41,892)	(1,154,616)
Total accumulated depreciation	(2,474,111)	(81,681)	(2,555,792)
Net book value, capital assets being depreciated	904,059	(81,681)	822,378
Net book value, all capital assets	<u>\$ 930,021</u>	<u>\$ 1,270,680</u>	<u>\$ 2,200,701</u>

*Included in the total balance is \$985,885 of land located in a flood plain, which the Town acquired through a federal Flood Mitigation Assistance Grant. As the land does not possess a practical use for the Town, and was acquired only to ensure the safety of the public, it has been recorded at assessment card 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.”

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

Governmental activities:	
General government	\$ 1,122
Public safety	64,419
Highways and streets	30,174
Culture and recreation	7,524
Total	<u>\$ 103,239</u>
Business-type activities:	
Sewer department	<u>\$ 81,681</u>

NOTE 7 – INTERFUND BALANCES AND TRANSFERS

Interfund receivable and payable balances consisting of overdrafts in pooled cash and budgetary transfers at December 31, 2010, are as follows:

Receivable Fund	Payable Fund	Amount
General	Sewer department	\$ 3,800
	Expendable trust	2,709
	Grants	72,151
	Nonmajor	3,217
Expendable trust	General	4,886
Grants	Nonmajor	6,385
Nonmajor	General	12,788
		<u>\$ 105,936</u>

Interfund transfers during the year ended December 31, 2010 are as follows:

	Transfers In:		
	Expendable Trust Fund	Nonmajor Funds	Total
Transfers out:			
General fund	\$ 30,000	\$ 53,927	\$ 83,927
Sewer department fund	115,000	-	115,000
Total	<u>\$ 145,000</u>	<u>\$ 53,927</u>	<u>\$ 198,927</u>

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

NOTE 8 – INTERGOVERNMENTAL PAYABLES

Amounts due to other governments at December 31, 2010 consist of the following:

General fund:	
Balance of the 2010-2011 district assessment due to the Allenstown School District	\$ 2,411,534
Miscellaneous fees due to the State of New Hampshire	5,084
Due to New Hampshire Retirement System	23,083
User fees due to Pembroke Water Works	5,928
Total intergovernmental payables due from the general fund	<u>\$ 2,445,629</u>
Grants fund:	
Unspent grant monies due to federal government	<u>\$ 3,583</u>
Agency fund:	
Balance of trust funds belonging to the Allenstown School District	<u>\$ 113,013</u>

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NOTE 9 – DEFERRED/UNEARNED REVENUE

Deferred/unearned revenue at December 31, 2010 consists of the following:

General fund:	
Property tax revenue collected in advance of the 2011 property tax warrant being issued	\$ 4,144
Federal grant revenue collected in advance of eligible expenditure being made	48,452
Total general fund deferred/unearned revenue	<u>\$ 52,596</u>
Grants fund:	
Federal grant revenue collected in advance of eligible expenditure being made	<u>\$ 179,719</u>

NOTE 10 – LONG-TERM LIABILITIES

Changes in the Town's long-term obligations consisted of the following for the year ended December 31, 2010:

	General Obligation Bonds/Note Payable	Capital Leases Payable	Compensated Absences Payable	Total
Balance, beginning	\$ 430,000	\$ 30,613	\$ 14,996	\$ 475,609
Additions	1,435,560	27,058	5,453	1,468,071
Reductions	(95,000)	(31,718)	-	(126,718)
Balance, ending	<u>\$ 1,770,560</u>	<u>\$ 25,953</u>	<u>\$ 20,449</u>	<u>\$ 1,816,962</u>

Long-term liabilities payable are comprised of the following:

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at December 31, 2010	Current Portion
General obligation bonds/note payable:						
Judgment	\$ 700,000	1992	2011	5.3-6.2	\$ 35,000	\$ 35,000
Police station acquisition/renovation	\$ 600,000	2005	2015	4.7-7.0	300,000	60,000
ARRA/State revolving loan*	\$ 1,435,560				1,435,560	-
					<u>1,770,560</u>	<u>95,000</u>
Capital leases payable:						
Police cruiser	\$ 25,650	2009	2011	6.10	8,540	8,540
Police cruiser	\$ 27,058	2010	2012	7.10	17,413	8,408
					<u>25,953</u>	<u>16,948</u>
Compensated absences payable:						
Vacation leave					20,449	-
Total					<u>\$ 1,816,962</u>	<u>\$ 111,948</u>

***Water Pollution Control Revolving Loan Fund Program**

Drawdowns received under the Water Pollution Control Revolving Loan Fund Program will be consolidated by a promissory note upon substantial completion of the wastewater treatment facility. Management is of the opinion that 50% of the total drawdowns will be forgiven as a result of the American Recovery and Reinvestment Act (ARRA) through the State of New Hampshire. However, as of December 31, 2010, drawdowns received to date totaling \$1,435,560 are recorded on the Town's financial statements, exclusive of the 50% anticipated forgiveness. Interest on the drawdowns accrues from the date of the drawdown at 1.00% per annum. The note, plus interest, will be repaid from the sewer department fund.

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The annual requirements to amortize all general obligation bonds outstanding as of December 31, 2010, including interest payments, are as follows:

Fiscal Year Ending December 31,	Principal	Interest	Total
2011	\$ 95,000	\$ 16,240	\$ 111,240
2012	60,000	11,256	71,256
2013	60,000	8,442	68,442
2014	60,000	5,628	65,628
2015	60,000	2,814	62,814
Totals	<u>\$ 335,000</u>	<u>\$ 44,380</u>	<u>\$ 379,380</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.

Notes Authorized and Unissued

Notes authorized and unissued as of December 31, 2010 were as follows:

Notes Authorized and Unissued	Amount
Water Pollution Control Revolving Loan	\$ 1,625,000
Less: Drawdowns received to date	(1,435,560)
	<u>\$ 189,440</u>

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 Interest Rate	Present Value of Remaining Payments as of December 31, 2010
Equipment:		
Police cruiser	6.10%	\$ 8,540
Police cruiser	7.10%	17,413
Total capital lease obligations		<u>\$ 25,953</u>

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

Equipment:	
Police cruiser	\$ 25,650
Police cruiser	27,058
Less: accumulated depreciation	(15,672)
Total capital leases obligations	<u>\$ 37,036</u>

The annual requirements to amortize capital leases payable as of December 31, 2010, including interest payments, are as follows:

Fiscal Year Ending December 31,	Principal	Interest	Total
2011	\$ 16,948	\$ 1,757	\$ 18,705
2012	9,005	639	9,644
Totals	<u>\$ 25,953</u>	<u>\$ 2,396</u>	<u>\$ 28,349</u>

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

TOWN OF ALLENSTOWN, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2010

NOTE 12 – GOVERNMENTAL ACTIVITIES NET ASSETS

Governmental activities net assets reported on the government-wide statement of net assets at December 31, 2010 include the following:

	Governmental Activities	Business- type Activities	Total
Invested in capital assets, net of related debt:			
Capital assets, net of accumulated depreciation	\$ 3,086,547	\$ 2,200,701	\$ 5,287,248
Less:			
General obligation bonds payable	(335,000)	-	(335,000)
Capital leases payable	(25,953)	-	(25,953)
Drawdowns on water pollution control:			
Revolving fund program loan	-	(1,435,560)	(1,435,560)
Total invested in capital assets, net of related debt	<u>2,725,594</u>	<u>765,141</u>	<u>3,490,735</u>
Restricted for perpetual care	1,375	-	1,375
Unrestricted	<u>2,664,907</u>	<u>756,505</u>	<u>3,421,412</u>
Total net assets	<u><u>\$ 5,391,876</u></u>	<u><u>\$ 1,521,646</u></u>	<u><u>\$ 6,913,522</u></u>

NOTE 13 – GOVERNMENTAL FUND BALANCES

Governmental fund balances reported on the fund financial statements at December 31, 2010 include the following:

	Governmental Activities
Reserved:	
Major fund:	
General	\$ 182,344
Nonmajor fund:	
Permanent	6,674
Total reserved fund balance	<u>189,018</u>
Unreserved, undesignated:	
Major funds:	
General	930,245
Expendable trust	1,531,710
Total major funds	<u>2,461,955</u>
Nonmajor funds:	
Conservation commission	1,349
Public library	27,246
Recreation revolving	178
DARE	4,833
Public safety services revolving	18,656
Total nonmajor funds	<u>52,262</u>
Total unreserved, undesignated fund balance	<u>2,514,217</u>
Total governmental fund balances	<u><u>\$ 2,703,235</u></u>

TOWN OF ALLENSTOWN, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2010

NOTE 14 – PRIOR PERIOD ADJUSTMENTS

Net assets at January 1, 2010 were restated to give retroactive effect to the following prior period adjustments:

	Government- wide Statements	Business- type Activities	Total
To record an asset impairment on land acquired in prior year, which was recorded at acquisition cost rather than assessed value	\$ (572,257)	\$ -	\$ (572,257)
To record loan payable to the State of New Hampshire Water Pollution Control Revolving Fund Program recorded as revenue in the prior year	-	(83,225)	(83,225)
Net assets, as previously reported	5,098,039	2,148,971	7,247,010
Net assets, as restated	<u>\$ 4,525,782</u>	<u>\$ 2,065,746</u>	<u>\$ 6,591,528</u>

NOTE 15 – EMPLOYEE RETIREMENT PLAN

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

The System is financed by contributions from both the employees and the Town. Member contribution rates are established and may be amended by the State legislature while employer contribution rates are set by the System trustees based on an actuarial valuation. All employees except police officers and firefighters are required to contribute 5% of earnable compensation. Police officers and firefighters are required to contribute 9.3% of gross earnings. The Town contributed 13.66% for police, 17.28% for fire, and 9.16% for other employees. The contribution requirements for the Town of Allenstown for the fiscal years 2008, 2009, and 2010 were \$123,410, \$114,947, and \$117,273, respectively, which were paid in full in each year.

For the first six months of 2010, the State of New Hampshire funded 30% of the total employer normal contribution rate for police officers and firefighters employed by the Town. As of July 1, the funding rate decreased to 25% of the total employer normal contribution rate. This amount, \$30,171, is reported as an “on-behalf payment” as an expenditure and revenue on the governmental fund operating statement, and as an expense and revenue on the government-wide statements of activities.

NOTE 16 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

In addition to pension benefits described in Note 15, 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. Expenses for the postretirement health care benefits are recognized as eligible employee claims are paid.

The Governmental Accounting Standards Board (GASB) issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. GASB Statement No. 45, which was effective for the Town on January 1, 2009, 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 on the financial statements. The Town has not implemented GASB Statement No. 45 at December 31, 2009 or contracted with an actuarial firm to assist in evaluating the impact of this new standard on the Town. The amounts that should be recorded as the annual required contribution/OPEB cost and the net OPEB obligation is unknown.

TOWN OF ALLENSTOWN, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2010

NOTE 17 – 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 2010, the Town was a member of the Local Government Center Property-Liability Trust, LLC, and the New Hampshire Public Risk Management Exchange (Primex³) Workers' Compensation and Property/Liability Programs. These entities are considered public entity risk pools, currently operating as common risk management and insurance programs for member Towns and cities.

The Local Government Center Property-Liability Trust, LLC, is a Trust organized to provide certain property and liability insurance coverages to member Towns, cities and other qualified political subdivisions of New Hampshire. As a member of the Local Government Center Property-Liability Trust, LLC, the Town shares in contributing to the cost of, and receiving benefits from, a self-insured pooled risk management program. The membership and coverage run from July 1 to June 30. The program maintains a self-insured retention above which it purchases reinsurance and excess insurance. This policy covers property, auto physical damage, crime, general liability, and public officials' liability subject to a \$1,000 deductible.

Contributions paid in fiscal year ending December 31, 2010, to be recorded as an insurance expenditure totaled \$46,150. There were no unpaid contributions for the year ended December 31, 2010. The trust agreement permits the Trust to make additional assessments to members should there be a deficiency in Trust assets to meet its liabilities. At this time, the Trust foresees no likelihood of any additional assessments for past years.

The New Hampshire Public Risk Management Exchange (Primex³) Workers' Compensation Program is a pooled risk management program under RSAs 5-B and 281-A. Coverage was provided from January 1, 2010 to December 31, 2010 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, 2010 was \$33,923. The workers' compensation section of the self-insurance membership agreement permits Primex³ to make additional assessments to members should there be a deficiency in contributions for any member year, not to exceed the member's annual contribution. GASB Statement No. 10 requires members of a pool with a sharing risk to disclose if such an assessment is probable, and a reasonable estimate of the amount, if any. At this time, Primex³ foresees no likelihood of any additional assessment for this or any prior year.

NOTE 18 – CONTINGENT LIABILITIES

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

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

NOTE 19 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the balance sheet date, but before the financial statements are issued. Recognized subsequent events are events or transactions that provided additional evidence about conditions that existed at the balance sheet date, including the estimates inherent in the process of preparing the financial statements. Nonrecognized subsequent events are events that provide evidence about conditions that did not exist at the balance sheet date, but arose after the date. Management has evaluated subsequent events through December 6, 2011, the date the December 31, 2010 financial statements were issued, and no events occurred requiring recognition or disclosure.

NOTE 20 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENT

In March 2009 the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The requirements of Statement No. 54 are not mandatory for the Town until fiscal year ended December 31, 2011.

REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT F-1
TOWN OF ALLENSTOWN, NEW HAMPSHIRE
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Fiscal Year Ended December 31, 2010

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Taxes	\$ 1,966,386	\$ 2,031,828	\$ 65,442
Licenses and permits	493,200	525,568	32,368
Intergovernmental	440,183	358,585	(81,598)
Charges for services	150,000	118,391	(31,609)
Miscellaneous	6,600	46,952	40,352
Total revenues	<u>3,056,369</u>	<u>3,081,324</u>	<u>24,955</u>
Expenditures:			
Current:			
General government	1,093,955	1,069,927	24,028
Public safety	1,249,919	1,233,527	16,392
Highways and streets	440,370	448,646	(8,276)
Sanitation	180,090	151,970	28,120
Health	46,355	30,081	16,274
Welfare	65,000	55,981	9,019
Culture and recreation	37,851	30,904	6,947
Conservation	1,179	-	1,179
Economic development	1	-	1
Debt service:			
Principal	95,000	95,000	-
Interest	36,224	20,967	15,257
Capital outlay	15,000	11,211	3,789
Total expenditures	<u>3,260,944</u>	<u>3,148,214</u>	<u>112,730</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(204,575)</u>	<u>(66,890)</u>	<u>137,685</u>
Other financing sources (uses):			
Transfers in	38,502	-	(38,502)
Transfers out	<u>(83,927)</u>	<u>(83,927)</u>	<u>-</u>
Total other financing sources and uses	<u>(45,425)</u>	<u>(83,927)</u>	<u>(38,502)</u>
Net change in fund balances	<u>\$ (250,000)</u>	<u>(150,817)</u>	<u>\$ 99,183</u>
Unreserved fund balance, beginning		1,081,062	
Unreserved fund balance, ending		<u>\$ 930,245</u>	

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

EXHIBIT F-2
TOWN OF ALLENSTOWN, NEW HAMPSHIRE
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
Grants Fund
For the Fiscal Year Ended December 31, 2010

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Intergovernmental	\$ 961,875	\$ 1,881,623	\$ 919,748
Expenditures:			
Capital outlay	961,875	1,881,623	(919,748)
Net change in fund balance	<u>\$ -</u>	-	<u>\$ -</u>
Unreserved fund balance, beginning		-	
Unreserved fund balance, ending		<u>\$ -</u>	

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

TOWN OF ALLENTOWN, NEW HAMPSHIRE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2010

General Budget Policies	1
Budgetary Reconciliation	2
Excess of Expenditures over Appropriations.....	3

TOWN OF ALLENSTOWN, NEW HAMPSHIRE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2010

1. General Budget Policies

General governmental revenues and expenditures accounted for in budgetary funds are controlled by a formal integrated budgetary accounting system in accordance with various legal requirements which govern the Town's operations. At its annual meeting, the Town adopts a budget for the current year for the general and grants funds. Except as reconciled below, the budget was adopted on a basis consistent with U.S. 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 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 unreserved fund balance to achieve that end. In the fiscal year 2009, \$250,000 of the beginning general fund fund balance was applied for this purpose.

2. Budgetary Reconciliation

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

	Governmental Activities
Revenues:	
Per Exhibit F-1 (budgetary basis)	\$ 3,081,324
Adjustment:	
Basis difference:	
Inception of capital lease	27,058
On-behalf retirement contributions made by the State of New Hampshire recognized as revenue on the GAAP basis, but not on the budgetary basis	30,171
Per Exhibit C-3 (GAAP basis)	<u>\$ 3,138,553</u>
Expenditures and other financing uses:	
Per Exhibit F-1 (budgetary basis)	\$ 3,232,141
Adjustment:	
Basis differences:	
Encumbrances, beginning	1,405
Encumbrances, ending	(176,115)
Inception of capital lease	27,058
On-behalf retirement contributions made by the State of New Hampshire recognized as an expenditure on the GAAP basis, but not on the budgetary basis	30,171
Per Exhibit C-3 (GAAP basis)	<u>\$ 3,114,660</u>

3. Excess of Expenditures over Appropriations

The grants fund had an excess of expenditures over appropriations for the year ended December 31, 2010 in the amount of \$919,748. Overexpenditures were due to the receipt and expenditure of unanticipated funds.

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, 2010

	Estimated	Actual	Variance Positive (Negative)
Taxes:			
Property	\$ 1,846,386	\$ 1,880,113	\$ 33,727
Timber	9,000	18,962	9,962
Excavation	2,000	1,634	(366)
Interest and penalties on taxes	109,000	131,119	22,119
Total from taxes	<u>1,966,386</u>	<u>2,031,828</u>	<u>65,442</u>
Licenses, permits, and fees:			
Business licenses, permits, and fees	700	840	140
Motor vehicle permit fees	475,000	504,604	29,604
Building permits	7,500	10,797	3,297
Other	10,000	9,327	(673)
Total from licenses, permits, and fees	<u>493,200</u>	<u>525,568</u>	<u>32,368</u>
Intergovernmental:			
State:			
Meals and rooms distribution	225,225	225,225	-
Highway block grant	92,419	92,419	-
State and federal forest land reimbursement	11,639	11,639	-
Other	20,900	18,091	(2,809)
Federal:			
FEMA	90,000	11,211	(78,789)
Total from intergovernmental	<u>440,183</u>	<u>358,585</u>	<u>(81,598)</u>
Charges for services:			
Income from departments	<u>150,000</u>	<u>118,391</u>	<u>(31,609)</u>
Miscellaneous:			
Interest on investments	3,600	4,836	1,236
Fines and forfeits	-	3,482	3,482
Other	3,000	38,634	35,634
Total from miscellaneous	<u>6,600</u>	<u>46,952</u>	<u>40,352</u>
Other financing sources:			
Transfers in	<u>38,502</u>	<u>-</u>	<u>(38,502)</u>
Total revenues and other financing sources	3,094,871	<u>\$ 3,081,324</u>	<u>\$ (13,547)</u>
Unreserved fund balance used to reduce tax rate	250,000		
Total revenues, other financing sources and use of fund balance	<u>\$ 3,344,871</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, 2010

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
General government:					
Executive	\$ -	\$ 136,569	\$ 122,267	\$ 14,000	\$ 302
Election and registration	-	52,442	47,175	-	5,267
Financial administration	-	156,428	215,773	-	(59,345)
Revaluation of property	-	5,000	7,715	-	(2,715)
Legal	-	30,000	31,428	-	(1,428)
Personnel administration	-	598,950	506,671	-	92,279
Planning and zoning	-	31,380	28,718	8,700	(6,038)
General government buildings	-	22,500	36,068	-	(13,568)
Cemeteries	-	2	-	-	2
Insurance, not otherwise allocated	-	53,500	46,149	-	7,351
Advertising and regional associations	-	5,284	5,263	-	21
Other	-	1,900	-	-	1,900
Total general government	-	1,093,955	1,047,227	22,700	24,028
Public safety:					
Police	1,405	810,151	731,324	48,205	32,027
Ambulance	-	56,500	62,588	-	(6,088)
Fire	-	324,689	296,328	47,196	(18,835)
Building inspection	-	42,952	32,525	-	10,427
Emergency management	-	15,627	15,978	788	(1,139)
Total public safety	1,405	1,249,919	1,138,743	96,189	16,392
Highways and streets:					
Highways and streets	-	417,470	369,243	57,226	(8,999)
Street lighting	-	22,900	22,177	-	723
Total highways and streets	-	440,370	391,420	57,226	(8,276)
Sanitation:					
Solid waste disposal	-	180,090	151,970	-	28,120
Health:					
Administration	-	6,902	3,160	-	3,742
Pest control	-	10,431	8,714	-	1,717
Health agencies	-	29,022	18,207	-	10,815
Total health	-	46,355	30,081	-	16,274
Welfare	-	65,000	55,981	-	9,019
Culture and recreation:					
Parks and recreation	-	35,500	28,525	-	6,975
Patriotic purposes	-	2,351	2,300	-	51
Other	-	-	79	-	(79)
Total culture and recreation	-	37,851	30,904	-	6,947
Conservation	-	1,179	-	-	1,179
Economic development	-	1	-	-	1

(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, 2010

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Debt service:					
Principal of long-term debt	-	95,000	95,000	-	-
Interest on long-term debt	-	21,224	20,967	-	257
Interest on tax anticipation notes	-	15,000	-	-	15,000
Total debt service	-	131,224	115,967	-	15,257
Capital outlay:					
Tanker truck	-	15,000	-	-	15,000
Machinery, equipment and vehicles	-	-	11,211	-	(11,211)
Total capital outlay	-	15,000	11,211	-	3,789
Other financing uses:					
Transfers out:					
Nonmajor funds:					
Special revenue:					
Library	-	53,927	53,927	-	-
Expendable trust	-	30,000	30,000	-	-
Total other financing uses	-	83,927	83,927	-	-
Total appropriations, expenditures, other financing uses, and encumbrances	\$ 1,405	\$ 3,344,871	\$ 3,057,431	\$ 176,115	\$ 112,730

SCHEDULE 3
TOWN OF ALLENSTOWN, NEW HAMPSHIRE
Major General Fund
Schedule of Changes in Unreserved - Undesignated Fund Balance (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2010

Unreserved, undesignated fund balance, beginning		\$ 1,081,062
Changes:		
Unreserved fund balance used to reduce 2010 tax rate		(250,000)
2010 Budget summary:		
Revenue shortfall (Schedule 1)	\$ (13,547)	
Unexpended balance of appropriations (Schedule 2)	<u>112,730</u>	
2010 Budget surplus		<u>99,183</u>
Unreserved, undesignated fund balance, ending		<u>\$ 930,245</u>

SCHEDULE 4
TOWN OF ALLENSTOWN, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2010

	Special Revenue Funds						Total
	Conservation Commission	Public Library	Recreation Revolving	DARE	Public Safety Services Revolving	Permanent Fund	
ASSETS							
Cash and cash equivalents	\$ 1,349	\$ 9,396	\$ 178	\$ 8,050	\$ 25,041	\$ 6,674	\$ 50,688
Investments	-	5,062	-	-	-	-	5,062
Interfund receivable	-	12,788	-	-	-	-	12,788
Total assets	<u>\$ 1,349</u>	<u>\$ 27,246</u>	<u>\$ 178</u>	<u>\$ 8,050</u>	<u>\$ 25,041</u>	<u>\$ 6,674</u>	<u>\$ 68,538</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Interfund payable	\$ -	\$ -	\$ -	\$ 3,217	\$ 6,385	\$ -	\$ 9,602
Fund balances:							
Reserved for endowments	-	-	-	-	-	1,375	1,375
Reserved for special purposes	-	-	-	-	-	5,299	5,299
Unreserved, undesignated	1,349	27,246	178	4,833	18,656	-	52,262
Total fund balances	<u>1,349</u>	<u>27,246</u>	<u>178</u>	<u>4,833</u>	<u>18,656</u>	<u>6,674</u>	<u>58,936</u>
Total liabilities and fund balances	<u>\$ 1,349</u>	<u>\$ 27,246</u>	<u>\$ 178</u>	<u>\$ 8,050</u>	<u>\$ 25,041</u>	<u>\$ 6,674</u>	<u>\$ 68,538</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, 2010

	Special Revenue Funds						
	Conservation Commission	Public Library	Recreation Revolving	DARE	Public Safety Services Revolving	Permanent Fund	Total
Revenues:							
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ 2,850	\$ -	\$ 2,850
Charges for services	-	-	-	-	5,549	-	5,549
Miscellaneous	-	85	-	557	51	109	802
Total revenues	-	85	-	557	8,450	109	9,201
Expenditures:							
Current:							
Public safety	-	-	-	2,600	7,677	-	10,277
Culture and recreation	-	37,935	60	-	-	-	37,995
Total expenditures	-	37,935	60	2,600	7,677	-	48,272
Excess (deficiency) of revenues over (under) expenditures	-	(37,850)	(60)	(2,043)	773	109	(39,071)
Other financing sources:							
Transfers in	-	53,927	-	-	-	-	53,927
Net change in fund balances	-	16,077	(60)	(2,043)	773	109	14,856
Fund balances, beginning	1,349	11,169	238	6,876	17,883	6,565	44,080
Fund balances, ending	<u>\$ 1,349</u>	<u>\$ 27,246</u>	<u>\$ 178</u>	<u>\$ 4,833</u>	<u>\$ 18,656</u>	<u>\$ 6,674</u>	<u>\$ 58,936</u>

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



PLODZIK & SANDERSON

Professional Association/Accountants & Auditors

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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 the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Allenstown, as of and for the year ended period end date, which collectively comprise the Town of Allenstown's basic financial statements and have issued our report thereon dated December 6, 2011. Our report on the financial statements of the governmental activities was adverse as indicated therein. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Town of Allenstown's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Allenstown's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Allenstown's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 10-01 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 10-02 and 10-3 to be significant deficiencies.

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*.

Town of Allenstown

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

The Town of Allenstown's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Town of Allenstown's responses and, accordingly, we express no opinion on them.

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

December 6, 2011


PODZIK & SANDERSON
Professional Association



PLODZIK & SANDERSON

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

INDEPENDENT AUDITOR'S REPORT

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

Compliance

We have audited the Town of Allenstown's compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the Town of Allenstown's major federal programs for the year ended December 31, 2010. The Town of Allenstown's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Town of Allenstown's management. Our responsibility is to express an opinion on the Town of Allenstown's compliance based on our audit.

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

In our opinion, the Town of Allenstown complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 10-04.

Internal Control over Compliance

Management of the Town of Allenstown is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Town of Allenstown's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Allenstown's internal control over compliance.

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

Town of Allentown


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

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

The Town of Allentown's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Town of Allentown's response and, accordingly, we express no opinion on it.

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

December 6, 2011



PLODZIK & SANDERSON
Professional Association

SCHEDULE I
TOWN OF ALLENSTOWN, NEW HAMPSHIRE
Summary Schedule of Prior Audit Findings
For the Year Ended December 31, 2010

Auditor Reference Number	U.S. Department of Homeland Security passed through the State of New Hampshire Department of Safety: CFDA No. 97.029 Flood Mitigation Assistance
09-04	<p>Criteria: Interest earned by local government and Indian tribal government grantees and sub-grantees on advances of federal funding is required to be submitted promptly, but at least quarterly, to the federal granting agency. Up to \$100 per year may be kept for administrative expenses.</p> <p>Condition: While documenting internal controls over the Cash Management requirement with the Town, it was noted that the Town has placed federal funding advancements into an interest bearing bank account and has earned over \$100 of interest income on the funds; however, the excess interest over \$100 has not been remitted to the federal government as required.</p> <p>Effect: The Town is not in compliance with cash management requirements.</p> <p>Recommendation: We recommend that the Town determine the exact amount of interest earned on the received federal funds since the first receipt of the funds to date and return to the federal granting agency any interest earned over \$100 and repeat this process at least quarterly until the grant program has ended.</p> <p>Management Response: The Town agrees with the auditor's recommendation. The Select Board will instruct the Town Administrator to determine the exact amount of interest earned on the received federal funds since first receipt of funds to date and return to the federal granting agency any interest earned over \$100 and repeat this process on at least a quarterly basis until the program has ended.</p> <p>Status: Corrective action has not been taken.</p>
09-05	<p>Criteria: According to 2 <i>CFR part 180</i>, Non-federal entities are prohibited from contracting with or making sub-awards under covered transactions to parties that are suspended or debarred or whose principles are suspended or debarred. Covered transactions include those procurement contracts for goods and services awarded under a non-procurement transaction (i.e. grant or cooperative agreement) that are expected to equal or exceed \$25,000 or meet certain other specified criteria. When a non-federal entity enters into a covered transaction with an entity at a lower tier, the non-federal entity must verify that the entity is not suspended or debarred or otherwise excluded. This verification may be accomplished by checking the <i>Excluded Parties List System</i> maintained by the General Services Administration, collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity.</p> <p>Condition: During suspension and debarment testing, it was noted that the Town contracted with one vendor for grant administration assistance for over \$25,000 where the Town did not verify that the vendor was not suspended or debarred from doing business with the Federal Government.</p> <p>Effect: The Town is not in compliance with procurement and suspension and debarment requirements.</p> <p>Recommendation: We recommend that any individuals or organizations that the Town contracts with in the future for over \$25,000 that are paid with Federal funds be verified by the Town that they are not suspended or debarred from doing business with the Federal Government.</p> <p>Management Response: The Town agrees with the auditor's recommendation. The Select Board will instruct the Town Administrator to verify that any individual or organization that the Town contracts with in the future for over \$25,000 that are paid with Federal funds is not suspended or debarred from doing business with the Federal Government.</p> <p>Status: Corrective action has been taken.</p>

SCHEDULE II
TOWN OF ALLENSTOWN, NEW HAMPSHIRE
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2010

SECTION I - SUMMARY OF AUDITOR'S RESULTS

A. Financial Statements

1. The auditor's report expresses an unqualified opinion on the financial statements of each major fund and the aggregate remaining fund information, and an adverse opinion on the financial statements of the governmental activities.
2. There was one material weakness identified relating to the internal control over financial reporting.
3. There were two significant deficiencies identified that were not considered material weaknesses relating to the internal control over financial reporting.
4. There were no instances of noncompliance material to the financial statements identified.

B. Federal Awards

1. There were no material weaknesses identified relating to the internal control over major programs.
2. There were no significant deficiencies identified that were not considered material weaknesses relating to the internal control over major programs.
3. The auditor's report on compliance for major programs expresses an unqualified opinion.
4. There is one audit finding required to be reported in accordance with section 510(a) of OMB Circular A-133.
5. The programs tested as major programs are CFDA No. 66.458: Capitalization Grants for Clean Water State Revolving Funds, and CFDA No. 97.029: Flood Mitigation Assistance.
6. The threshold for distinguishing between Types A and B programs was \$300,000.
7. The Town of Allenstown was determined not to be a low-risk auditee.

SECTION II - FINANCIAL STATEMENT FINDINGS

**Auditor
Reference
Number**

10-01 Approval of Payroll Manifests

Criteria: According to State Statute, governing bodies are required to approve all disbursements prior to the disbursements being made.

Condition: While updating internal controls over payroll disbursements, it was noted that the Board of Selectmen does not review payroll manifests prior to disbursement of funds.

Effect: The Town is not in accordance with State Statute and there is also an increased risk that fraud or theft could occur if controls over payroll disbursements are not properly implemented.

Recommendation: We recommend that the Board of Selectmen or a designated member of the Board should review and approve the payroll manifests prior to checks being processed.

Management Response: The Town agrees that payroll manifests should be reviewed by the Board of Selectmen prior to disbursements being made. A procedure will be implemented to facilitate payroll manifest review by the Board of Selectmen, or their designee, prior to disbursement.

SCHEDULE II (continued)
TOWN OF ALLENTOWN, NEW HAMPSHIRE
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2010

10-02 Town Policies

Criteria: The Town's control policies should ensure that management and employees establish and maintain an environment throughout the Town that sets a positive and supportive attitude toward internal controls and conscientious management. The control environment established by the Board of Selectmen sets the tone for how the Town employees and elected officials conduct its business.

Condition: The Town has yet to formally adopt any policies for anti-fraud and accounting procedures, which are essential tools necessary to manage the Town's operations efficiently and effectively.

Effect: The Town is at greater risk for exposure to losses by not having adequate policies in place.

Recommendation: We recommend that the Board of Selectmen develop and formally adopt the above noted policies in order to clearly communicate the Town's position on these issues. Adoption of the various policies is critical in preventing interruptions due to personnel vacancies, which helps facilitate supervision and evaluation, and will also help minimize the risk of losses.

Management Response: The Town has made significant progress in developing and updating its policies and procedures over the past two years and will continue to do so in the months ahead.

10-03 Library Internal Controls

Criteria: In order to maintain a strong internal control structure, it is imperative that all disbursements be properly approved prior to payment. In addition, checks should be made payable to individuals rather than to "cash" in order to reduce the risk of theft.

Condition: While performing a review of the Town's Library disbursements for the year, several instances were noted where invoices were not properly approved by the Library Director prior to payment. It was also noted that several checks were made out to "cash" that were used to replenish the petty cash account.

Effect: Disbursements that are made and not properly approved leads to an increased risk of fraud or theft. Checks being made out to "cash" rather than a specific individual leads to a risk that funds could be misappropriated.

Recommendation: We recommend that the Library Director properly approve all invoices prior to payment being made. We also recommend that checks be made out to a specific individual rather than to "cash."

Management Response: The Library has implemented procedures for ensuring that all invoices are properly approved prior to payment processing. Additionally, checks will no longer be made payable to cash when reimbursements are processed for replenishing petty cash.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

10-04 U.S. Department of Homeland Security passed through the State of New Hampshire Department of Safety: CFDA No. 97.029 Flood Mitigation Assistance

Criteria: Compliance requirements pertaining to reporting state that all required reports are to be submitted to the appropriate agency, in this case, the New Hampshire Department of Safety, by its stated deadlines. The Department requires quarterly progress reports to be submitted within 20 days of the end of the quarter.

Condition: The reports for the first phase of the project for the first, third, and fourth quarters of fiscal year 2010 were filed late with late periods of forty-two, seven, and twenty days, respectively. The reports for the second phase of the project for the third and fourth quarters of fiscal year 2010 were filed late with late periods of five and 20 days, respectively.

Effect: The Town is not in compliance with the requirements over reporting.

Recommendation: We recommend that the Town take whatever steps necessary to ensure that all reports are filed on time.

Management Response: The Town understands the reporting requirements and will ensure that future quarterly

SCHEDULE III
TOWN OF ALLENSTOWN, NEW HAMPSHIRE
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2010

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
U.S. DEPARTMENT OF TRANSPORTATION			
Passed Through the New Hampshire Department of Transportation			
Highway Planning and Construction	20.205	15550, 15550A, 15775, & 15775A	\$ 17,719
Passed Through the New Hampshire Highway Safety Agency			
HIGHWAY SAFETY CLUSTER			
State and Community Highway Safety	20.600	315-10B-024	1,843
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	308-10B-120	5,400
<i>CLUSTER TOTAL</i>			<u>7,243</u>
U.S. ENVIRONMENTAL PROTECTION AGENCY			
Passed Through the State of New Hampshire Department of Environmental Services			
Capitalization Grants for Clean Water State Revolving Funds (<i>note 3</i>)	66.458	CS-333104-02	<u>1,316,543</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed Through the New Hampshire Department of Safety			
Flood Mitigation Assistance:			
FMA Project #1 (3 & 4 Albin Avenue)	97.029	FMA-PJ-01-NH-2008-002	13,776
FMA Project #2 (14, 15, & 19 Riverside Drive)	97.029	FMA-PJ-01-NH-2008-004	19,205
FMA Project #3 (1, 2, & 11 Riverside Drive)	97.029	FMA-PJ-01-NH-2008-003	96,140
FMA Project #4 (16, 28, & 62 Riverside Drive)	97.029	FMA-PJ-01-NH-2008-005	436,229
FMA Project #5 (22 & 35-37 Riverside Drive & 3 Jillerick Road)	97.029	FMA-PJ-01-NH-2008-006	333,227
Phase II (5, 10, & 54 Riverside Drive)	97.029	FMA-PJ-01-NH-2009-001	304,495
<i>PROGRAM TOTAL</i>			<u>1,203,072</u>
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-1892-DR-NH	<u>11,211</u>
Hazard Mitigation Grant	97.039	FEMA-DR-1695-NH-19R	<u>167,545</u>
Emergency Management Performance Grants	97.042	N/A	<u>13,207</u>
DIRECT FUNDING			
U.S. DEPARTMENT OF JUSTICE			
Bullet Proof Vest Partnership Program	16.607	N/A	<u>1,722</u>
Total Expenditures of Federal Awards			<u><u>\$ 2,738,262</u></u>

TOWN OF ALLENSTOWN, NEW HAMPSHIRE
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2010

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, 2010. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the Town of 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 OMB Circular A- 87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

Note 3. Loans Outstanding

The Town of Allenstown had the following loan balance outstanding at December 31, 2010. Loan proceeds obtained by the entity during the year are included in the federal expenditures presented in the schedule.

<u>Cluster/Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Outstanding</u>
Capitalization Grants for Clean Water State Revolving Funds	66.458	\$ 1,407,544