

**TOWN OF ALLENSTOWN,
NEW HAMPSHIRE**

ANNUAL FINANCIAL REPORT

**AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2011**

TOWN OF ALLENSTOWN, NEW HAMPSHIRE
ANNUAL FINANCIAL REPORT
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DECEMBER 31, 2011

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PLODZIK & SANDERSON

Professional Association/Accountants & Auditors

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

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, 2011, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Allenstown as of December 31, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 28, 2012 on our consideration of the Town of Allenstown's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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 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.

August 28, 2012

Sheryl A. Platt, CPA
PLODZIK & SANDERSON
Professional Association

BASIC FINANCIAL STATEMENTS

EXHIBIT A
TOWN OF ALLENSTOWN, NEW HAMPSHIRE
Statement of Net Assets
December 31, 2011

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 2,869,174	\$ 1,883,411	\$ 4,752,585
Investments	5,971	-	5,971
Intergovernmental receivable	263,912	-	263,912
Other receivables, net of allowance for uncollectible	1,101,707	354,409	1,456,116
Prepaid items	952	-	952
Tax deeded property held for resale	6,229	-	6,229
Capital assets, not being depreciated:			
Land	2,198,150	25,962	2,224,112
Construction in progress	-	1,810,136	1,810,136
Capital assets, net of accumulated depreciation:			
Land improvements	-	15,654	15,654
Buildings and building improvements	713,278	-	713,278
Machinery, equipment, and vehicles	337,845	557,900	895,745
Infrastructure	-	434,836	434,836
Total assets	<u>7,497,218</u>	<u>5,082,308</u>	<u>12,579,526</u>
LIABILITIES			
Accounts payable	203,094	180,849	383,943
Accrued salaries and benefits	24,922	1,051	25,973
Retainage payable	-	43,177	43,177
Intergovernmental payable	2,696,151	-	2,696,151
Accrued interest payable	10,043	-	10,043
Escrow and performance deposits	8,315	-	8,315
Unearned revenue	81,298	-	81,298
Noncurrent obligations:			
Due within one year:			
Bond	60,000	-	60,000
Capital leases	17,291	-	17,291
Compensated absences	871	-	871
Due in more than one year:			
Bond/note	180,000	1,625,000	1,805,000
Capital leases	8,783	-	8,783
Compensated absences	11,270	-	11,270
Other postemployment benefits payable	49,957	-	49,957
Total liabilities	<u>3,351,995</u>	<u>1,850,077</u>	<u>5,202,072</u>
NET ASSETS			
Invested in capital assets, net of related debt	2,983,199	1,219,488	4,202,687
Restricted	35,520	-	35,520
Unrestricted	1,126,504	2,012,743	3,139,247
Total net assets	<u>\$ 4,145,223</u>	<u>\$ 3,232,231</u>	<u>\$ 7,377,454</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, 2011

		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	\$ 1,030,101	\$ -	\$ -	\$ (1,030,101)	\$ -	\$ (1,030,101)
Public safety	1,739,264	16,362	679,854	(1,043,048)	-	(1,043,048)
Highways and streets	409,849	-	153,003	(256,846)	-	(256,846)
Sanitation	183,958	57,713	-	(126,245)	-	(126,245)
Health	31,784	-	-	(31,784)	-	(31,784)
Welfare	57,218	-	-	(57,218)	-	(57,218)
Culture and recreation	94,695	-	-	(94,695)	-	(94,695)
Conservation	758	-	9,546	8,788	-	8,788
Interest on long-term debt	9,517	-	-	(9,517)	-	(9,517)
Capital outlay	118,791	-	-	(118,791)	-	(118,791)
Total governmental activities	<u>3,675,935</u>	<u>74,075</u>	<u>842,403</u>	<u>(2,759,457)</u>	<u>-</u>	<u>(2,759,457)</u>
Business-type activities:						
Sewer	2,002,368	2,201,752	-	-	199,384	199,384
Total	<u>\$ 5,678,303</u>	<u>\$ 2,275,827</u>	<u>\$ 842,403</u>	<u>(2,759,457)</u>	<u>199,384</u>	<u>(2,560,073)</u>
General revenues:						
Taxes:						
Property				1,931,073	-	1,931,073
Other				128,083	-	128,083
Motor vehicle permit fees				508,522	-	508,522
Licenses and other fees				16,205	-	16,205
Grants and contributions not restricted to specific programs				193,039	-	193,039
Miscellaneous				53,467	29,010	82,477
Total general revenues				<u>2,830,389</u>	<u>29,010</u>	<u>2,859,399</u>
Change in net assets				70,932	228,394	299,326
Net assets, beginning, as restated (see Note 17)				4,074,291	3,003,837	7,078,128
Net assets, ending				<u>\$ 4,145,223</u>	<u>\$ 3,232,231</u>	<u>\$ 7,377,454</u>

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

EXHIBIT C-1
TOWN OF ALLENSTOWN, NEW HAMPSHIRE
Governmental Funds
Balance Sheet
December 31, 2011

	General	Grants	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 2,559,877	\$ 52,539	\$ 35,218	\$ 2,647,634
Investments	905	-	-	905
Receivables, net of allowance for uncollectible:				
Taxes	1,077,635	-	-	1,077,635
Accounts	24,072	-	-	24,072
Intergovernmental	54,384	209,528	-	263,912
Interfund receivable	2,483	-	194	2,677
Prepaid items	952	-	-	952
Tax deeded property, subject to resale	6,229	-	-	6,229
Restricted - Cash and cash equivalents	221,540	-	-	221,540
Restricted- Investments	5,066	-	-	5,066
Total assets	<u>\$ 3,953,143</u>	<u>\$ 262,067</u>	<u>\$ 35,412</u>	<u>\$ 4,250,622</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 203,094	\$ -	\$ -	\$ 203,094
Accrued salaries and benefits	24,922	-	-	24,922
Intergovernmental payable	2,513,605	182,546	-	2,696,151
Interfund payable	194	2,483	-	2,677
Escrow and performance deposits	8,315	-	-	8,315
Deferred revenue	4,260	77,038	-	81,298
Total liabilities	<u>2,754,390</u>	<u>262,067</u>	<u>-</u>	<u>3,016,457</u>
Fund balances:				
Nonspendable	7,181	-	1,375	8,556
Restricted	21,562	-	5,402	26,964
Committed	204,381	-	28,635	233,016
Assigned	46,911	-	-	46,911
Unassigned	918,718	-	-	918,718
Total fund balances	<u>1,198,753</u>	<u>-</u>	<u>35,412</u>	<u>1,234,165</u>
Total liabilities and fund balances	<u>\$ 3,953,143</u>	<u>\$ 262,067</u>	<u>\$ 35,412</u>	<u>\$ 4,250,622</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, 2011

Total fund balances of governmental funds (Exhibit C-1)		\$ 1,234,165
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	\$ 5,822,945	
Less accumulated depreciation	<u>(2,573,672)</u>	
		3,249,273
Interfund receivables and payables between governmental funds are eliminated on the Statement of Net Assets.		
Receivables	\$ (2,677)	
Payables	<u>2,677</u>	
		-
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(10,043)
Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the funds.		
Bond	\$ 240,000	
Capital leases	26,074	
Compensated absences	12,141	
Other postemployment benefits	<u>49,957</u>	
		<u>(328,172)</u>
Total net assets of governmental activities (Exhibit A)		<u><u>\$ 4,145,223</u></u>

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

EXHIBIT C-3
TOWN OF ALLENTOWN, NEW HAMPSHIRE
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended December 31, 2011

	General	Grants	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 2,059,156	\$ -	\$ -	\$ 2,059,156
Licenses and permits	524,728	-	-	524,728
Intergovernmental	539,258	496,185	-	1,035,443
Charges for services	69,883	-	4,844	74,727
Miscellaneous	51,127	-	1,686	52,813
Total revenues	<u>3,244,152</u>	<u>496,185</u>	<u>6,530</u>	<u>3,746,867</u>
Expenditures:				
Current:				
General government	980,258	-	-	980,258
Public safety	1,280,747	496,185	2,748	1,779,680
Highways and streets	371,822	-	-	371,822
Sanitation	183,958	-	-	183,958
Health	31,784	-	-	31,784
Welfare	57,218	-	-	57,218
Culture and recreation	87,111	-	60	87,171
Conservation	758	-	-	758
Debt service:				
Principal	95,000	-	-	95,000
Interest	15,978	-	-	15,978
Capital outlay	321,103	-	-	321,103
Total expenditures	<u>3,425,737</u>	<u>496,185</u>	<u>2,808</u>	<u>3,924,730</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(181,585)</u>	<u>-</u>	<u>3,722</u>	<u>(177,863)</u>
Other financing source:				
Inception of capital lease	<u>26,378</u>	<u>-</u>	<u>-</u>	<u>26,378</u>
Net change in fund balances	(155,207)	-	3,722	(151,485)
Fund balances, beginning, as restated (see Note 17)	<u>1,353,960</u>	<u>-</u>	<u>31,690</u>	<u>1,385,650</u>
Fund balances, ending	<u>\$ 1,198,753</u>	<u>\$ -</u>	<u>\$ 35,412</u>	<u>\$ 1,234,165</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, 2011

Net change in fund balances of governmental funds (Exhibit C-3)			\$ (151,485)
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	\$ 282,862	
	Depreciation expense	<u>(120,136)</u>	
			162,726
The inception of capital leases provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.			
	Inception of capital lease	\$ (26,378)	
	Repayment of capital lease principal	26,257	
	Repayment of bond principal	<u>95,000</u>	
			94,879
Some expenses reported in the Statement of Activities do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds.			
	Decrease in accrued interest expense	\$ 6,461	
	Decrease in compensated absences payable	8,308	
	Increase in postemployment benefits payable	<u>(49,957)</u>	
			(35,188)
Changes in net assets of governmental activities (Exhibit B)			<u>\$ 70,932</u>

EXHIBIT D
TOWN OF ALLENTOWN, NEW HAMPSHIRE
Statement of Revenues, Expenditures, and Change in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Fiscal Year Ended December 31, 2011

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Taxes	\$ 2,084,254	\$ 2,084,254	\$ 2,059,156	\$ (25,098)
Licenses and permits	493,200	493,200	524,728	31,528
Intergovernmental	341,546	512,077	526,119	14,042
Charges for services	100,000	100,000	69,883	(30,117)
Miscellaneous	4,000	4,000	47,686	43,686
Total revenues	<u>3,023,000</u>	<u>3,193,531</u>	<u>3,227,572</u>	<u>34,041</u>
Expenditures:				
Current:				
General government	1,037,914	1,037,914	957,558	80,356
Public safety	1,292,155	1,292,155	1,191,952	100,203
Highways and streets	438,341	438,341	314,596	123,745
Sanitation	183,000	183,000	177,395	5,605
Health	46,170	46,170	31,784	14,386
Welfare	62,394	62,394	57,218	5,176
Culture and recreation	34,001	34,001	31,974	2,027
Conservation	1,179	1,179	758	421
Economic development	1,050	1,050	-	1,050
Debt service:				
Principal	95,000	95,000	95,000	-
Interest	31,587	31,587	15,978	15,609
Capital outlay	1,000	171,531	321,103	(149,572)
Total expenditures	<u>3,223,791</u>	<u>3,394,322</u>	<u>3,195,316</u>	<u>199,006</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(200,791)</u>	<u>(200,791)</u>	<u>32,256</u>	<u>233,047</u>
Other financing sources (uses):				
Transfers in	-	-	6,378	6,378
Transfers out	(49,209)	(49,209)	(49,209)	-
Total other financing sources and uses	<u>(49,209)</u>	<u>(49,209)</u>	<u>(42,831)</u>	<u>6,378</u>
Net change in fund balance	<u>\$ (250,000)</u>	<u>\$ (250,000)</u>	<u>(10,575)</u>	<u>\$ 239,425</u>
Increase in nonspendable fund balance			(952)	
Unassigned fund balance, beginning			930,245	
Unassigned fund balance, ending			<u>\$ 918,718</u>	

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

EXHIBIT E-1
TOWN OF ALLENSTOWN, NEW HAMPSHIRE
Proprietary Fund
Statement of Net Assets
December 31, 2011

	Business-type Activities
	Enterprise Fund (Sewer Department)
ASSETS	
Cash and cash equivalents	\$ 1,883,411
Other receivables	354,409
Capital assets, not being depreciated:	
Land	25,962
Construction in progress	1,810,136
Capital assets, net of accumulated depreciation:	
Land improvements	15,654
Machinery, equipment, and vehicles	557,900
Infrastructure	434,836
Total assets	<u>5,082,308</u>
LIABILITIES	
Accounts payable	180,849
Accrued salaries and benefits	1,051
Retainage payable	43,177
Noncurrent obligation:	
Due in more than one year:	
Note	1,625,000
Total liabilities	<u>1,850,077</u>
NET ASSETS	
Invested in capital assets, net of related debt	1,219,488
Unrestricted	2,012,743
Total net assets	<u>\$ 3,232,231</u>

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

EXHIBIT E-2
TOWN OF ALLENSTOWN, NEW HAMPSHIRE
Proprietary Fund
Statement of Revenues, Expenses, and Changes in Net Assets
For the Fiscal Year Ended December 31, 2011

	Business-type Activities
	Enterprise Fund (Sewer Department)
Operating revenues:	
Charges for sales and services:	
User charges	\$ 2,201,752
Miscellaneous	5,065
Total operating revenues	<u>2,206,817</u>
Operating expenses:	
Cost of sales and services	1,907,734
Depreciation	94,634
Total operating expenses	<u>2,002,368</u>
Operating gain	204,449
Nonoperating revenue:	
Interest	<u>23,945</u>
Change in net assets	228,394
Net assets, beginning, as restated (see Note 17)	3,003,837
Net assets, ending	<u><u>\$ 3,232,231</u></u>

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

EXHIBIT E-3
TOWN OF ALLENSTOWN, NEW HAMPSHIRE
Proprietary Fund
Statement of Cash Flows
For the Fiscal Year Ended December 31, 2011

Cash flows from operating activities:	
Receipts from customers and users	\$ 2,370,176
Payments to suppliers and employees	(1,873,575)
Net cash used by operating activities	<u>496,601</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of fixed assets	<u>(738,421)</u>
Cash flows from non-capital financing activities:	
ARRA/State revolving loan	<u>189,440</u>
Cash flows from investing activities:	
Interest received	<u>23,945</u>
Net decrease in cash	(28,435)
Cash, beginning	1,911,846
Cash, ending	<u><u>\$ 1,883,411</u></u>

Reconciliation of Operating Gain to Net Cash Used by Operating Activities

Operating gain	<u>\$ 204,449</u>
Adjustments to reconcile operating gain to net cash used by operating activities:	
Depreciation expense	94,634
Decrease in intergovernmental receivables	200,424
Increase in other receivables	(37,065)
Decrease in accounts payable	(9,699)
Increase in accrued salaries and benefits	681
Increase in retainage payable	43,177
Total adjustments	<u>292,152</u>
Net cash used by operating activities	<u><u>\$ 496,601</u></u>

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

EXHIBIT F
TOWN OF ALLENSTOWN, NEW HAMPSHIRE
Fiduciary Fund
Statement of Fiduciary Net Assets
December 31, 2011

	<u>Agency</u>
ASSETS	
Cash and cash equivalents	\$ 114,765
LIABILITIES	
Due to other governmental units	<u>114,765</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, 2011

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DETAILED NOTES ON ALL FUNDS

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TOWN OF ALLENSTOWN, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Town of Allenstown, 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 Allenstown 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 the financial position of the governmental activities of the Town at year-end. This statement includes all of the Town's assets, liabilities, and 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. Program revenues include (1) charges to customers or applicants for goods received, services rendered or privileges provided, and (2) grants and contributions that are restricted to meeting operational requirements of a particular function. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

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

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

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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 and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purpose other than capital projects.

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

Proprietary Fund Type – This fund type applies all applicable pronouncements of the Financial Accounting Standards Board (FASB) issued on or before November 30, 1989 that are not in conflict with applicable GASB pronouncements. This fund is as follows:

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

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

Agency Fund – is used to account for resources held by the Town in a purely custodial capacity on behalf of other governmental units.

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

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

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

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 five nonmajor governmental funds.

1-C Measurement Focus

Government-wide and Propriety 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 consist of charges to customers for services. Operating expenses of the Town's proprietary fund consist of the costs of services, maintenance, administrative expenses, and depreciation and amortization of capital assets. Revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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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 (except property taxes mentioned below) 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 property taxes, certain fees, grants, and donations. Revenue from grants and donations is recognized in the fiscal year in which all grantor imposed eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the Town must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Town on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions also must be available before it can be recognized (Interpretation No. 1, as modified, 60-day rule), with the exception of property taxes which are committed and recognized as revenue in order to offset the liability due the school district to be paid in monthly installments over the next six months. This practice is consistent with the previous years.

1-D Cash and Cash Equivalents

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

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

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

1-F Restricted Assets

Certain cash and investment accounts are classified as restricted assets on the balance sheet because their use is limited by enabling legislation.

1-G 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.

1-H Receivables

Receivables in the government-wide and governmental fund 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 service was provided.

1-I 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-J 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-K 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-L Allowance for Uncollectible Accounts

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

1-M 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-N 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-O Long-Term Obligations

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

1-P 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-Q Equity/Fund Balance 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.”

TOWN OF ALLENSTOWN, NEW HAMPSHIRE
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Governmental Fund Balances Classification – The Town of Allenstown has implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, for this fiscal year ending December 31, 2011. GASB Statement No. 54 establishes fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form; or (b) are legally or contractually required to be maintained intact. The Town has classified prepaid items, tax deeded property subject to resale, and the principal portion of permanent funds as being nonspendable, as these items are not expected to be converted to cash or are not expected to be converted to cash within the next year. These items were previously reported as reserved for special purposes, and reserved for endowments.

Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation. The Town has classified its public library and the income portion of permanent funds as being restricted, because their use is restricted by Federal/State statutes for expenditures. These items were previously reported as reserved for special purposes or unreserved-undesignated or unreserved-designated for special purposes.

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

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

Unassigned – This classification includes the residual fund balance for the general fund. This amount was previously reported as unreserved-undesignated.

The details of the fund balances are included in Note 16 to the financial statements. As discussed in Note 1-C, restricted funds are used first as appropriate, followed by committed resources, and then assigned resources, as appropriate opportunities arise. In the event that unassigned fund balance becomes zero, then assigned and committed fund balances are used in that order.

1-R Interfund Receivables and Payables

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

1-S 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 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

2-A Budgetary Information

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

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

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

State statutes require balanced budgets, but provide for the use of beginning unassigned fund balance to achieve that end. In the fiscal year 2011, \$250,000 of the beginning general fund unassigned fund balance was applied for this purpose.

2-B Budgetary Reconciliation to GAAP Basis

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

Revenues and other financing sources:	
Per Exhibit D (budgetary basis)	\$ 3,233,950
Adjustments:	
Basis differences:	
Inception of capital lease	26,378
GASB Statement No. 54:	
To record income earned in the public library fund during the year	244
To eliminate transfer between the general and expendable trust funds	(6,378)
To record income earned in the expendable trust funds during the year	3,197
On-behalf retirement contributions made by the State of New Hampshire recognized as revenue on the GAAP basis, but not on the budgetary basis	13,139
Per Exhibit C-3 (GAAP basis)	<u>\$ 3,270,530</u>
Expenditures and other financing uses:	
Per Exhibit D (budgetary basis)	\$ 3,244,525
Adjustments:	
Basis differences:	
Encumbrances, beginning	176,115
Encumbrances, ending	(46,911)
Inception of capital lease	26,378
GASB Statement No. 54:	
To record expenditures in the public library fund during the year	55,137
To eliminate transfer between the general and public library funds	(49,209)
To record expenditures in the expendable trust funds during the year	6,563
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	13,139
Per Exhibit C-3 (GAAP basis)	<u>\$ 3,425,737</u>

DETAILED NOTES ON ALL FUNDS

NOTE 3 – CASH AND CASH EQUIVALENTS

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of December 31, 2011, \$1,959,428 of the Town's bank balances of \$4,860,805 was exposed to custodial credit risk as uninsured and uncollateralized.

TOWN OF ALLENSTOWN, NEW HAMPSHIRE
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Cash and cash equivalents reconciliation:

Cash per Statement of Net Assets (Exhibit A)	\$ 4,752,585
Cash per Statement of Fiduciary Net Assets (Exhibit F)	114,765
Total cash and cash equivalents	<u>\$ 4,867,350</u>

NOTE 4 – INVESTMENTS

Investments at December 31, 2011 consisted of \$5,971 invested in the New Hampshire Public Deposit Investment Pool.

NOTE 5 – RESTRICTED ASSETS

Cash and investment accounts totaling \$226,606 have been restricted in the general fund for the following purposes:

Cash and cash equivalents:	
Public library	\$ 17,159
Expendable trust funds	204,381
Total cash and cash equivalents	<u>221,540</u>
Investments:	
Public library	<u>5,066</u>
Total restricted assets	<u>\$ 226,606</u>

NOTE 6 – TAXES RECEIVABLE

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

For the New Hampshire education tax	\$ 258,813,404
For all other taxes	\$ 267,129,444

The Town subscribes to the semi-annual method of tax collection as provided for by RSA 76:15-a. Taxes were levied on May 10 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.

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, 2011 were as follows:

	Per \$1,000 of Assessed Valuation	Property Taxes Assessed
Municipal portion	<u>\$7.93</u>	<u>\$ 2,116,363</u>
School portion:		
State of New Hampshire	\$2.34	606,812
Local	\$16.30	4,353,956
County portion	\$2.73	730,301
Total		<u>\$ 7,807,432</u>

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

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Taxes receivable at December 31, 2011, are as follows:

Property:	
Levy of 2011	\$ 700,655
Unredeemed (under tax lien):	
Levy of 2010	236,384
Levy of 2009	175,028
Levies of 2008 and prior	45,568
Less: allowance for estimated uncollectible taxes	(80,000)
Net taxes receivable	<u>\$ 1,077,635</u>

NOTE 7 – OTHER RECEIVABLES

Receivables at December 31, 2011, 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.

NOTE 8 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2011 consisted of the following:

	Balance, beginning	Changes	Balance, ending
Governmental activities:			
At cost:			
Not being depreciated:			
Land*	\$ 2,144,900	\$ 53,250	\$ 2,198,150
Being depreciated:			
Buildings and building improvements	1,079,159	-	1,079,159
Machinery, equipment, and vehicles	2,316,024	229,612	2,545,636
Total capital assets being depreciated	3,395,183	229,612	3,624,795
Total all capital assets	5,540,083	282,862	5,822,945
Less accumulated depreciation:			
Buildings and building improvements	(340,264)	(25,617)	(365,881)
Machinery, equipment, and vehicles	(2,113,272)	(94,519)	(2,207,791)
Total accumulated depreciation	(2,453,536)	(120,136)	(2,573,672)
Net book value, capital assets being depreciated	941,647	109,476	1,051,123
Net book value, all governmental activities capital assets	<u>\$ 3,086,547</u>	<u>\$ 162,726</u>	<u>\$ 3,249,273</u>

*Included in the total balance is \$1,039,135 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."

TOWN OF ALLENSTOWN, NEW HAMPSHIRE
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Capital assets continued:

Business-type activities:

At cost:

Not being depreciated:

Land	\$ 25,962	\$ -	\$ 25,962
Construction in progress	1,352,361	457,775	1,810,136
Total capital assets not being depreciated	<u>1,378,323</u>	<u>457,775</u>	<u>1,836,098</u>

Being depreciated:

Land improvements	125,230	-	125,230
Buildings	655,504	-	655,504
Machinery, equipment, and vehicles	1,013,895	232,191	1,246,086
Infrastructure	1,583,541	48,455	1,631,996
Total capital assets being depreciated	<u>3,378,170</u>	<u>280,646</u>	<u>3,658,816</u>
Total all capital assets	<u>4,756,493</u>	<u>738,421</u>	<u>5,494,914</u>

Less accumulated depreciation:

Land improvements	(106,445)	(3,131)	(109,576)
Buildings	(655,504)	-	(655,504)
Machinery, equipment, and vehicles	(639,227)	(48,959)	(688,186)
Infrastructure	<u>(1,154,616)</u>	<u>(42,544)</u>	<u>(1,197,160)</u>
Total accumulated depreciation	<u>(2,555,792)</u>	<u>(94,634)</u>	<u>(2,650,426)</u>

Net book value, capital assets being depreciated	<u>822,378</u>	<u>186,012</u>	<u>1,008,390</u>
Net book value, all business-type capital assets	<u>\$ 2,200,701</u>	<u>\$ 643,787</u>	<u>\$ 2,844,488</u>

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	72,847
Highways and streets	38,643
Culture and recreation	7,524
Total	<u>\$ 120,136</u>

Business-type activities:

Sewer department	<u>\$ 94,634</u>
------------------	------------------

NOTE 9 – INTERFUND BALANCES

Interfund receivable and payable balances consisting of overdrafts in pooled cash and budgetary transfers at December 31, 2011, are as follows:

Receivable Fund	Payable Fund	Amount
General	Grants	\$ 2,483
Nonmajor	General	194
		<u>\$ 2,677</u>

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NOTE 10 – INTERGOVERNMENTAL PAYABLES

Amounts due to other governments of \$2,810,916 at December 31, 2011, consist of the following:

General fund:	
Balance of 2011-2012 district assessment due to the Allenstown School District	\$ 2,512,768
Miscellaneous fees due to the State of New Hampshire	837
Total intergovernmental payables due from the general fund	<u>2,513,605</u>
Grants fund:	
Unspent grant monies due to federal government	<u>182,546</u>
Agency fund:	
Balance of trust funds belonging to the Allenstown School District	<u>114,765</u>
Total intergovernmental payables	<u><u>\$ 2,810,916</u></u>

NOTE 11 – DEFERRED/UNEARNED REVENUE

Deferred/unearned revenue of \$81,298 at December 31, 2011 consists of the following:

General fund:	
Property tax revenue collected in advance of the 2012 property tax warrant being issued	<u>\$ 4,260</u>
Grants fund:	
Federal grant revenue collected in advance of eligible expenditure being made	<u>77,038</u>
Total deferred/unearned revenue	<u><u>\$ 81,298</u></u>

NOTE 12 – LONG-TERM LIABILITIES

Changes in the Town's long-term obligations consisted of the following for the year ended December 31, 2011:

	General Obligation Bonds/Note Payable	Capital Leases Payable	Compensated Absences Payable	Total
Balance, beginning	\$ 1,770,560	\$ 25,953	\$ 20,449	\$ 1,816,962
Additions	189,440	26,378	-	215,818
Reductions	(95,000)	(26,257)	(8,308)	(129,565)
Balance, ending	<u>\$ 1,865,000</u>	<u>\$ 26,074</u>	<u>\$ 12,141</u>	<u>\$ 1,903,215</u>

Long-term liabilities payable are comprised of the following:

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at December 31, 2011	Current Portion
General obligation bond/note payable:						
Police station acquisition/renovation	\$ 600,000	2005	2015	4.7-7.0	\$ 240,000	\$ 60,000
ARRA/State revolving loan*	\$ 1,625,000	2011			<u>1,625,000</u>	<u>-</u>
					<u>1,865,000</u>	<u>60,000</u>
Capital leases payable:						
Police cruiser	\$ 27,058	2010	2012	7.1	9,005	9,005
Police cruiser	\$ 26,378	2011	2013	6.0	<u>17,069</u>	<u>8,286</u>
					<u>26,074</u>	<u>17,291</u>
Compensated absences payable:						
Vacation leave					<u>12,141</u>	<u>871</u>
Total					<u><u>\$ 1,903,215</u></u>	<u><u>\$ 78,162</u></u>

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***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, 2011, drawdowns received to date totaling \$1,625,000 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.

The annual requirements to amortize the general obligation bond outstanding as of December 31, 2011, including interest payments, are as follows:

Fiscal Year Ending December 31,	Principal	Interest	Total
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>\$ 240,000</u>	<u>\$ 28,140</u>	<u>\$ 268,140</u>

NOTE 13 – 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. Leased equipment under capital leases, included in capital assets, is as follows:

Equipment:	
Police cruiser	\$ 27,058
Police cruiser	27,300
Less: accumulated depreciation	(16,283)
Total net book value	<u>\$ 38,075</u>

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

The annual requirements to amortize capital leases payable as of December 31, 2011, including interest payments, are as follows:

Fiscal Year Ending December 31,	Principal	Interest	Total
2012	\$ 17,291	\$ 1,663	\$ 18,954
2013	8,783	527	9,310
Totals	<u>\$ 26,074</u>	<u>\$ 2,190</u>	<u>\$ 28,264</u>

NOTE 14 – ENCUMBRANCES

Encumbrances outstanding of \$46,911 at December 31, 2011, consisted primarily of monies set aside for the purchase of communications equipment for the fire department.

TOWN OF ALLENSTOWN, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 15 – NET ASSETS

Net assets reported on the government-wide Statement of Net Assets at December 31, 2011 include the following:

	Governmental Activities	Business- type Activities	Total
Invested in capital assets, net of related debt:			
Capital assets, net of accumulated depreciation	\$ 3,249,273	\$ 2,844,488	\$ 6,093,761
Less:			
General obligation bond payable	(240,000)	-	(240,000)
Capital leases payable	(26,074)	-	(26,074)
Drawdowns on water pollution control:			
Revolving fund program loan	-	(1,625,000)	(1,625,000)
Total invested in capital assets, net of related debt	<u>2,983,199</u>	<u>1,219,488</u>	<u>4,202,687</u>
Restricted for:			
Prepaid items	952	-	952
Tax deeded property, subject to resale	6,229	-	6,229
Library purposes	21,562	-	21,562
Perpetual care	6,777	-	6,777
Total restricted	<u>35,520</u>	<u>-</u>	<u>35,520</u>
Unrestricted	<u>1,126,504</u>	<u>2,012,743</u>	<u>3,139,247</u>
Total net assets	<u><u>\$ 4,145,223</u></u>	<u><u>\$ 3,232,231</u></u>	<u><u>\$ 7,377,454</u></u>

NOTE 16 – GOVERNMENTAL FUND BALANCES

Governmental fund balances reported on the fund financial statements at December 31, 2011 include the following:

Nonspendable:		
Major fund:		
General:		
Prepaid items	\$ 952	
Tax deeded property, subject to resale	<u>6,229</u>	
	7,181	
Nonmajor fund:		
Permanent:		
Principal portion	<u>1,375</u>	
Total nonspendable fund balance		\$ 8,556
Restricted:		
Major fund:		
General:		
Public library	\$ 21,562	
Nonmajor fund:		
Permanent:		
Income portion	<u>5,402</u>	
Total restricted fund balance		26,964

(Continued)

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Governmental fund balances continued:

Committed:		
Major fund:		
General:		
Expendable trust funds	\$ 204,381	
Nonmajor funds:		
Special revenue:		
Conservation commission	1,350	
Recreation revolving	118	
DARE	6,379	
Public safety services revolving	20,788	
Total committed fund balance		233,016
Assigned:		
Major fund:		
General:		
Encumbrances		46,911
Unassigned:		
Major fund:		
General	918,718	
Total governmental fund balances	<u>\$ 1,234,165</u>	

NOTE 17 – PRIOR PERIOD ADJUSTMENTS

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

	Government- wide Statements	General Fund	Sewer Department
To record funds previously recorded as special revenue funds, that under GASB Statement No. 54 are now combined with other funds:			
Expendable trust funds	\$ -	\$ 214,125	\$ 1,317,585
Public library	-	27,246	-
To record a receivable not recognized in the prior year	164,606	-	164,606
Net assets/fund balance, as previously reported	6,913,522	1,112,589	1,521,646
Net assets/fund balance, as restated	<u>\$ 7,078,128</u>	<u>\$ 1,353,960</u>	<u>\$ 3,003,837</u>

NOTE 18 – EMPLOYEE RETIREMENT PLAN

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

The System is financed by contributions from both the employees and the Town. Member contribution rates are established and may be amended by the State legislature while employer contribution rates are set by the System trustees based on an actuarial valuation. Through June 30, 2011, all employees except police officers and firefighters were required to contribute 5% of earnable compensation. Police officers and firefighters were required to contribute 9.3% of gross earnings. Effective July 1, 2011, the

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contribution rates changed to 7% for employees other than police officers and firefighters, 11.55% for police officers, and 11.80% for firefighters. The Town's contribution rates for 2011 were as follows:

	Police	Firefighters	Other Employees
January 1 through June 30	14.63%	18.52%	9.16%
July 1 through July 31	25.57%	30.90%	11.09%
August 1 through December 31	19.95%	22.89%	8.80%

The contribution requirements for the Town of Allenstown for the fiscal years 2009, 2010, and 2011 were \$114,947, \$117,273, and \$146,312, respectively, which were paid in full in each year.

For the first six months of 2011, the State of New Hampshire funded 25% of the total employer normal contribution rate for police officers and firefighters employed by the Town. As of July 1, House Bill 2 (Chapter 0224, *Laws of 2011*) amended RSA 100-A:16 by eliminating the State's cost sharing, thereby requiring employers to fund 100% of the total employer contributions. The total amount contributed by the State for 2011, \$13,139, 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 19 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

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

The Governmental Accounting Standards Board (GASB) issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. GASB Statement No. 45 was implemented by the Town during fiscal year 2011, and requires that the long-term cost of retirement health care and obligations for other postemployment benefits (OPEB) be determined on an actuarial basis and reported similar to pension plans. GASB Statement No. 45 does not mandate the pre-funding of postemployment benefit liabilities. However, any pre-funding of these benefits will help minimize or eliminate the postemployment benefit obligation that will be required to be reported on the financial statements.

The Town has only partially funded (on a pay-as-you-go basis) the annual required contribution (ARC), an actuarially determined rate in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table presents the OPEB cost for the year, the amount contributed and changes in the OPEB plan for fiscal year 2011:

Annual required contribution/OPEB cost	\$ 63,068
Contributions made (pay-as-you-go)	<u>(13,111)</u>
Increase in net OPEB obligation	49,957
Net OPEB obligation, beginning	<u>-</u>
Net OPEB obligation, ending	<u><u>\$ 49,957</u></u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2011 was as follows:

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

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As of January 1, 2011, the date of the most recent actuarial valuation, the actuarial accrued liability (AAL) for benefits was \$378,877, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$378,877. The covered payroll (annual payroll of active employees covered by the plan) was \$1,399,091 during fiscal year 2011, and the ratio of the UAAL to the covered payroll was 27.1%.

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

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

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

NOTE 20 – RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. During fiscal year 2011, the Town was a member of the Local Government Center Property-Liability Trust, LLC, and the New Hampshire Public Risk Management Exchange (Primex³) Workers' Compensation Program. These entities are considered public entity risk pools, currently operating as common risk management and insurance programs for member Towns and cities.

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

Contributions paid in fiscal year ending December 31, 2011, to be recorded as an insurance expenditure totaled \$59,837. There were no unpaid contributions for the year ended December 31, 2011. 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 programs under RSAs 5-B and 281-A. Coverage was provided from January 1, 2011 to December 31, 2011 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, 2011 was \$32,936. 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.

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NOTE 21 – CONTINGENT LIABILITIES

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 22 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

In March 2009 the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The requirements of Statement No. 54 are mandatory for the Town for fiscal year ended December 31, 2011 and accordingly have been implemented. GASB Statement No. 60 through No. 64 were issued during 2010 and 2011 and are not effective for financial statements until the subsequent years.

NOTE 23 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the balance sheet date, but before the financial statements are issued. Recognized subsequent events are events or transactions that provided additional evidence about conditions that existed at the balance sheet date, including the estimates inherent in the process of preparing the financial statements. Nonrecognized subsequent events are events that provide evidence about conditions that did not exist at the balance sheet date, but arose after the date. Management has evaluated subsequent events through August 28, 2012, the date the December 31, 2011 financial statements were issued, and no events occurred that require recognition or disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT G
TOWN OF ALLENSTOWN, NEW HAMPSHIRE
Schedule of Funding Progress for Other Postemployment Benefit Plan
For the Fiscal Year Ended December 31, 2011

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b-a]/c)
January 1, 2011	\$ -	\$ 378,877	\$ 378,877	0.00%	\$ 1,399,091	27.08%

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

TOWN OF ALLENSTOWN, NEW HAMPSHIRE
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED
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Schedule of Funding Progress for Other Postemployment Benefits (OPEB)

As required by GASB Statement No. 45, Exhibit G represents the actuarial determined costs associated with the Town's other postemployment benefits for the fiscal year ended December 31, 2011.

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, 2011

	Estimated	Actual	Variance Positive (Negative)
Taxes:			
Property	\$ 1,969,754	\$ 1,931,073	\$ (38,681)
Timber	5,000	5,062	62
Excavation	2,000	1,432	(568)
Interest and penalties on taxes	107,500	121,589	14,089
Total from taxes	<u>2,084,254</u>	<u>2,059,156</u>	<u>(25,098)</u>
Licenses, permits, and fees:			
Business licenses, permits, and fees	700	-	(700)
Motor vehicle permit fees	475,000	508,522	33,522
Building permits	7,500	6,356	(1,144)
Other	10,000	9,850	(150)
Total from licenses, permits, and fees	<u>493,200</u>	<u>524,728</u>	<u>31,528</u>
Intergovernmental:			
State:			
Meals and rooms distribution	193,039	193,039	-
Highway block grant	98,961	100,541	1,580
State and federal forest land reimbursement	9,546	9,546	-
Other	170,531	170,531	-
Federal:			
FEMA	40,000	52,462	12,462
Total from intergovernmental	<u>512,077</u>	<u>526,119</u>	<u>14,042</u>
Charges for services:			
Income from departments	<u>100,000</u>	<u>69,883</u>	<u>(30,117)</u>
Miscellaneous:			
Sale of municipal property	-	1,143	1,143
Interest on investments	1,000	1,624	624
Fines and forfeits	-	850	850
Other	3,000	44,069	41,069
Total from miscellaneous	<u>4,000</u>	<u>47,686</u>	<u>43,686</u>
Other financing source:			
Transfer in	<u>-</u>	<u>6,378</u>	<u>6,378</u>
Total revenues and other financing source	<u>3,193,531</u>	<u>\$ 3,233,950</u>	<u>\$ 40,419</u>
Unassigned fund balance used to reduce tax rate	<u>250,000</u>		
Total revenues, other financing source and use of fund balance	<u>\$ 3,443,531</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, 2011

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
General government:					
Executive	\$ 14,000	\$ 150,625	\$ 147,687	\$ -	\$ 16,938
Election and registration	-	47,863	44,711	-	3,152
Financial administration	-	156,037	162,796	-	(6,759)
Revaluation of property	-	5,000	1,475	-	3,525
Legal	-	30,000	12,973	-	17,027
Personnel administration	-	537,500	523,512	-	13,988
Planning and zoning	8,700	26,252	12,439	-	22,513
General government buildings	-	23,950	23,929	-	21
Cemeteries	-	3	-	-	3
Insurance, not otherwise allocated	-	53,500	43,908	-	9,592
Advertising and regional associations	-	5,284	6,828	-	(1,544)
Other	-	1,900	-	-	1,900
Total general government	22,700	1,037,914	980,258	-	80,356
Public safety:					
Police	48,205	810,151	786,745	3,691	67,920
Ambulance	-	91,258	91,258	-	-
Fire	47,196	308,918	281,631	43,220	31,263
Building inspection	-	32,501	44,082	-	(11,581)
Emergency management	788	49,327	35,771	-	14,344
Other	-	-	1,743	-	(1,743)
Total public safety	96,189	1,292,155	1,241,230	46,911	100,203
Highways and streets:					
Highways and streets	57,226	415,441	345,680	-	126,987
Street lighting	-	22,900	20,604	-	2,296
Other	-	-	5,538	-	(5,538)
Total highways and streets	57,226	438,341	371,822	-	123,745
Sanitation:					
Solid waste disposal	-	183,000	177,395	-	5,605
Health:					
Administration	-	6,977	4,639	-	2,338
Pest control	-	10,171	8,771	-	1,400
Health agencies	-	29,022	18,374	-	10,648
Total health	-	46,170	31,784	-	14,386
Welfare:					
Direct assistance	-	62,394	57,218	-	5,176
Culture and recreation:					
Parks and recreation	-	31,650	29,674	-	1,976
Patriotic purposes	-	2,351	2,300	-	51
Total culture and recreation	-	34,001	31,974	-	2,027
Conservation	-	1,179	758	-	421
Economic development	-	1,050	-	-	1,050

(Continued)

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

Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2011

	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	-	16,587	15,978	-	609
Interest on tax anticipation notes	-	15,000	-	-	15,000
Total debt service	-	126,587	110,978	-	15,609
Capital outlay					
Improvements other than buildings	-	43,004	40,750	-	2,254
Highway truck	-	-	49,342	-	(49,342)
Water gage	-	24,520	24,520	-	-
Signs	-	5,396	5,396	-	-
Generator	-	56,361	59,370	-	(3,009)
Portable radios	-	42,250	84,499	-	(42,249)
Road paving	-	-	57,226	-	(57,226)
Total capital outlay	-	171,531	321,103	-	(149,572)
Other financing use:					
Transfer out	-	49,209	49,209	-	-
Total appropriations, expenditures, other financing uses, and encumbrances	\$ 176,115	\$ 3,443,531	\$ 3,373,729	\$ 46,911	\$ 199,006

SCHEDULE 3
TOWN OF ALLENSTOWN, NEW HAMPSHIRE
Major General Fund
Schedule of Changes in Unassigned Fund Balance (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2011

Unassigned fund balance, beginning		\$ 930,245
Changes:		
Unassigned fund balance used to reduce 2011 tax rate		(250,000)
2011 Budget summary:		
Revenue surplus (Schedule 1)	\$ 40,419	
Unexpended balance of appropriations (Schedule 2)	<u>199,006</u>	
2011 Budget surplus		239,425
Increase in nonspendable fund balance		<u>(952)</u>
Unassigned fund balance, ending		<u><u>\$ 918,718</u></u>

SCHEDULE 4
TOWN OF ALLENSTOWN, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2011

	Special Revenue Funds					Total
	Conservation Commission	Recreation Revolving	DARE	Public Safety Services Revolving	Permanent Fund	
ASSETS						
Cash and cash equivalents	\$ 1,350	\$ 118	\$ 6,379	\$ 20,594	\$ 6,777	\$ 35,218
Interfund receivable	-	-	-	194	-	194
Total assets	<u>\$ 1,350</u>	<u>\$ 118</u>	<u>\$ 6,379</u>	<u>\$ 20,788</u>	<u>\$ 6,777</u>	<u>\$ 35,412</u>
FUND BALANCES						
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ 1,375	\$ 1,375
Restricted	-	-	-	-	5,402	5,402
Committed	1,350	118	6,379	20,788	-	28,635
Total fund balances	<u>\$ 1,350</u>	<u>\$ 118</u>	<u>\$ 6,379</u>	<u>\$ 20,788</u>	<u>\$ 6,777</u>	<u>\$ 35,412</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, 2011

	Special Revenue Funds					
	Conservation Commission	Recreation Revolving	DARE	Public Safety Services Revolving	Permanent Fund	Total
Revenues:						
Charges for services	\$ -	\$ -	\$ -	\$ 4,844	\$ -	\$ 4,844
Miscellaneous	1	-	1,546	36	103	1,686
Total revenues	1	-	1,546	4,880	103	6,530
Expenditures:						
Current:						
Public safety	-	-	-	2,748	-	2,748
Culture and recreation	-	60	-	-	-	60
Total expenditures	-	60	-	2,748	-	2,808
Net change in fund balances	1	(60)	1,546	2,132	103	3,722
Fund balances, beginning	1,349	178	4,833	18,656	6,674	31,690
Fund balances, ending	\$ 1,350	\$ 118	\$ 6,379	\$ 20,788	\$ 6,777	\$ 35,412

***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, each major fund, and the aggregate remaining fund information of the Town of Allenstown, as of and for the year ended December 31, 2011, which collectively comprise the Town of Allenstown's basic financial statements and have issued our report thereon dated August 28, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of the Town of Allenstown is responsible for establishing and maintaining effective 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.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be significant deficiencies in internal control over financial reporting as items 11-01, 11-02, and 11-03. 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.

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*.

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.

Town of Allentown

*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*

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.

August 28, 2012


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

To the 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, 2011. 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, 2011. 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 11-03.

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

*Independent Auditor's 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.

August 28, 2012


PLODZIK & SANDERSON
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SCHEDULE I
TOWN OF ALLENTOWN, NEW HAMPSHIRE
Summary Schedule of Prior Audit Findings
For the Year Ended December 31, 2011

**Auditor
Reference
Number**

- 09-04** **U.S. Department of Homeland Security passed through the State of New Hampshire Department of Safety: CFDA No. 97.029 Flood Mitigation Assistance**
- Criteria:** Interest earned by local government and Indian tribal government grantees and sub-grantees on advances of Federal funding is required to be submitted promptly, but at least quarterly, to the Federal granting agency. Up to \$100 per year may be kept for administrative expenses.
- Condition:** While documenting internal controls over the Cash Management requirement with the Town, it was noted that the Town has placed Federal funding advancements into an interest bearing bank account and has earned over \$100 of interest income on the funds; however, the excess interest over \$100 has not been remitted to the Federal Government as required.
- Effect:** The Town is not in compliance with cash management requirements.
- Recommendation:** We recommend that the Town determine the exact amount of interest earned on the received federal funds since the first receipt of the funds to date and return to the Federal granting agency any interest earned over \$100 and repeat this process at least quarterly until the grant program has ended.
- Management Response:** The Town agrees with the auditor's recommendation. The Select Board will instruct the Town Administrator to determine the exact amount of interest earned on the received federal funds since first receipt of funds to date and return to the Federal granting agency any interest earned over \$100 and repeat this process on at least a quarterly basis until the program has ended.
- 2011 Update:** The Town has contacted both federal and state officials requesting information relative to the process for returning the interest earned. We have been advised that the amount of interest earned is not significant enough to require repayment, thus we have discontinued efforts to do so.
- Status:** Prior years' interest earned over \$100 still has yet to be remitted to the Federal granting agency.
-
- 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 reports are submitted in a timely manner.
- Status:** Corrective action was taken starting with the 2011 fourth quarter report.

SCHEDULE II
TOWN OF ALLENTOWN, NEW HAMPSHIRE
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2011

SECTION I - SUMMARY OF AUDITOR'S RESULTS

A. Financial Statements

1. The auditor's report expresses an unqualified opinion on the financial statements.
2. There were no material weaknesses identified relating to the internal control over financial reporting.
3. There were three 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. 66.548: 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 Allentown was determined not to be a low-risk auditee.

SECTION II – FINANCIAL STATEMENT FINDINGS

**Auditor
Reference
Number**

11-01 Sewer Commission Purchasing Policies

Criteria: Formal purchasing policies should be adopted, so that all management and employees are aware of the requirements for making, processing, and approving purchases in order to increase consistency and reduce confusion.

Condition: The Town's Sewer Commission had not adopted formal purchasing policies for management and employees to follow.

Effect: Since there are no formal purchasing policies it creates inconsistency on how purchases handled and approved.

Recommendation: We recommend that the Sewer Commission develop and formally adopt purchasing policies in order to clearly communicate the purchasing requirements that should be followed.

Management Response: The Sewer Commission will develop, and formally adopt, a purchasing policy in accordance with the auditor's recommendation.

11-02 Review of Payroll Entries

Criteria: Proper internal controls include having adequate review of employees' wage rates in order to make sure the proper rates are being paid.

Condition: While performing a payroll expenditure walkthrough, it was noted that one employee's bi-weekly wage amount was improperly entered into the payroll computer system;

Effect: The employee was overpaid approximately \$1,000 in wages from July 2011 to December 2011.

SCHEDULE II (continued)
TOWN OF ALLENSTOWN, NEW HAMPSHIRE
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2011

Recommendation: We recommend that the Town add the calculated bi-weekly wage amount to employees' personnel action forms, so that when an employee and Board of Selectmen sign off on the form they can review the wage amount for appropriateness.

Management Response: The Town has a process in place to ensure that the Board of Selectmen approves all changes to employee wage rates, and in this instance the proper rates were approved by the Board. The referenced overpayment was caused by a data entry error that was not recognized on a timely basis and resulted in wages being over paid for one individual for 7 pay periods (09/07/11-11/30/11). The Town has since implemented a payroll review process that should detect errors on a timely basis in the future if they should occur.

11-03 Signing of Accounts Payable Manifests

Criteria: State RSA 41:29 states in part that "The town treasurer shall have custody of all moneys belonging to the town, and shall pay out the same only upon orders of the selectmen..."

Condition: While reviewing the accounts payable manifests for fiscal year 2011, it was noted that six registers were not signed by a majority of the Board of Selectmen, which evidence approval for the Treasurer to issue checks. Some of these manifests noted included payments related to the Federal Flood Mitigation Assistance Grant.

Cause: A majority of the Board of Selectmen were not available, so the manifests were not properly signed.

Effect: The payments related to the above noted accounts payable manifests were not properly authorized for disbursement and the Town is not in compliance with procurement requirements.

Recommendation: We recommend that a majority of the Board of Selectmen review and formally approve all accounts payable manifests prior to the Treasurer releasing checks for payment.

Management Response: The Town Administrator will work with the Board of Selectmen to ensure that a majority of the Board members sign all accounts payable manifests prior to the release of checks for payment by the Treasurer.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

**11-03 U.S. Department of Homeland Security passed through the State of New Hampshire Department of Safety:
CFDA No. 97.029: Flood Mitigation Assistance**

See description in Section II above.

SCHEDULE III
TOWN OF ALLENSTOWN, NEW HAMPSHIRE
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2011

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
U.S. DEPARTMENT OF TRANSPORTATION			
Passed Through the State of New Hampshire Department of Transportation			
Highway Planning and Construction	20.205	15550	\$ 4,194
Passed Through the New Hampshire Highway Safety Agency			
<i>HIGHWAY SAFETY CLUSTER</i>			
State and Community Highway Safety:			
Enforcement Patrol	20.600	315-11B-024	4,277
Operation Safe Commute	20.600	315-11B-091	1,248
Alcohol Impaired Driving Countermeasures Incentive Grants I:			
DWI Hunter Patrols	20.601	308-11B-081	1,541
Sobriety Checkpoint		308-11B-149	4,157
<i>CLUSTER TOTAL</i>			<u>11,223</u>
U.S. ENVIRONMENTAL PROTECTION AGENCY			
Passed Through the State of New Hampshire Department of Environmental Services			
ARRA - Capitalization Grants for Clean Water State Revolving Funds (<i>note 3</i>)	66.458	CS-333104-02	<u>225,258</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed Through the State of New Hampshire Department of Safety			
Flood Mitigation Assistance:			
FMA Project #3 (1, 2, & 11 Riverside Drive)	97.029	FMA-PJ-01-NH-2008-003	96,080
Phase II (5, 10, & 54 Riverside Drive)	97.029	FMA-PJ-01-NH-2009-01	130,729
<i>PROGRAM TOTAL</i>			<u>226,809</u>
Emergency Management Performance Grants:			
Laptops	97.042	N/A	899
Emergency Alert and Traffic Detour Signs	97.042	N/A	5,396
Suncook River Stream Gage	97.042	N/A	24,520
Generator	97.042	N/A	56,361
CD Communications	97.042	N/A	42,250
Mobile Data Terminal	97.042	N/A	708
Emergency Operations Plan Update	97.042	N/A	2,500
<i>PROGRAM TOTAL</i>			<u>132,634</u>
Disaster Grants - Public Assistance (Presidentially Declared Disasters):			
2010 Wind Storm	97.036	FEMA-1892-DR-NH	48,451
Tropical Storm Irene	97.036	FEMA-4026-DR-NH	4,011
<i>PROGRAM TOTAL</i>			<u>52,462</u>
DIRECT FUNDING			
U.S. DEPARTMENT OF JUSTICE			
Bullet Proof Vest Partnership Program	16.607	N/A	859
<i>Total Expenditures of Federal Awards</i>			<u>\$ 653,439</u>

The accompanying notes are an integral part of this schedule.

TOWN OF ALLENSTOWN, NEW HAMPSHIRE
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED
DECEMBER 31, 2011

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, 2011. 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, 2011. The loan made during the year is included in the federal expenditures presented in the schedule.

<u>CFDA Number</u>	<u>Program Name</u>	<u>Outstanding Balances at December 31, 2011</u>
66.458	Capitalization Grants for Clean Water State Revolving Funds	\$ 1,625,000