

DRAFT - 10/14/16

**TOWN OF ALLENSTOWN,  
NEW HAMPSHIRE**

**ANNUAL FINANCIAL REPORT**

**AS OF AND FOR THE FISCAL YEAR ENDED  
DECEMBER 31, 2015**

TOWN OF ALLENSTOWN, NEW HAMPSHIRE

ANNUAL FINANCIAL REPORT

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TABLE OF CONTENTS

	<u>PAGES</u>
<b>INDEPENDENT AUDITOR'S REPORT</b> .....	1 - 2
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b> .....	3 - 10
 <b>BASIC FINANCIAL STATEMENTS</b> 	
<b>Government-wide Financial Statements</b>	
A Statement of Net Position .....	11
B Statement of Activities .....	12
<b>Fund Financial Statements</b>	
<i>Governmental Funds</i>	
C-1 Balance Sheet .....	13
C-2 Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position.....	14
C-3 Statement of Revenues, Expenditures, and Changes in Fund Balances.....	15
C-4 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	16
<i>Budgetary Comparison Information</i>	
D Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) – General Fund .....	17
<i>Proprietary Fund</i>	
E-1 Statement of Net Position .....	18
E-2 Statement of Revenues, Expenses, and Change in Net Position.....	19
E-3 Statement of Cash Flows .....	20
<i>Fiduciary Funds</i>	
F Statement of Net Position .....	21
<b>NOTES TO THE BASIC FINANCIAL STATEMENTS</b> .....	22 - 43
 <b>REQUIRED SUPPLEMENTARY INFORMATION</b> 	
G Schedule of Funding Progress for Other Postemployment Benefit Plan .....	44
H Schedule of the Town's Proportionate Share of Net Pension Liability .....	45
I Schedule of Town Contributions .....	46
<b>NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION</b> .....	47 - 48
 <b>COMBINING AND INDIVIDUAL FUND SCHEDULES</b> 	
<b>Governmental Funds</b>	
<i>Major General Fund</i>	
1 Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis).....	49
2 Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis).....	50 - 51
3 Schedule of Changes in Unassigned Fund Balance.....	52
<i>Nonmajor Governmental Funds</i>	
4 Combining Balance Sheet .....	53
5 Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances.....	54
<b>INDEPENDENT AUDITOR'S COMMUNICATION</b> <b>OF SIGNIFICANT DEFICIENCIES</b> .....	55



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***INDEPENDENT AUDITOR'S REPORT***

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

***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and aggregate remaining fund information of the Town of Allentown, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

***Basis for Adverse Opinion on Governmental Activities***

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

***Adverse Opinion***

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on Governmental Activities" paragraph, the financial statements referred to above do not present fairly the financial position of the governmental activities financial statements of the Town of Allentown as of December 31, 2015, or the changes in financial position thereof for the year then ended.

### ***Unmodified Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and aggregate remaining fund information of the Town of Allenstown as of December 31, 2015, the changes in financial position and the budgetary comparison for the major general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Notes 1-R and 2-C to the financial statements, in 2015, the Town changed its method of accounting for pension reporting with the adoption of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* and as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinions are not modified with respect to this matter.

### ***Other Matters***

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

**Other Information** - Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Allenstown's basic financial statements. The combining and individual fund financial schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

October 14, 2016

**Management's Discussion and Analysis  
Calendar Year Ended December 31, 2015**

Our discussion and analysis of the Town of Allenstown's financial performance provides an overview of the Town's financial activities for the year ended December 31, 2015. Please read it in conjunction with the Town's financial statements, which begin on page 11.

**FINANCIAL HIGHLIGHTS**

For the year ended December 31, 2015:

- The Town's total net position was \$9,004,185 an increase of \$857,320 from the prior year restated balances, which consisted of \$3,724,709 for Governmental Activities and \$5,279,476 from Business-Type Activities. The Town's net position was significantly impacted due to the following pronouncement: As of December 31, 2015, the Town implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, which requires the Town to report their proportionate share of the New Hampshire Retirement System's net pension liability based upon their plan contributions for the year. The New Hampshire Retirement System has a statutory funding schedule whose goal is to reach 100% plan funding by June 30, 2039. The amount recorded as a liability at December 31, 2015 was \$2,670,973. This liability existed in 2014 and prior, however this is the first time it has been recorded in this report. Absent this amount, the net position of the town would be \$11,675,158, a net increase of \$812,451 from the prior year.
- Capital assets, net of depreciation for the Governmental Activities were \$4,080,845 a decrease from the prior year of \$139,115. Capital assets, net of depreciation for the Business-Type Activities were \$3,805,322, an increase from the prior year of \$398,354. Depreciation expense for 2015 was \$170,418 for the governmental activities and \$184,600 for the business-type activities. Depreciation expense doesn't include roadway infrastructure or the sewer collection system.
- The total long-term obligations for the Town were \$801,106, which represents a decrease of \$45,818 from the prior year. The long term obligations include capital leases, compensated absences, other postemployment benefits, and accrued landfill post closure care costs.
- The unassigned fund balance of the General Fund was \$1,515,882.

**OVERVIEW OF FINANCIAL STATEMENTS**

The basic financial statements consist of two types of statements:

*Government-Wide Financial Statements*

The Statement of Net Position, page 11 and the Statement of Activities, page 12, are designed to report the Town's financial activities in a manner similar to private-sector companies. These statements include all assets and liabilities using the accrual basis of accounting, thereby

TOWN OF ALLENSTOWN, NH  
**Management's Discussion and Analysis  
Calendar Year Ended December 31, 2015**

reporting all current year revenue and expenses regardless of when cash is paid or received. These two statements report the Town's net position and changes in them. Over time, increases or decreases in net position may serve as one useful indicator of whether the financial health of the Town is improving or deteriorating.

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

*Fund Financial Statements*

The fund financial statements begin on page 13, and provide information on the Town's most significant funds; not the Town as a whole. A fund is a grouping of accounts, each of which is considered a separate accounting entity. The following fund types are utilized by the Town.

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

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

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

**Management's Discussion and Analysis  
Calendar Year Ended December 31, 2015**

*Notes to the Financial Statements*

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS:**

The following is a summary of the government-wide financial data for the fiscal year ended December 31, 2015:

**Statement of Net Position**

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

- Net investment in Capital Assets: The Town has recorded its inventory in capital assets such as land, buildings, equipment and wastewater treatment facility. Infrastructure such as roadways, wastewater collection system and stormwater collection system have not been inventoried and amortized in accordance with GASB 34. The Town has recorded its inventory in capital assets for the Business-Type Activities such as land, buildings, equipment, and system infrastructure (pipes including installation costs, etc.), net of accumulated depreciation, and the related debt obligations. The Town is completing a project in 2016 to inventory the roadway, wastewater collection system and stormwater collection system.
- Restricted Net Position: Approximately 1% of the Town's Governmental Activities net position are the Town's permanent funds which represent resources that are subject to external restrictions on how they may be used.
- Unrestricted Net Position: The Town's unrestricted net position may be used to meet the Town's ongoing obligations.
- Total Net Position: The Town is reporting positive net position in its Governmental Activities and Business-Type Activities.

**Statement of Activities**

The Statement of Activities is presented on page 5 of the financial statements.

**Management's Discussion and Analysis  
Calendar Year Ended December 31, 2015**

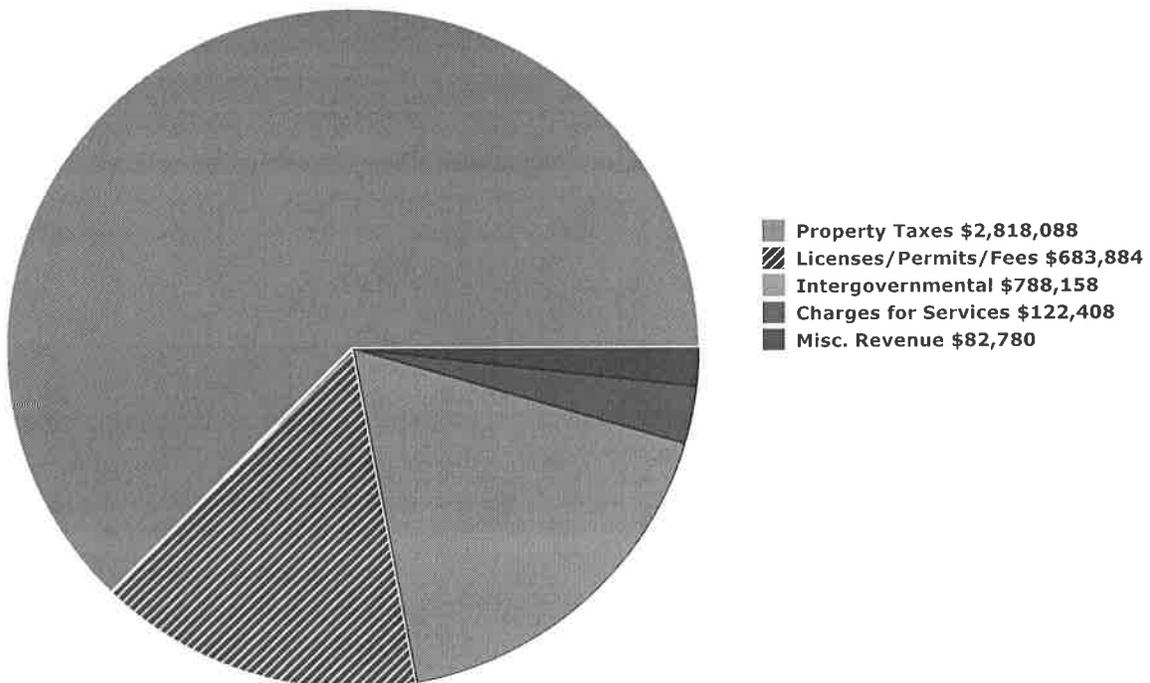
Governmental Activities

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

Program revenues are targeted to directly offset expenses. For 2015, program revenues, consisted of charges for services (\$122,408) which account for 17.5% of total program revenues, operating grants and contributions (\$114,914) which account for 16.5% of total program revenues, and capital grants and contributions (\$461,044) which account for 66.0% of total program revenues. General revenues for 2015 accounted for 84.5% of total governmental activities revenues.

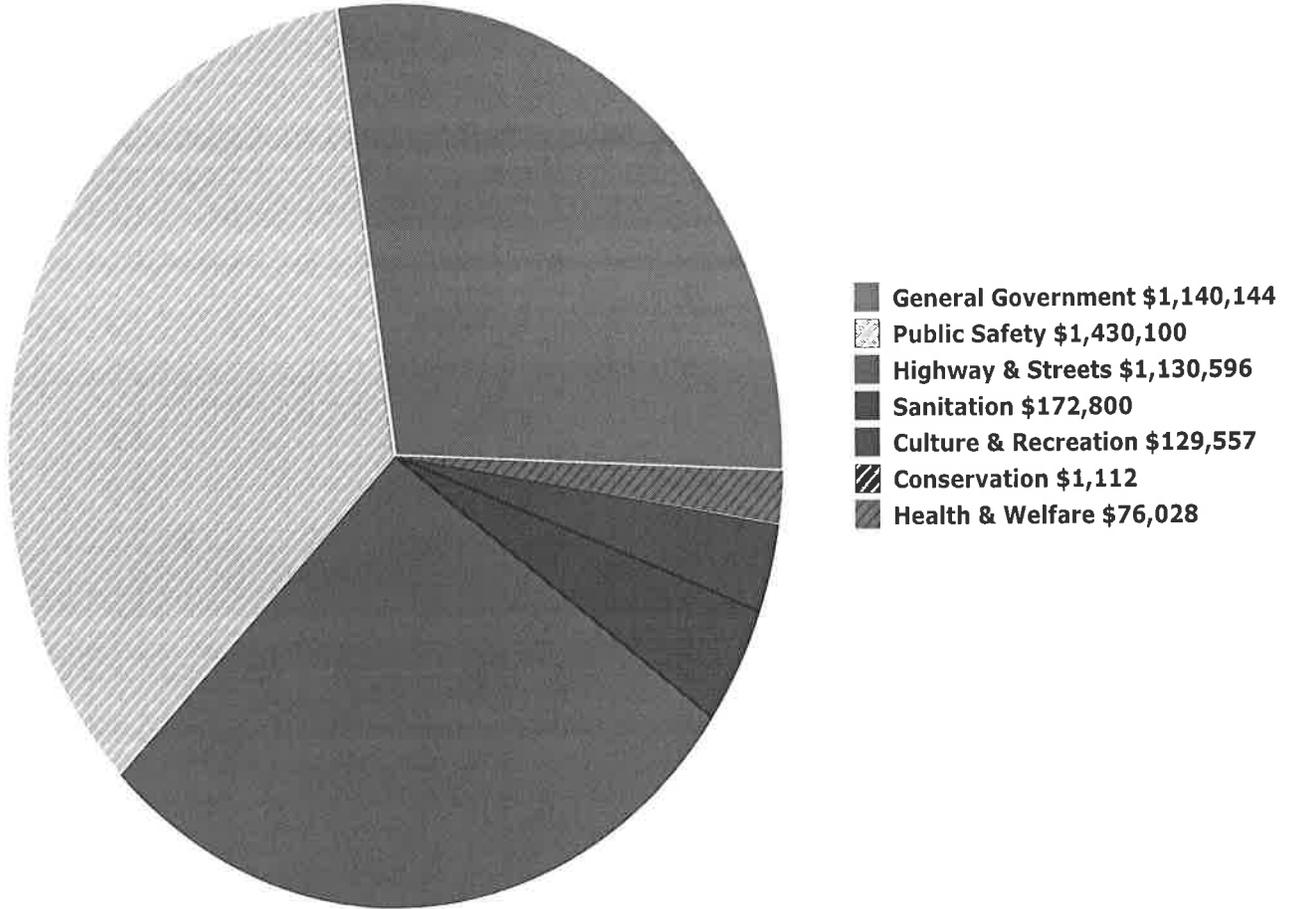
Revenues not specifically targeted for an activity are known as general revenues. Taxes make up 74.2% of the Town's general revenues and 62.7% of total revenues. Licenses and permits, mainly auto registrations, account for 18.0% of general revenues and 15.3% of total revenues. Detail of the total revenues is as follows:

**2015 Actual Governmental Activities  
Revenues**



Management's Discussion and Analysis  
Calendar Year Ended December 31, 2015

### 2015 Governmental Activities Expenses



➤ **Expenses:** Expenses are classified by major governmental function or program and are offset by related program income. Depreciation has been recorded for 2015 by function and/or program as noted in Note 7 of the notes to financial statements.

The largest expenses for the governmental activities were for General government, which accounts for 28% of total expenses; Public safety, 35%; and Highways and Streets, 27%, Sanitation 4%, Health and Welfare 2% Culture and recreation, 3%, and Conservation, 1%.

**Management's Discussion and Analysis  
Calendar Year Ended December 31, 2015**

Business-Type Activities

➤ Revenues:

Program revenues for the Business-Type Activities, accounted for 96.3% of total revenues, which are charges for service for Wastewater Treatment the remaining 3.7% was from miscellaneous revenue.

➤ Expenses:

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

**FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS**

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

- Governmental Funds: The fund financial statements are provided on pages 13-16. The focus of the governmental funds is to provide information on near-term inflows, outflows, and balance of resources. This information is most useful in assessing financing requirements. For example, unassigned fund balance may serve as a useful measure of a government's net resources available at year end. The Town's General Fund is its largest Governmental Fund.

During the fiscal year, the Town recognized \$4,472,369 in revenues and other financing sources in the General Fund and Grants Fund, which is an increase of \$42,760 from the prior year. The Town incurred \$4,054,115 in General Fund and Grants Fund expenditures and other financing uses during the year, which represents an increase of \$94,710 from the prior year.

The Town finished the fiscal year with General Fund balance in the amount of \$2,270,083, an increase from the prior year. The current year net change in fund balance is \$418,254. Of the total fund balance, \$2,096 is Nonspendable \$4,846 Restricted, \$367,780 Committed, and \$379,479 Assigned, leaving an unassigned balance of \$1,515,882.

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

The Proprietary funds reported an overall net change in net position of \$442,339. Depreciation expense for 2015 was \$184,600.

**Management's Discussion and Analysis  
Calendar Year Ended December 31, 2015**

**BUDGETARY HIGHLIGHTS**

The town budget was approved at Town Meeting for the year ending December 31, 2015. This means that the budget for the general fund passed as \$3,847,352 and the budget for the sewer fund passed at \$2,070,024. Also included in the budget was a \$30,000 special warrant article to defray the cost of planning relative to public facilities through the previously established Asset Management Plan for the Sewer Treatment System, and an appropriation of \$80,000 to be added to the Highway Garage Capital Reserve Fund, a \$20,000 appropriation to be added to the Landfill Capital Reserve Fund, \$60,000 to be added to the Fire Safety Equipment Capital Reserve Fund, and \$20,000 to be added to the Highway Equipment Capital Reserve Fund.

Of the total voted appropriations of \$6,127,376, the General Fund accounted for \$4,027,352 and \$2,100,024 for the Sewer Fund.

**CAPITAL ASSETS**

As shown in Note 7 page 25 of the financial statements, the Town of Allenstown has \$4,080,845 Governmental activities and \$3,805,322 Business-type activities invested in capital assets, including land, buildings, building improvements, machinery, equipment and vehicles. This represents a decrease of \$139,115 on the Governmental activities and an increase of \$398,354 on the Business-type activities, as a result of upgrades at the wastewater treatment plant.

**NON-CURRENT OBLIGATIONS**

As shown in Note 12 page 27 of the Governmental financial statements, the Town of Allenstown has \$801,106 in long-term liabilities. Long term obligations include capital leases, compensated absences, landfill site monitoring and other postemployment benefits.

**ECONOMIC FACTORS AND THE 2015 BUDGET**

New Hampshire Department of Employment Security and the United States Department of Labor reported the following unemployment rates for December 2014 and December 2015:

	<u>2014</u>	<u>2015</u>
Allenstown	3.6%	4.3%
Merrimack County	3.8%	3.1%
State of New Hampshire	4.3%	3.4%
United States	6.2%	3.1%

The Northeast Regional Consumer Price Index (CPI) increased .5% from December 2014 to December 2015. The National CPI for the same period increased .7%.

TOWN OF ALLENSTOWN, NH

**Management's Discussion and Analysis  
Calendar Year Ended December 31, 2015**

**REQUESTS FOR INFORMATION**

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

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

# DRAFT - 10/14/16

## EXHIBIT A

### TOWN OF ALLENSTOWN, NEW HAMPSHIRE

#### Statement of Net Position

December 31, 2015

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 3,983,844	\$ 138,542	\$ 4,122,386
Investments	348,046	1,654,374	2,002,420
Taxes receivable (net)	861,710	-	861,710
Accounts receivable	57,121	276,766	333,887
Intergovernmental receivable	220,745	-	220,745
Prepaid items	2,096	14,794	16,890
Capital assets:			
Land and construction in progress	2,669,255	518,622	3,187,877
Other capital assets, net of depreciation	1,411,590	3,286,700	4,698,290
Total assets	<u>9,554,407</u>	<u>5,889,798</u>	<u>15,444,205</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Amounts related to pensions	<u>142,058</u>	<u>21,820</u>	<u>163,878</u>
<b>LIABILITIES</b>			
Accounts payable	156,186	110,655	266,841
Accrued salaries and benefits	48,016	-	48,016
Intergovernmental payable	2,446,985	-	2,446,985
Contracts payable	187,522	-	187,522
Retainage payable	9,502	-	9,502
Accrued interest payable	4,181	-	4,181
Escrow and performance deposits	3,159	-	3,159
Long-term liabilities:			
Due within one year	163,199	-	163,199
Due in more than one year	637,907	-	637,907
Net pension liability	2,195,563	475,410	2,670,973
Total liabilities	<u>5,852,220</u>	<u>586,065</u>	<u>6,438,285</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - property taxes	12,678	-	12,678
Amounts related to pensions	<u>106,858</u>	<u>46,077</u>	<u>152,935</u>
Total deferred inflows of resources	<u>119,536</u>	<u>46,077</u>	<u>165,613</u>
<b>NET POSITION</b>			
Net investment in capital assets	3,705,247	3,805,322	7,510,569
Restricted	17,286	-	17,286
Unrestricted	2,176	1,474,154	1,476,330
Total net position	<u>\$ 3,724,709</u>	<u>\$ 5,279,476</u>	<u>\$ 9,004,185</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, 2015**

	Program Revenues			Net (Expense) Revenue and Change in Net Position		Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
<b>Governmental activities:</b>						
General government	\$ 1,140,144	\$ 75,855	\$ 17,378	\$ -	\$ (1,046,911)	\$ (1,046,911)
Public safety	1,430,100	41,890	-	-	(1,388,210)	(1,388,210)
Highways and streets	1,130,596	-	97,536	461,044	(572,016)	(572,016)
Sanitation	172,800	4,663	-	-	(168,137)	(168,137)
Health	5,967	-	-	-	(5,967)	(5,967)
Welfare	70,061	-	-	-	(70,061)	(70,061)
Culture and recreation	129,557	-	-	-	(129,557)	(129,557)
Conservation	1,112	-	-	-	(1,112)	(1,112)
Total governmental activities	4,080,337	122,408	114,914	461,044	(3,381,971)	(3,381,971)
<b>Business-type activities:</b>						
Sewer	2,136,611	2,496,570	-	-	-	359,959
Total	\$ 6,216,948	\$ 2,618,978	\$ 114,914	\$ 461,044	(3,381,971)	(3,022,012)
General revenues:						
Taxes:						
Property					2,692,641	2,692,641
Other					125,447	125,447
Motor vehicle permit fees					660,369	660,369
Licenses and other fees					23,515	23,515
Grants and contributions not restricted to specific programs					212,200	212,200
Miscellaneous					82,780	82,380
Total general revenues					3,796,952	3,879,332
Change in net position					414,981	442,339
Net position, beginning, as restated (see Note 16)					3,309,728	4,837,137
Net position, ending					\$ 3,724,709	\$ 5,279,476
						\$ 9,004,185

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

# DRAFT - 10/14/16

**EXHIBIT C-1**  
**TOWN OF ALLENSTOWN, NEW HAMPSHIRE**  
**Governmental Funds**  
**Balance Sheet**  
**December 31, 2015**

	General	Grants	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 3,912,435	\$ -	\$ 71,409	\$ 3,983,844
Investments	342,688	-	5,358	348,046
Accounts receivable	55,607	-	1,514	57,121
Taxes receivable	866,971	-	-	866,971
Intergovernmental receivable	-	220,745	-	220,745
Interfund receivable	29,879	-	-	29,879
Voluntary tax liens	59,668	-	-	59,668
Voluntary tax liens reserved until collected	(59,668)	-	-	(59,668)
Prepaid items	2,096	-	-	2,096
Total assets	<u>\$ 5,209,676</u>	<u>\$ 220,745</u>	<u>\$ 78,281</u>	<u>\$ 5,508,702</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 156,186	\$ -	\$ -	\$ 156,186
Accrued salaries and benefits	48,016	-	-	48,016
Intergovernmental payable	2,446,985	-	-	2,446,985
Contracts payable	-	187,522	-	187,522
Retainage payable	-	9,502	-	9,502
Interfund payable	-	23,721	6,158	29,879
Escrow and performance deposits	3,159	-	-	3,159
Total liabilities	<u>2,654,346</u>	<u>220,745</u>	<u>6,158</u>	<u>2,881,249</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - property taxes	285,247	-	-	285,247
<b>FUND BALANCES</b>				
Nonspendable	2,096	-	1,375	3,471
Restricted	4,846	-	11,065	15,911
Committed	367,780	-	59,683	427,463
Assigned	379,479	-	-	379,479
Unassigned	1,515,882	-	-	1,515,882
Total fund balances	<u>2,270,083</u>	<u>-</u>	<u>72,123</u>	<u>2,342,206</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 5,209,676</u>	<u>\$ 220,745</u>	<u>\$ 78,281</u>	<u>\$ 5,508,702</u>

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

# DRAFT - 10/14/16

## EXHIBIT C-2

### TOWN OF ALLENSTOWN, NEW HAMPSHIRE

#### Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position December 31, 2015

Total fund balances of governmental funds (Exhibit C-1)		\$ 2,342,206
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources, therefore, are not reported in the funds.		
Cost	\$ 6,998,167	
Less accumulated depreciation	<u>(2,917,322)</u>	
		4,080,845
Interfund receivables and payables between governmental funds are eliminated on the Statement of Net Position.		
Receivables	\$ (29,879)	
Payables	<u>29,879</u>	
		-
Certain resources are not current financial resources in the governmental funds, but instead are reported in the Statement of Net Position.		
Deferred outflows of resources related to pensions	\$ 142,058	
Deferred inflows of resources related to pensions	<u>(106,858)</u>	
		35,200
Property taxes are recognized on an accrual basis in the Statement of Net Position and on a modified accrual basis in the governmental funds.		
Deferred inflows of resources - property taxes	\$ 272,569	
Allowance for uncollectible property taxes	<u>(5,261)</u>	
		267,308
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(4,181)
Long-term liabilities are not due and payable in the current period, therefore, are not reported in the funds.		
Capital leases	\$ 375,598	
Compensated absences	85,754	
Accrued landfill postclosure care costs	92,400	
Other postemployment benefits	247,354	
Net pension liability	<u>2,195,563</u>	
		(2,996,669)
Net position of governmental activities (Exhibit A)		<u>\$ 3,724,709</u>

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

# DRAFT - 10/14/16

## EXHIBIT C-3

### TOWN OF ALLENSTOWN, NEW HAMPSHIRE

#### Governmental Funds

#### Statement of Revenues, Expenditures, and Changes in Fund Balances

For the Fiscal Year Ended December 31, 2015

	General	Grants	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Taxes	\$ 2,782,808	\$ -	\$ -	\$ 2,782,808
Licenses and permits	683,884	-	-	683,884
Intergovernmental	327,114	461,044	-	788,158
Charges for services	103,425	-	18,983	122,408
Miscellaneous	82,791	-	(11)	82,780
Total revenues	<u>3,980,022</u>	<u>461,044</u>	<u>18,972</u>	<u>4,460,038</u>
<b>EXPENDITURES</b>				
Current:				
General government	1,086,415	-	25	1,086,440
Public safety	1,384,142	-	7,907	1,392,049
Highways and streets	540,774	-	-	540,774
Sanitation	167,065	-	-	167,065
Health	5,967	-	-	5,967
Welfare	70,061	-	-	70,061
Culture and recreation	124,034	-	138	124,172
Conservation	1,112	-	-	1,112
Capital outlay	213,501	461,044	-	674,545
Total expenditures	<u>3,593,071</u>	<u>461,044</u>	<u>8,070</u>	<u>4,062,185</u>
Excess of revenues over expenditures	<u>386,951</u>	<u>-</u>	<u>10,902</u>	<u>397,853</u>
<b>OTHER FINANCING SOURCES</b>				
Capital lease inception	31,303	-	-	31,303
Net change in fund balances	418,254	-	10,902	429,156
Fund balances, beginning	1,851,829	-	61,221	1,913,050
Fund balances, ending	<u>\$ 2,270,083</u>	<u>\$ -</u>	<u>\$ 72,123</u>	<u>\$ 2,342,206</u>

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

# DRAFT - 10/14/16

## 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, 2015

Net change in fund balances of governmental funds (Exhibit C-3)		\$ 429,156
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 depreciation expense exceeded capitalized capital outlay in the current period.		
Capitalized capital outlay	\$ 31,303	
Depreciation expense	<u>(170,418)</u>	(139,115)
Governmental funds report pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expenses.		
Contributions subsequent to the measurement date	\$ 98,934	
Net pension expense	<u>(57,300)</u>	41,634
Revenue in the Statement of Activities that does not provide current financial resources is not reported as revenue in the governmental funds.		
Change in deferred tax revenue	\$ 6,988	
Change in allowance for uncollectible property taxes	<u>28,292</u>	35,280
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.		
Inception of capital leases	\$ (31,303)	
Repayment of capital leases	<u>152,151</u>	120,848
Some expenses reported in the Statement of Activities do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds.		
Decrease in accrued interest expense	\$ 2,208	
Increase in compensated absences payable	(28,371)	
Increase in accrued landfill postclosure care costs	(5,400)	
Increase in postemployment benefits payable	<u>(41,259)</u>	(72,822)
Changes in net position of governmental activities (Exhibit B)		<u>\$ 414,981</u>

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

# DRAFT - 10/14/16

## EXHIBIT D

### TOWN OF ALLENSTOWN, NEW HAMPSHIRE

#### Statement of Revenues, Expenditures, and Changes in Fund Balance

#### Budget and Actual (Non-GAAP Budgetary Basis)

#### General Fund

For the Fiscal Year Ended December 31, 2015

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 2,716,441	\$ 2,716,441	\$ 2,818,088	\$ 101,647
Licenses and permits	604,766	604,766	683,884	79,118
Intergovernmental	311,116	311,116	327,114	15,998
Charges for services	114,892	114,892	103,425	(11,467)
Miscellaneous	100,137	100,137	94,152	(5,985)
Total revenues	<u>3,847,352</u>	<u>3,847,352</u>	<u>4,026,663</u>	<u>179,311</u>
<b>EXPENDITURES</b>				
Current:				
General government	1,288,116	1,286,816	1,079,061	207,755
Public safety	1,502,407	1,502,407	1,398,314	104,093
Highways and streets	508,803	508,803	752,401	(243,598)
Sanitation	174,816	174,816	167,065	7,751
Health	7,983	7,983	5,967	2,016
Welfare	86,807	86,807	70,061	16,746
Culture and recreation	106,648	106,648	121,980	(15,332)
Conservation	9	1,309	1,112	197
Debt service:				
Interest	15,000	15,000	-	15,000
Capital outlay	156,763	156,763	220,241	(63,478)
Total expenditures	<u>3,847,352</u>	<u>3,847,352</u>	<u>3,816,202</u>	<u>31,150</u>
Excess of revenue over expenditures	<u>-</u>	<u>-</u>	<u>210,461</u>	<u>210,461</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	22,963	22,963
Transfers out	(180,000)	(180,000)	(180,000)	-
Total other financing sources (uses)	<u>(180,000)</u>	<u>(180,000)</u>	<u>(157,037)</u>	<u>22,963</u>
Net change in fund balances	<u>\$ (180,000)</u>	<u>\$ (180,000)</u>	53,424	<u>\$ 233,424</u>
Decrease in nonspendable fund balance			2,466	
Increase in assigned fund balance for contingency			(52,274)	
Unassigned fund balance, beginning			<u>1,779,574</u>	
Unassigned fund balance, ending			<u>\$ 1,783,190</u>	

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

# DRAFT - 10/14/16

*EXHIBIT E-1*  
*TOWN OF ALLENSTOWN, NEW HAMPSHIRE*  
*Proprietary Fund*  
*Statement of Net Position*  
*December 31, 2015*

	Business-type Activities
	<u>Enterprise Fund</u> <u>(Sewer Department)</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 138,542
Investments	1,654,374
Receivables	276,766
Prepaid items	14,794
Capital assets:	
Land and construction in progress	518,622
Other capital assets, net of depreciation	3,286,700
Total assets	<u>5,889,798</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Amounts related to pensions	<u>21,820</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	110,655
Noncurrent liabilities:	
Net pension liability	475,410
Total liabilities	<u>586,065</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Amounts related to pensions	<u>46,077</u>
<b>NET POSITION</b>	
Net investment in capital assets	3,805,322
Unrestricted	1,474,154
Total net position	<u>\$ 5,279,476</u>

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

# DRAFT - 10/14/16

*EXHIBIT E-2*  
*TOWN OF ALLENSTOWN, NEW HAMPSHIRE*  
*Proprietary Fund*  
*Statement of Revenues, Expenses, and Change in Net Position*  
*For the Fiscal Year Ended December 31, 2015*

	Business-type Activities
	Enterprise Fund (Sewer Department)
Operating revenues:	
User charges	\$ 2,496,570
Miscellaneous	39,079
Total operating revenues	<u>2,535,649</u>
Operating expenses:	
Salaries and wages	620,895
Operation and maintenance	1,323,498
Depreciation	184,600
Total operating expenses	<u>2,128,993</u>
Operating gain	<u>406,656</u>
Nonoperating revenue (expenses):	
Investment and interest income	43,301
Investment fees	<u>(7,618)</u>
Total nonoperating revenues	<u>35,683</u>
Change in net position	442,339
Net position, beginning, as restated (see Note 16)	<u>4,837,137</u>
Net position, ending	<u>\$ 5,279,476</u>

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

# DRAFT - 10/14/16

**EXHIBIT E-3**  
**TOWN OF ALLENSTOWN, NEW HAMPSHIRE**  
**Proprietary Fund**  
**Statement of Cash Flows**  
**For the Fiscal Year Ended December 31, 2015**

	Business-type Activities
	Enterprise Fund (Sewer Department)
Cash flows from operating activities:	
Receipts from customers and users	\$ 2,513,391
Payments to employees	(622,146)
Payments to suppliers	(1,248,514)
Net cash provided by operating activities	<u>642,731</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of fixed assets	(645,874)
Fixed asset disposals	62,920
Transfer to capital reserves	(354,499)
Transfers from capital reserves	120,000
Net cash used by capital and related financing activities	<u>(817,453)</u>
Cash flows from investing activities:	
Investment fees	<u>(864)</u>
Net decrease in cash	(175,586)
Cash, beginning	314,128
Cash, ending	<u>\$ 138,542</u>

***Reconciliation of Operating Gain to Net Cash Provided by Operating Activities***

Operating gain	<u>\$ 406,656</u>
Adjustments to reconcile operating gain to net cash provided by operating activities:	
Depreciation expense	184,600
Increase in receivables	(22,258)
Increase in prepaid items	(6,485)
Increase in accounts payable	95,647
Decrease in accrued salaries and benefits	(1,251)
Increase in deferred outflows related to pensions	(616)
Decrease in deferred inflows related to pensions	(40,591)
Increase in net pension liability	27,029
Total adjustments	<u>236,075</u>
Net cash provided by operating activities	<u>\$ 642,731</u>

# DRAFT - 10/14/16

*EXHIBIT F*  
*TOWN OF ALLENSTOWN, NEW HAMPSHIRE*  
*Fiduciary Funds*  
*Statement of Net Position*  
*December 31, 2015*

	<u>Agency</u>
<b>ASSETS</b>	
Investments	\$ 101,377
<b>LIABILITIES</b>	
Intergovernmental payable	<u>101,377</u>
<b>NET POSITION</b>	<u>\$ -</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**AS OF AND FOR THE FISCAL YEAR ENDED  
DECEMBER 31, 2015**

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

**DETAILED NOTES ON ALL FUNDS**

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

*TOWN OF ALLENSTOWN, NEW HAMPSHIRE*  
*NOTES TO THE BASIC FINANCIAL STATEMENTS*  
*AS OF AND FOR THE FISCAL YEAR ENDED*  
*DECEMBER 31, 2015*

<b>Risk Management</b> .....	19
<b>Contingencies</b> .....	20
<b>Subsequent Events</b> .....	21

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**AS OF AND FOR THE FISCAL YEAR ENDED  
DECEMBER 31, 2015**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

***1-A Reporting Entity***

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

***1-B Government-wide and Fund Financial Statements***

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*. As in the Statement of Net Position mentioned above, the Town has not recorded all of the depreciation expense in this statement.

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

Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

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

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, except for State shared revenue, reimbursement-based grants and interest which use one year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service

*NOTES TO THE BASIC FINANCIAL STATEMENTS  
AS OF AND FOR THE FISCAL YEAR ENDED  
DECEMBER 31, 2015*

expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Property taxes, licenses and permits, intergovernmental revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

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 enterprise fund are charges for services. Operating expenses for the enterprise funds include depreciation on capital assets, labor, supplies, and contracted services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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 a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available.

Non-exchange transactions, in which the Town receives value without directly giving equal value in return, include property taxes, grants, entitlement, and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the tax is levied. Revenue from grants, entitlements, and donations is recognized in the year in which all 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 specific purpose, and expenditure requirements, in which the resources are provided to the Town on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, deferred inflows/outflows, and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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** – accounts for the activity relating to all of the Town's federal and state grant programs.

All the governmental funds not meeting the criteria established for major funds are presented in the other governmental column of the fund financial statements.

The Town reports the following major proprietary fund:

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

Additionally, the Town reports the following fund types:

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

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

**Fiduciary Funds** – The Town also reports the following fiduciary funds:

**Agency Fund** - used to account for assets held in a trustee or agency capacity on behalf of outside parties, including other governments.

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
AS OF AND FOR THE FISCAL YEAR ENDED  
DECEMBER 31, 2015**

***1-D Cash and Cash Equivalents***

The Town considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, and savings accounts. A cash pool is maintained that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption "cash and cash equivalents."

The treasurer is required to deposit such moneys in solvent banks in state or the Public Deposit Investment Pool pursuant to New Hampshire RSA 383:22. Funds may be deposited in banks outside of the state if such banks pledge and deliver to a third party custodial bank or the Federal Reserve Bank, collateral security for such deposits, United States government or government agency obligations or obligations to the State of New Hampshire in value at least equal to the amount of the deposit in each case.

***1-E Statement of Cash Flows***

For purposes of the Statement of Cash Flows, the Town considers all highly liquid investments (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 Investments***

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

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

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

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

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

***1-G Receivables***

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

***1-H Interfund Balances***

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

***1-I Prepaid Items***

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**AS OF AND FOR THE FISCAL YEAR ENDED  
DECEMBER 31, 2015**

***1-J Capital Assets***

Capital assets, which include property, plant, equipment, and infrastructure (except in the governmental activities) (infrastructure is not included) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. All infrastructure has not been capitalized as the Town has not determined the historical cost for the initial reporting of these assets and does not maintain adequate records to capture annual capital outlay for infrastructure.

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

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

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

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

***1-K Deferred Outflows/Inflows of Resources***

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenses) until then.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

***1-L Property Taxes***

Property tax billings occur semi-annually and are based on the assessed inventory values as of April 1 of each year. Warrants for the year were issued on May 12, 2015, May 26, 2015, October 30, 2015, and December 14, 2015. Interest accrues at a rate of 12% on bills outstanding after the due date and 18% on tax liens outstanding.

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

The Town net assessed valuation as of April 1, 2015 utilized in the setting of the tax rate was as follows:

For the New Hampshire education tax	\$ 239,742,244
For all other taxes	\$ 247,798,144

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
AS OF AND FOR THE FISCAL YEAR ENDED  
DECEMBER 31, 2015**

The tax rates and amounts assessed for the year ended December 31, 2015 were as follows:

	Per \$1,000 of Assessed Valuation	Property Taxes Assessed
Municipal portion	\$11.31	\$ 2,804,433
School portion:		
State of New Hampshire	\$2.48	594,195
Local	\$16.03	3,971,231
County portion	\$3.01	745,375
Total		\$ 8,115,234

***1-M Compensated Absences***

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

***1-N Long-term Obligations***

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

***1-O Claims and Judgments***

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

***1-P Interfund Receivables and Payables***

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

***1-Q Net Position/Fund Balance Reporting***

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

- a) *Net investment in capital assets* – Consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any capital leases that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets.
- b) *Restricted net position* – Consists of net position with constraints placed on use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c) *Unrestricted net position* – All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**AS OF AND FOR THE FISCAL YEAR ENDED  
DECEMBER 31, 2015**

**Fund Balance Classifications** - The fund balance of governmental funds is reported in five categories based on the nature of any limitations requiring the use of resources for specific programs. The Town itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance). The classifications used in the Town's governmental fund financial statements are as follows:

**Nonspendable** – This classification includes amounts that cannot be spent because they are either (a) not in spendable form; or (b) are legally or contractually required to be maintained intact.

**Restricted** – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

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

**Assigned** – This classification includes amounts that are constrained by the Town's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Selectmen through the budgetary process.

**Unassigned** – This classification includes the residual fund balance for the general fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

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

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

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

***1-R Defined Benefit Pension Plan***

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

The schedules prepared by New Hampshire Retirement System, and audited by the plan's independent auditors, require management to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature and uncertainty of these estimates, actual results could differ, and the differences may 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.

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**AS OF AND FOR THE FISCAL YEAR ENDED  
DECEMBER 31, 2015**

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

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

State statutes require balanced budgets, but provide for the use of beginning unassigned fund balance to achieve that end. For the fiscal year 2015, \$180,000 of the beginning general fund unassigned fund balance was applied for this purpose.

**2-B Budgetary Reconciliation to GAAP Basis**

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

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

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

Revenues and other financing sources:	
Per Exhibit D (budgetary basis)	\$ 4,049,626
Adjustment:	
Basis difference:	
Inception of capital leases	31,303
GASB Statement No. 54:	
To record miscellaneous income of the blended funds	(11,361)
To eliminate transfers between blended funds	(22,963)
Change in property tax revenue relating to 60-day revenue recognition	(6,988)
Change in allowance for uncollectible property taxes	(28,292)
Per Exhibit C-3 (GAAP basis)	<u>\$ 4,011,325</u>
Expenditures and other financing uses:	
Per Exhibit D (budgetary basis)	\$ 3,996,202
Adjustment:	
Basis differences:	
Encumbrances, beginning	63,280
Encumbrances, ending	(327,205)
Inception of capital leases	31,303
GASB Statement No. 54:	
To record expenditures of the blended funds	9,491
To eliminate transfers between general and expendable trust funds	(180,000)
Per Exhibit C-3 (GAAP basis)	<u>\$ 3,593,071</u>

**2-C Change in Accounting Principle**

Effective July 1, 2014, the Town implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. The requirements of this Statement change the way the Town calculates and reports the costs and obligations associated with pensions. As a result of implementing GASB Statement No. 68 the Town has restated the beginning net position in the government-wide Statement of Net Position, effectively decreasing net position as of January 1, 2015 by a total of \$2,715,842 (see Note 16). The reduction accounts for the associated net position liability, deferred inflows of resources, and deferred outflows of resources related to pensions.

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2015**

Also, the Town adopted GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment to GASB Statement No. 68*. This Statement addresses and issue in Statement No. 68 concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employer and nonemployer contributing entities.

**DETAILED NOTES ON ALL FUNDS**

**NOTE 3 – CASH AND CASH EQUIVALENTS**

At December 31, 2015, the reported amount of the Town’s deposits was \$4,122,386 (Exhibit A) and the bank balance was \$4,144,034. Of the bank balance \$3,937,883 was covered by federal depository insurance or by collateral held by the Town’s agent in the Town’s name, and \$206,151 was uninsured and uncollateralized.

**NOTE 4 – INVESTMENTS**

Note 1-F describes statutory requirements covering the investment of the Town funds. The Town also maintains a portfolio of intermediate maturity investments that are reported at fair value, based on quoted market prices. The Town’s fiscal agent or custodian provides the fair value of all intermediate maturity investments.

At December 31, 2015, this Town had the following investments and maturities:

	<u>Fair Value</u>	<u>Less than 1</u>	<u>1-5 Years</u>	<u>Total</u>
Investments type:				
Common stock	\$ 445,056	\$ -	\$ -	\$ 445,056
Corporate bonds	-	141,046	492,302	633,348
New Hampshire Public Deposit Investment Pool	905	-	-	905
U.S. Government obligations	-	-	1,024,488	1,024,488
Total fair value	<u>\$ 445,961</u>	<u>\$ 141,046</u>	<u>\$ 1,516,790</u>	<u>\$ 2,103,797</u>

**Interest Rate Risk** – This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates.

**Credit Risk** – State law limits investments as explained in Note 1-F. As of December 31, 2015, the Town’s investments had the following credit ratings:

	<u>Aaa</u>	<u>Aa</u>	<u>A</u>	<u>Total</u>
Corporate bonds	\$ -	\$ 296,708	\$ 336,640	\$ 633,348
U.S. Government obligations	1,024,488	-	-	1,024,488
	<u>\$ 1,024,488</u>	<u>\$ 296,708</u>	<u>\$ 336,640</u>	<u>\$ 1,657,836</u>

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

Investment reconciliation:

Investments per Statement of Net Position (Exhibit A)	\$ 2,002,420
Investments per Statement of Net Position - Fiduciary Funds (Exhibit F)	<u>101,377</u>
Total investments	<u>\$ 2,103,797</u>

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**AS OF AND FOR THE FISCAL YEAR ENDED  
DECEMBER 31, 2015**

**NOTE 5 – TAXES RECEIVABLE**

Taxes receivable represent the amount of current and prior year taxes which have not been collected as of December 31, 2015. The amount has been reduced by an allowance for an estimated uncollectible amount of \$5,261. Taxes receivable by year are as follows:

	As reported on:	
	Exhibit A	Exhibit C-1
Property:		
Levy of 2015	\$ 542,954	\$ 542,954
Unredeemed (under tax lien):		
Levy of 2014	218,565	218,565
Levy of 2013	95,759	95,759
Levies of 2012 and prior	9,693	9,693
Less: allowance for estimated uncollectible taxes	(5,261) *	-
Net taxes receivable	\$ 861,710	\$ 866,971

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

**NOTE 6 – OTHER RECEIVABLES**

Receivables at December 31, 2015, consisted of accounts (billings for sewer and other user charges) and intergovernmental amounts arising from grants. Receivables are recorded on the Town's financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and collectability.

**NOTE 7 – CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2015 consisted of the following:

	Balance, beginning	Additions	Disposals	Balance, ending
<b>Governmental activities:</b>				
At cost:				
Not being depreciated:				
Land*	\$ 2,669,255	\$ -	\$ -	\$ 2,669,255
Being depreciated:				
Buildings and building improvements	1,101,672	-	-	1,101,672
Machinery, equipment, and vehicles	3,229,893	31,303	(33,956)	3,227,240
Total capital assets being depreciated	4,331,565	31,303	(33,956)	4,328,912
Total all capital assets	7,000,820	31,303	(33,956)	6,998,167
Less accumulated depreciation:				
Buildings and building improvements	(443,860)	(26,047)	-	(469,907)
Machinery, equipment, and vehicles	(2,337,000)	(144,371)	33,956	(2,447,415)
Total accumulated depreciation	(2,780,860)	(170,418)	33,956	(2,917,322)
Net book value, capital assets being depreciated	1,550,705	(139,115)	-	1,411,590
Net book value, all governmental activities capital assets	\$ 4,219,960	\$ (139,115)	\$ -	\$ 4,080,845

*(Continued)*

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**AS OF AND FOR THE FISCAL YEAR ENDED  
DECEMBER 31, 2015**

Capital assets continued:

	Balance, beginning	Additions	Disposals	Balance, ending
<b>Business-type activities:</b>				
At cost:				
Not being depreciated:				
Land	\$ 25,962	\$ -	\$ -	\$ 25,962
Construction in progress	25,759	529,821	(62,920)	492,660
Total capital assets not being depreciated	51,721	529,821	(62,920)	518,622
Being depreciated:				
Land improvements	125,230	-	-	125,230
Buildings	1,155,901	62,920	-	1,218,821
Machinery, equipment, and vehicles	1,351,346	53,133	-	1,404,479
Infrastructure	3,839,671	-	-	3,839,671
Total capital assets being depreciated	6,472,148	116,053	-	6,588,201
Total all capital assets	6,523,869	645,874	(62,920)	7,106,823
Less accumulated depreciation:				
Land improvements	(118,969)	(3,131)	-	(122,100)
Buildings	(674,352)	(17,261)	-	(691,613)
Machinery, equipment, and vehicles	(833,453)	(66,164)	-	(899,617)
Infrastructure	(1,490,127)	(98,044)	-	(1,588,171)
Total accumulated depreciation	(3,116,901)	(184,600)	-	(3,301,501)
Net book value, capital assets being depreciated	3,355,247	(68,547)	-	3,286,700
Net book value, all business-type activities capital assets	\$ 3,406,968	\$ 461,274	\$ (62,920)	\$ 3,805,322

\*Included in the total balance is \$1,533,435 of land located in a flood plain, which the Town acquired through a Federal Flood Mitigation Assistance Grant. As the land was acquired to ensure the safety of the public as well as to enhance flood plain capacity, it has been recorded at assessment value rather than acquisition cost. GASB Statement No. 45, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, mandates that "capital assets that will no longer be used by the government should be reported at the lower of carrying value or fair value."

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

<b>Governmental activities:</b>	
General government	\$ 4,361
Public safety	85,747
Highways and streets	74,586
Culture and recreation	5,724
Total depreciation expense	\$ 170,418
 <b>Business-type activities:</b>	
Sewer	\$ 184,600

**NOTE 8 – INTERFUND BALANCES**

The composition of interfund balances as of December 31, 2015 is as follows:

Receivable Fund	Payable Fund	Amount
General	Grants	\$ 23,721
	Nonmajor	6,158
		\$ 29,879

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**AS OF AND FOR THE FISCAL YEAR ENDED  
DECEMBER 31, 2015**

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

**NOTE 9 – INTERGOVERNMENTAL PAYABLES**

Amounts due to other governments of \$2,548,362 at December 31, 2015 consist of the following:

General fund:		
Balance of the 2015-2016 district assessment due to the Allenstown School District	\$ 2,440,426	
Miscellaneous fees due to the State of New Hampshire	6,559	
Total general fund	<u>2,446,985</u>	
Agency fund:		
Balance of trust funds belonging to the Allenstown School District	<u>101,377</u>	
Total intergovernmental payables due	<u>\$ 2,548,362</u>	

**NOTE 10 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

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

	Governmental Activities	Business-type Activities	Totals
Amounts related to pensions (see Note 17)	\$ 142,058	\$ 21,820	\$ 163,878

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

	Governmental Activities	Business-type Activities	General Fund
Town's portion of property taxes not collected within 60 days of the fiscal year-end	\$ -	\$ -	\$ 272,569 *
Property taxes paid in advance of warrants	12,678	-	12,678
Amounts related to pensions (see Note 17)	106,858	46,077	-
Total deferred inflows of resources	\$ 119,536	\$ 46,077	\$ 285,247

\*Balance is not recognized on the full accrual basis of accounting as presented on Exhibit A and Exhibit B of the Town's basic financial statements.

**NOTE 11 – CAPITAL LEASES**

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

	Standard Interest Rate	Present Value of Remaining Payments as of December 31, 2015
Capital lease obligations:		
Ford interceptor	3.29%	\$ 20,529
Fire truck	2.52%	161,856
Wheel loader	2.75%	86,691
Dump truck	2.69%	95,872
Police vehicle	3.29%	10,650
Total capital lease obligations		\$ 375,598

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2015**

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

	Governmental Activities
Equipment:	
Ford interceptor	\$ 31,303
Fire truck	399,853
Wheel loader	109,000
Dump truck	164,500
Police vehicle	33,000
Total equipment	737,656
Less: accumulated depreciation	152,496
Total capital lease equipment	\$ 585,160

The annual requirements to amortize the capital leases payable as of December 31, 2015, including interest payments, are as follows:

Fiscal Year Ending December 31,	Governmental Activities
2016	\$ 169,965
2017	158,966
2018	64,192
Total requirements	393,123
Less: interest	(17,525)
Present value of remaining payments	\$ 375,598

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

**NOTE 12 – LONG-TERM LIABILITIES**

Changes in the Town’s long-term liabilities consisted of the following for the year ended December 31, 2015:

	Balance January 1, 2015	Additions	Reductions	Balance December 31, 2015	Due Within One Year
<b>Governmental activities:</b>					
Capital leases	\$ 496,446	\$ 31,303	\$ (152,151)	\$ 375,598	\$ 159,899
Compensated absences	57,383	28,371	-	85,754	-
Accrued landfill postclosure care costs	87,000	5,400	-	92,400	3,300
Net other postemployment benefits	206,095	41,259	-	247,354	-
Total long-term liabilities	\$ 846,924	\$ 106,333	\$ (152,151)	\$ 801,106	\$ 163,199

Bonds/notes authorized but unissued at December 31, 2015 are comprised of the following:

Per Town Meeting Vote of	Purpose	Unissued Amount
March 10, 2015	Wastewater collection and treatment	\$ 30,000

**Accrued Landfill Postclosure Care Costs** – The Town ceased operating its landfill in past years. The New Hampshire Department of Environmental Services (NHDES) Groundwater Management Permit (GMP) currently requires annual water quality monitoring and reporting. The landfill is no longer active and has not been required by the NHDES to have an engineered cap constructed. A liability is being recognized based on the future postclosure care costs that will be incurred. The

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**AS OF AND FOR THE FISCAL YEAR ENDED  
DECEMBER 31, 2015**

estimated liability for landfill postclosure care costs has a balance of \$85,754 as of December 31, 2015. The estimated total current cost of the landfill postclosure care is based on the amount that would be paid if all equipment, facilities, and services required to monitor and maintain the landfill were acquired as of December 31, 2015. However, the actual cost of postclosure care may be higher or lower due to inflation, changes in technology, or changes in landfill laws and regulations.

The Town has established a capital reserve fund for landfill postclosure care costs. This fund had a balance of \$23,682 at year-end.

**NOTE 13 – COMMITMENTS/ENCUMBRANCES**

**Grants Fund** – The Town entered into a construction contract during the year for the construction of the Suncook Senior Center. As of December 31, 2015, the Town had an outstanding construction contract totaling \$1,875,586 that will be financed from a federal grant, matching funds, and an in-kind contribution. Other significant commitments related to this contract at December 31, 2015 include the following:

Contract payable	\$ 187,522
Retainage payable	9,502
	\$ 197,024

Encumbrances outstanding at December 31, 2015 are as follows:

General fund:	
Public safety	\$ 45,475
Highways and streets	269,112
Culture and recreation	5,878
Capital outlay	6,740
Total encumbrances	\$ 327,205

**NOTE 14 – GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES NET POSITION**

Governmental and business-type activities net position reported on the government-wide Statement of Net Position at December 31, 2015 include the following:

	Governmental Activities	Business-type Activities	Total
Net investment in capital assets:			
Net property, buildings, and equipment	\$ 4,080,845	\$ 3,805,322	\$ 7,886,167
Less:			
Capital leases payable	(375,598)	-	(375,598)
Total net investment in capital assets	3,705,247	3,805,322	7,510,569
Restricted net position for:			
Library purposes	4,846	-	4,846
Perpetual care - principal portion	1,375	-	1,375
Perpetual care - income portion	3,983	-	3,983
Drug forfeiture	7,082	-	7,082
Total restricted	17,286	-	17,286
Unrestricted	2,176	1,474,154	1,476,330
Total net position	\$ 3,724,709	\$ 5,279,476	\$ 9,004,185

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2015**

**NOTE 15 – GOVERNMENTAL FUND BALANCES**

Governmental fund balances reported on the fund financial statements at December 31, 2015 include the following:

	General Fund	Nonmajor Funds	Total Governmental Funds
<b>Nonspendable:</b>			
Prepaid items	\$ 2,096	\$ -	\$ 2,096
Permanent fund - principal balance	-	1,375	1,375
Total nonspendable fund balance	<u>2,096</u>	<u>1,375</u>	<u>3,471</u>
<b>Restricted:</b>			
Library	4,846	-	4,846
Permanent fund - income balance	-	3,983	3,983
DARE fund	-	7,082	7,082
Total restricted fund balance	<u>4,846</u>	<u>11,065</u>	<u>15,911</u>
<b>Committed:</b>			
Expendable trust	367,780	-	367,780
Conservation commission	-	1,353	1,353
Public safety services revolving fund	-	41,358	41,358
Recycling revolving fund	-	16,972	16,972
Total committed fund balance	<u>367,780</u>	<u>59,683</u>	<u>427,463</u>
<b>Assigned:</b>			
Encumbrances	327,205	-	327,205
Abatement contingency	52,274	-	52,274
Total assigned fund balance	<u>379,479</u>	<u>-</u>	<u>379,479</u>
<b>Unassigned</b>			
	<u>1,515,882</u>	<u>-</u>	<u>1,515,882</u>
Total governmental fund balances	<u>\$ 2,270,083</u>	<u>\$ 72,123</u>	<u>\$ 2,289,932</u>

**NOTE 16 – PRIOR PERIOD ADJUSTMENTS**

Net position at January 1, 2015 was restated to give retroactive effect to the following prior period adjustments:

	Government-wide Statements	Business-type Activities
To record the deferred outflows of resources associated with the implementation of GASB Statements No. 68 and No. 71	\$ 117,554	\$ 21,204
To record the net pension liability associated with the implementation of GASB Statements No. 68 and No. 71	(2,056,429)	(448,381)
To record the deferred inflows of resources associated with the implementation of GASB Statements No. 68 and No. 71	(263,122)	(86,668)
Net position, as previously reported	5,511,725	5,350,982
Net position, as restated	<u>\$ 3,309,728</u>	<u>\$ 4,837,137</u>

**NOTE 17 – DEFINED BENEFIT PENSION PLAN**

**Plan Description:** The New Hampshire Retirement System (NHRS or the System) is a public employee retirement system that administers one cost-sharing multiple-employer defined benefit pension plan (Pension Plan), a component unit of the State of New Hampshire, as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25. The Pension Plan was established in 1967 by RSA 100-A:2 and is

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2015**

qualified as a tax exempt organization under Sections 401(a) and 501(a) of the Internal Revenue Code. The Pension Plan is a contributory, defined benefit plan providing service, disability, death and vested retirement benefits to members and their beneficiaries. Substantially all full-time state employees, public school teachers and administrators, permanent firefighters and permanent police officers with in the State are eligible and required to participate in the Pension Plan. The System issues a publically available financial report that may be obtained by writing the New Hampshire Retirement System, 54 Regional Drive, Concord, NH 03301.

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

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

Group II members who are age 60, or members who are at least age 45 with at least 20 years of creditable service, can receive a retirement allowance at a rate of 2.5% of AFC for each year of creditable service, not to exceed 40 years. Members commencing service on or after July 1, 2011 or members who have nonvested status as of January 1, 2012 can receive a retirement allowance at age 52.5 with 25 years of service or age 60. The benefit shall be equal to 2% of AFC times creditable service up to 42.5 years. However, a member who commenced service on or after July 1, 2011 shall not receive a retirement allowance until attaining the age of 52.5, but may receive a reduced allowance after age 50 if the member has at least 25 years of creditable service where the allowance shall be reduced, for each month by which the member attains 52.5 years of age by ¼ of 1% or age 60.

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

**Contributions:** The System is financed by contributions from both the employees and the Town. Member contribution rates are established and may be amended by the State legislature while employer contribution rates are set by the System trustees based on an actuarial valuation. For fiscal year 2015, all employees except police officers and firefighters were required to contribute 7% of earnable compensation. The contribution rates were 11.55% for police officers and 11.80% for firefighters.

The Town’s contribution rates for 2015 for pension and medical subsidy were as follows:

Period	Police	Fire	All Other Employees
January 1, 2015 thru June 30, 2015	25.30%	27.74%	10.77%
July 1, 2015 thru December 31, 2015	26.38%	29.16%	11.17%

The contribution requirements for the fiscal years 2013, 2014, and 2015 were \$179,127, \$250,388, and \$219,183, respectively, which were paid in full in each year.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** - At December 31, 2015 the Town reported a liability of \$2,195,563 in the governmental activities and \$475,410 in the business-type activities for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town’s proportion of the net pension liability was based on a projection of the Town’s long-term share of contributions to the pension plan relative to the projected contributions of all participating towns and school districts, actuarially determined. At June 30, 2015, the Town’s proportions were .05542213% in the governmental activities and .01200067% in the business-type activities which was an increase of .00063956% and .00005527% respectively from the proportions measured as of June 30, 2014.

For the year ended December 31, 2015, the Town recognized pension expense of \$152,724 in the governmental activities and \$24,793 in the business-type activities.

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2015**

At December 31, 2015 the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
<b>Governmental activities:</b>		
Changes in proportion	\$ 43,124	\$ -
Difference between expected and actual experience		48,179
Net difference between projected and actual investment earnings on pension plan investments	-	58,679
Contributions subsequent to the measurement date	98,934	-
	<u>142,058</u>	<u>106,858</u>
<b>Business-type activities:</b>		
Changes in proportion	1,906	22,939
Difference between expected and actual experience	-	10,432
Net difference between projected and actual investment earnings on pension plan investments	-	12,706
Contributions subsequent to the measurement date	19,914	-
	<u>21,820</u>	<u>46,077</u>
Total	<u>\$ 163,878</u>	<u>\$ 152,935</u>

The \$118,848 reported as deferred outflows of resources related to pensions results from the Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending December 31,	Governmental Activities	Business-type Activities	Total
2016	\$ (31,406)	\$ (15,077)	\$ (46,483)
2017	(31,406)	(15,077)	(46,483)
2018	(31,406)	(15,077)	(46,483)
2019	32,837	1,825	34,662
2020	(2,352)	(765)	(3,117)
Totals	<u>\$ (63,733)</u>	<u>\$ (44,171)</u>	<u>\$ (107,904)</u>

**Actuarial Assumptions:** The collective total pension liability was determined by a roll forward of the actuarial valuation as of June 30, 2014, using the following actuarial assumptions which, accordingly apply to both 2015 and 2014 measurements:

Inflation:	3.0%
Salary increases:	3.75- 5.8% average, including inflation
Investment rate of return:	7.75% net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 mortality table, projected to 2020 with Scale AA. The table includes a margin of 15% for men and 17% for women for mortality improvements.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2005 – June 30, 2010.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2015**

Following is a table presenting target allocations and long-term rates of return for 2015 and 2014:

Asset Class	Target Allocation	Weighted average long-term expected real rate of return	
		2015	2014
Large Cap Equities	22.50%	3.00%	3.25%
Small/Mid Cap Equities	7.50	3.00	3.25
Total domestic equity	30.00		
Int'l Equities (unhedged)	13.00	4.00	4.25
Emerging Int'l Equities	7.00	6.00	6.75
Total international equity	20.00		
Core Bonds	4.50	(0.70)	(0.47)
Short Duration	2.50	(1.00)	0.00
Global Multi-Sector Fixed Income	11.00	(0.28)	0.00
Unconstrained Fixed Income	7.00	(0.16)	0.00
High-Yield Bonds	0.00	0.00	1.50
Global Bonds (unhedged)	0.00	0.00	(1.75)
Emerging Market Debt (external)	0.00	0.00	2.00
Total fixed income	25.00		
Private equity	5.00	5.50	5.75
Private debt	5.00	4.50	5.00
Real estate	10.00	3.50	3.25
Opportunistic	5.00	2.75	2.50
Total alternative investments	25.00		
Total	100.00%		

**Discount Rate:** The discount rate used to measure the collective total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. For purposes of the projection, member contributions and employer service cost contributions are projected based on the expected payroll of current members only. Employer contributions are determined based on the Pension Plan's actuarial funding policy as required by RSA 100-A:16. Based on those assumptions, the Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on Pension Plan investment was applied to all periods of projected benefit payments to determine the collective total pension liability.

**Sensitivity of the Town's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate:** The following table presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.75% as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.75%) or 1-percentage point higher (8.75%) than the current rate:

Actuarial Valuation Date	1% Decrease 6.75%	Current Single Rate Assumption 7.75%	1% Increase 8.75%
<b>Governmental activities:</b>			
June 30, 2015	\$ 2,890,173	\$ 2,195,563	\$ 1,603,403
June 30, 2014	\$ 2,708,496	\$ 2,056,429	\$ 1,506,095
June 30, 2013	\$ 2,980,630	\$ 2,324,947	\$ 1,773,783
<b>Business-type activities:</b>			
June 30, 2015	\$ 625,815	\$ 475,410	\$ 347,188
June 30, 2014	\$ 590,590	\$ 448,381	\$ 328,406
June 30, 2013	\$ 704,803	\$ 549,759	\$ 419,430

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2015**

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

**NOTE 18 – 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 1085 (COBRA). The criteria to determine eligibility include, years of service, employee age, and whether the employee has vested in the respective retirement plan. The Town funds the benefits on a pay-as-you-go basis. Eligible employees are required to pay set premiums for a portion of the cost with the Town subsidizing the remaining costs (if any). Expenses for postretirement health care benefits are recognized as eligible employee claims are paid.

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

The Town has only partially funded (on a pay-as-you-go basis) the annual required contribution (ARC), an actuarially determined rate in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table presents the OPEB cost for the year, the amount contributed and changes in the OPEB plan for fiscal year 2015:

Annual required contribution/OPEB cost	\$ 66,063
Interest Net OPEB obligation	8,244
Adjustment to annual required contribution	(8,190)
Contributions made (pay-as-you-go)	<u>(24,858)</u>
Increase in net OPEB obligation	41,259
Net OPEB obligation, beginning	<u>206,095</u>
Net OPEB obligation, ending	<u><u>\$ 247,354</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 2015 and the three preceding years were as follows:

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

As of January 1, 2015, the date of the most recent actuarial valuation, the actuarial accrued liability (AAL) for benefits was \$539,133, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$539,133. The covered payroll (annual payroll of active employees covered by the plan) was \$1,569,059 during fiscal year 2015, and the ratio of the UAAL to the covered payroll was 34.40%.

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2015**

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, 2015 actuarial valuation, the actuarial cost method was used. The actuarial assumptions included a 4.0% investment rate of return per annum. The projected annual healthcare cost trend is 9% initially, reduced by decrements to an ultimate rate of 5.0% after 10 years. The UAAL is being amortized as a level dollar amount over an open basis. The remaining amortization period at December 31, 2015 was 30 years.

**NOTE 19 – 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 2015, the Town was a member of the Local Government Center Property-Liability Trust, LLC, and the New Hampshire Public Risk Management Exchange (Primex<sup>3</sup>) Workers' Compensation and Property/Liability Programs. These entities are considered a 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 December 31. 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, 2015, to be recorded as an insurance expenditure totaled \$74,362. There were no unpaid contributions for the year ended December 31, 2015.

The New Hampshire Public Risk Management Exchange (Primex<sup>3</sup>) Workers' Compensation Programs is a pooled risk management programs under RSAs 5-B and 281-A. Coverage was provided from January 1, 2015 to December 31, 2015 by Primex<sup>3</sup>, 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, 2015 was \$39,621 for workers' compensation.

**NOTE 20 – CONTINGENCIES**

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2015**

**NOTE 21 – SUBSEQUENT EVENTS**

Subsequent events are events or transactions that occur after the balance sheet date, but before the financial statements are issued. Recognized subsequent events are events or transactions that provided additional evidence about conditions that existed at the balance sheet date, including the estimates inherent in the process of preparing the financial statements. Nonrecognized subsequent events are events that provide evidence about conditions that did not exist at the balance sheet date, but arose after the date. Management has evaluated subsequent events through October 14, 2016, the date the December 31, 2015 financial statements were available to be issued and identified that at the 2016 Annual Town Meeting, \$112,000 of surplus from the December 31, 2015 year end was voted to be appropriated and transferred into various existing Town capital reserve funds.

# DRAFT - 10/14/16

## EXHIBIT G

### TOWN OF ALLENSTOWN, NEW HAMPSHIRE

#### Schedule of Funding Progress for Other Postemployment Benefit Plan For the Fiscal Year Ended December 31, 2015

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, 2015	\$ -	\$ 539,133	\$ 539,133	0.00%	\$ 1,569,059	34.40%
January 1, 2014	\$ -	\$ 389,187	\$ 389,187	0.00%	\$ 1,523,358	25.50%
January 1, 2011	\$ -	\$ 378,877	\$ 378,877	0.00%	\$ 1,399,091	27.08%

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

# DRAFT - 10/14/16

## EXHIBIT H

### TOWN OF ALLENSTOWN, NEW HAMPSHIRE

*Schedule of the Town's Proportionate Share of Net Pension Liability  
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan  
For the Fiscal Year Ended December 31, 2015*

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

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

# DRAFT - 10/14/16

## EXHIBIT I

### TOWN OF ALLENSTOWN, NEW HAMPSHIRE

#### Schedule of Town Contributions

#### New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan

#### For the Fiscal Year Ended December 31, 2015

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

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

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED  
DECEMBER 31, 2015**

**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, 2015 and two previous actuarial valuations.

**Key Actuarial Methods and Assumptions:**

The actuarial assumptions used in this report represent a reasonable long-term expectation of future OPEB outcomes. As national economic and Town experience change over time, the assumptions will be tested for ongoing reasonableness and, if necessary, updated. We expect to update health care trend rates and per capita costs again in the next full GASB valuation, which will be for the fiscal year ending December 31, 2017.

There are changes to the actuarial methods and assumptions since the last GASB valuation, which was for the fiscal year ending December 31, 2011. For the current year GASB valuation, the per capita costs have been updated.

<b>Discount Rate</b>	4.0%
<b>Payroll Growth</b>	3.0% per year
<b>Inflation Rate</b>	3.0% per year
<b>Cost Method</b>	Projected Unit Credit with linear proration to decrement
<b>Amortization</b>	Level % of pay over thirty years based on an open group
<b>Health Care Coverage Election Rate</b>	Active employees with current coverage: 40% Active employees with no coverage: 0%  Inactive employees with current coverage: 100% Inactive employees with no coverage: 0%
<b>Spousal Coverage</b>	Actual spousal coverage for active employees and retirees are based on actual data. Husbands are assumed to be three years older than wives for future retirees. Actual spouse's ages are used for current retirees.
<b>Employer Funding Policy</b>	Pay-as-you-go cash basis
<b>Mortality</b>	RPH-2014 Total Dataset Mortality table fully generational using scale MP-2014
<b>Disability</b>	None
<b>Health Care Trend Rates</b>	Annual trend rates are as shown below:

FYE	Medical/RX
2016	8.5%
2017	8.0%
2018	7.5%
2019	7.0%
2020	6.5%
2021	6.0%
2022	5.5%
2023	5.0%

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED  
DECEMBER 31, 2015**

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

As required by GASB Statement No. 68, and as amended by GASB Statement No. 71, Exhibits H and I represent the actuarial determined costs associated with the Town's pension plan at December 31, 2015.

**Methods and Assumptions Used to Determine Contribution Rates for Fiscal Year 2014:**

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage-of-Payroll, Closed
Remaining Amortization Period	25 Years beginning July 1, 2014
Asset Valuation Method	5-Year smooth market for funding purposes
Price Inflation	3.0% per year
Wage Inflation	3.75% per year
Salary Increases	5.8% Average, including inflation
Municipal Bond Rate	4.29% per year
Investment Rate of Return	7.75% per year
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2011 valuation pursuant to an experience study of the period 2005-2010.
Mortality	RP-2000 mortality table, projected to 2020 with Scale AA. The table includes a margin of 15% for men and 17% for women for mortality improvements.

**Other Information:**

Notes	Contribution rates for Fiscal Year 2014 were determined based on the benefit changes adopted under House Bill No. 2 as amended by 011-2513-CofC.
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# DRAFT - 10/14/16

## 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, 2015

	Estimated	Actual	Variance Positive (Negative)
Taxes:			
Property	\$ 2,603,941	\$ 2,692,641	\$ 88,700
Land use change	1,000	-	(1,000)
Yield	1,000	622	(378)
Excavation	200	114	(86)
Payment in lieu of taxes	5,300	7,600	2,300
Interest and penalties on taxes	105,000	117,111	12,111
Total from taxes	<u>2,716,441</u>	<u>2,818,088</u>	<u>101,647</u>
Licenses, permits, and fees:			
Business licenses, permits, and fees	375	555	180
Motor vehicle permit fees	590,150	660,369	70,219
Building permits	4,500	11,935	7,435
Other	9,741	11,025	1,284
Total from licenses, permits, and fees	<u>604,766</u>	<u>683,884</u>	<u>79,118</u>
Intergovernmental:			
State:			
Meals and rooms distribution	207,360	207,360	-
Highway block grant	83,006	83,724	718
State and federal forest land reimbursement	4,840	4,840	-
Other	2,098	3,699	1,601
Federal:			
FEMA	13,812	27,491	13,679
Total from intergovernmental	<u>311,116</u>	<u>327,114</u>	<u>15,998</u>
Charges for services:			
Income from departments	<u>114,892</u>	<u>103,425</u>	<u>(11,467)</u>
Miscellaneous:			
Sale of municipal property	18,000	18,993	993
Interest on investments	790	1,894	1,104
Fines and forfeits	50,700	51,036	336
Insurance dividends and reimbursements	26,500	-	(26,500)
Other	4,147	22,229	18,082
Total from miscellaneous	<u>100,137</u>	<u>94,152</u>	<u>(5,985)</u>
Other financing sources:			
Transfers in	<u>-</u>	<u>22,963</u>	<u>22,963</u>
Total revenues and other financing sources	3,847,352	\$ 4,049,626	\$ 202,274
Unassigned fund balance used to reduce tax rate	180,000		
Total revenues, other financing sources, and use of fund balance	<u>\$ 4,027,352</u>		

# DRAFT - 10/14/16

## 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, 2015

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
General government:					
Executive	\$ -	\$ 166,729	\$ 167,960	\$ -	\$ (1,231)
Election and registration	-	50,075	46,663	-	3,412
Financial administration	-	183,638	169,412	-	14,226
Legal	-	50,000	41,607	-	8,393
Personnel administration	-	715,834	551,910	-	163,924
Planning and zoning	-	15,472	24,297	-	(8,825)
General government buildings	5,795	29,150	25,856	-	9,089
Cemeteries	-	240	145	-	95
Insurance, not otherwise allocated	-	70,878	52,248	-	18,630
Advertising and regional associations	-	4,800	4,758	-	42
Total general government	<u>5,795</u>	<u>1,286,816</u>	<u>1,084,856</u>	<u>-</u>	<u>207,755</u>
Public safety:					
Police	-	931,865	841,637	29,098	61,130
Ambulance	-	211,912	211,929	-	(17)
Fire	-	278,615	252,168	16,377	10,070
Building inspection	-	35,615	36,120	-	(505)
Emergency management	-	44,400	10,985	-	33,415
Total public safety	<u>-</u>	<u>1,502,407</u>	<u>1,352,839</u>	<u>45,475</u>	<u>104,093</u>
Highways and streets:					
Public works garage	-	315,001	295,065	-	19,936
Highways and streets	57,485	169,802	221,625	269,112	(263,450)
Street lighting	-	24,000	24,084	-	(84)
Total highways and streets	<u>57,485</u>	<u>508,803</u>	<u>540,774</u>	<u>269,112</u>	<u>(243,598)</u>
Sanitation:					
Solid waste disposal	-	174,816	167,065	-	7,751
Total sanitation	<u>-</u>	<u>174,816</u>	<u>167,065</u>	<u>-</u>	<u>7,751</u>
Health:					
Administration	-	7,483	5,458	-	2,025
Pest control	-	500	509	-	(9)
Total health	<u>-</u>	<u>7,983</u>	<u>5,967</u>	<u>-</u>	<u>2,016</u>
Welfare:					
Administration	-	20,109	20,320	-	(211)
Direct assistance	-	44,491	49,741	-	(5,250)
Vendor payments	-	22,207	-	-	22,207
Total welfare	<u>-</u>	<u>86,807</u>	<u>70,061</u>	<u>-</u>	<u>16,746</u>
Culture and recreation:					
Parks and recreation	-	47,700	67,424	5,878	(25,602)
Library	-	56,598	46,378	-	10,220
Patriotic purposes	-	2,350	2,300	-	50
Total culture and recreation	<u>-</u>	<u>106,648</u>	<u>116,102</u>	<u>5,878</u>	<u>(15,332)</u>
Conservation	-	1,309	1,112	-	197
Debt service:					
Interest on tax anticipation notes	-	15,000	-	-	15,000

(Continued)

# DRAFT - 10/14/16

## SCHEDULE 2 (Continued)

### TOWN OF ALLENSTOWN, NEW HAMPSHIRE

#### Major General Fund

#### Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis) For the Fiscal Year Ended December 31, 2015

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Capital outlay	-	156,763	213,501	6,740	(63,478)
Other financing uses:					
Transfers out	-	180,000	180,000	-	-
Total appropriations, expenditures, other financing uses, and encumbrances	\$ 63,280	\$ 4,027,352	\$ 3,732,277	\$ 327,205	\$ 31,150

# DRAFT - 10/14/16

## SCHEDULE 3

### TOWN OF ALLENSTOWN, NEW HAMPSHIRE

#### Major General Fund

#### Schedule of Changes in Unassigned Fund Balance

#### For the Fiscal Year Ended December 31, 2015

Unassigned fund balance, beginning (Non-GAAP Budgetary Basis)		\$ 1,779,574
Changes:		
Unassigned fund balance used to reduce 2015 tax rate		(180,000)
2015 Budget summary:		
Revenue surplus (Schedule 1)	\$ 202,274	
Unexpended balance of appropriations (Schedule 2)	<u>31,150</u>	
2015 Budget surplus		233,424
Decrease in nonspendable fund balance		2,466
Increase in assigned fund balance for contingency		<u>(52,274)</u>
Unassigned fund balance, ending (Non-GAAP Budgetary Basis)		1,783,190
<b>Reconciliation of Non-GAAP Budgetary Basis to GAAP Basis:</b>		
To record deferred inflows of resources for property taxes not collected within 60 days of the fiscal year-end, not recognized on a budgetary basis		(272,569)
To remove the allowance for uncollectible property taxes, recognized on a budgetary basis, but not on a GAAP basis		<u>5,261</u>
Unassigned fund balance, ending (GAAP basis Exhibit C-1)		<u><u>\$ 1,515,882</u></u>

# DRAFT - 10/14/16

**SCHEDULE 4**  
**TOWN OF ALLENSTOWN, NEW HAMPSHIRE**  
**Nonmajor Governmental Funds**  
**Combining Balance Sheet**  
**December 31, 2015**

	Special Revenue Funds						Total
	Conservation Commission	Recreation Revolving	DARE	Public Safety Services Revolving	Recycling Revolving	Permanent Fund	
<b>ASSETS</b>							
Cash and cash equivalents	\$ 1,353	\$ -	\$ 7,082	\$ 46,002	\$ 16,972	\$ -	\$ 71,409
Investments	-	-	-	-	-	5,358	5,358
Accounts receivable	-	-	-	1,514	-	-	1,514
<b>Total assets</b>	<b>\$ 1,353</b>	<b>\$ -</b>	<b>\$ 7,082</b>	<b>\$ 47,516</b>	<b>\$ 16,972</b>	<b>\$ 5,358</b>	<b>\$ 78,281</b>
<b>LIABILITIES</b>							
Interfund payable	\$ -	\$ -	\$ -	\$ 6,158	\$ -	\$ -	\$ 6,158
<b>FUND BALANCES</b>							
Nonspendable	-	-	-	-	-	1,375	1,375
Restricted	-	-	7,082	-	-	3,983	11,065
Committed	1,353	-	-	41,358	16,972	-	59,683
<b>Total fund balances</b>	<b>1,353</b>	<b>-</b>	<b>7,082</b>	<b>41,358</b>	<b>16,972</b>	<b>5,358</b>	<b>72,123</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 1,353</b>	<b>\$ -</b>	<b>\$ 7,082</b>	<b>\$ 47,516</b>	<b>\$ 16,972</b>	<b>\$ 5,358</b>	<b>\$ 78,281</b>

# DRAFT - 10/14/16

## 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, 2015

	Special Revenue Funds						Total
	Conservation Commission	Recreation Revolving	DARE	Public Safety Services Revolving	Recycling Revolving	Permanent Fund	
<b>REVENUES</b>							
Charges for services	\$ -	\$ -	\$ -	\$ 16,175	\$ 2,808	\$ -	\$ 18,983
Miscellaneous	1	-	149	49	22	(232)	(11)
Total revenues	<u>1</u>	<u>-</u>	<u>149</u>	<u>16,224</u>	<u>2,830</u>	<u>(232)</u>	<u>18,972</u>
<b>EXPENDITURES</b>							
Current:							
General government	-	-	-	-	-	25	25
Public safety	-	-	-	7,907	-	-	7,907
Culture and recreation	-	138	-	-	-	-	138
Total expenditures	<u>-</u>	<u>138</u>	<u>-</u>	<u>7,907</u>	<u>-</u>	<u>25</u>	<u>8,070</u>
Net change in fund balances	1	(138)	149	8,317	2,830	(257)	10,902
Fund balances, beginning	1,352	138	6,933	33,041	14,142	5,615	61,221
Fund balances, ending	<u>\$ 1,353</u>	<u>\$ -</u>	<u>\$ 7,082</u>	<u>\$ 41,358</u>	<u>\$ 16,972</u>	<u>\$ 5,358</u>	<u>\$ 72,123</u>



## **PLODZIK & SANDERSON**

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### ***INDEPENDENT AUDITOR'S COMMUNICATION OF SIGNIFICANT DEFICIENCIES***

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

In planning and performing our audit of the financial statements of the governmental activities, business-type activities, each major fund, and aggregate remaining fund information of the Town of Allenstown as of and for the year ended December 31, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered the Town of Allenstown's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Allenstown's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Allenstown's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

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

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

#### ***Public Library***

We noted the following condition during our review of the library records, which is a repeat comment from previous years:

- Although cash reconciliations were being performed for the library's cash account, these reconciliations were not being reviewed and approved by the Library Treasurer.

We recommend that the following procedure be implemented:

- Formal cash reconciliations should be performed for the library's cash account on a monthly basis, and they should be reviewed and approved by the Library Treasurer.

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

October 14, 2016