

**TOWN OF ALLENSTOWN,
NEW HAMPSHIRE**

ANNUAL FINANCIAL REPORT

**AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2013**

TOWN OF ALLENSTOWN, NEW HAMPSHIRE
ANNUAL FINANCIAL REPORT
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2013

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PLODZIK & SANDERSON

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, major fund, and aggregate remaining fund information of the Town of Allenstown as of and for the year ended December 31, 2013, 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 of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, major fund, and aggregate remaining fund information of the Town of Allenstown as of December 31, 2013, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Management's Discussion and Analysis - Management has omitted a Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by the missing information.

*Town of Allenstown
Independent Auditor's Report*

Required Supplementary Information - Accounting principles generally accepted in the United States of America require that the Schedule of Funding Progress for Other Postemployment Benefit Plan (page 32) 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 it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

August 29, 2014

*Plodzik & Sanderson
Professional Association*

BASIC FINANCIAL STATEMENTS

EXHIBIT A
TOWN OF ALLENSTOWN, NEW HAMPSHIRE
Statement of Net Position
December 31, 2013

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 2,834,820	\$ 376,628	\$ 3,211,448
Investments	223,185	-	223,185
Taxes receivables (net)	1,094,608	-	1,094,608
Account receivables (net)	56,410	309,201	365,611
Intergovernmental receivables	25,825	-	25,825
Prepaid items	1,527	-	1,527
Tax dedeed property, subject to resale	27,929	-	27,929
Restricted assets - investments	-	1,170,493	1,170,493
Capital assets:			
Land and construction in progress	2,692,450	127,252	2,819,702
Other capital assets, net of accumulated depreciation	1,481,044	3,330,772	4,811,816
Total assets	<u>8,437,798</u>	<u>5,314,346</u>	<u>13,752,144</u>
LIABILITIES			
Accounts payable	257,569	60,214	317,783
Accrued salaries and benefits	33,767	-	33,767
Accrued interest payable	8,859	-	8,859
Intergovernmental payable	2,221,195	-	2,221,195
Long-term liabilities:			
Due within one year	111,696	-	111,696
Due in more than one year	623,296	-	623,296
Total liabilities	<u>3,256,382</u>	<u>60,214</u>	<u>3,316,596</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - grants	<u>37,079</u>	<u>-</u>	<u>37,079</u>
NET POSITION			
Net investment in capital assets	3,715,482	3,458,024	7,173,506
Restricted	21,703	-	21,703
Unrestricted	1,407,152	1,796,108	3,203,260
Total net position	<u>\$ 5,144,337</u>	<u>\$ 5,254,132</u>	<u>\$ 10,398,469</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, 2013

	Expenses	Program Revenues		Net (Expense) Revenue and Change in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental activities:						
General government	\$ 1,172,536	\$ -	\$ 10,200	\$ (1,162,336)	\$ -	\$ (1,162,336)
Public safety	1,620,639	40,463	319,419	(1,260,757)	-	(1,260,757)
Highways and streets	588,304	-	89,428	(498,876)	-	(498,876)
Sanitation	94,760	62,816	-	(31,944)	-	(31,944)
Health	33,450	-	-	(33,450)	-	(33,450)
Welfare	64,056	-	-	(64,056)	-	(64,056)
Culture and recreation	108,078	-	-	(108,078)	-	(108,078)
Conservation	11,302	-	5,102	(6,200)	-	(6,200)
Interest on long-term debt	13,795	-	-	(13,795)	-	(13,795)
Total governmental activities	<u>3,706,920</u>	<u>103,279</u>	<u>424,149</u>	<u>(3,179,492)</u>	<u>-</u>	<u>(3,179,492)</u>
Business-type activities:						
Sewer	<u>1,969,788</u>	<u>2,267,877</u>	<u>-</u>	<u>-</u>	<u>298,089</u>	<u>298,089</u>
Total	<u>\$ 5,676,708</u>	<u>\$ 2,371,156</u>	<u>\$ 424,149</u>	<u>(3,179,492)</u>	<u>298,089</u>	<u>(2,881,403)</u>
General revenues:						
Taxes:						
Property				2,382,206	-	2,382,206
Other				184,654	-	184,654
Motor vehicle permit fees				560,701	-	560,701
Licenses and other fees				25,473	-	25,473
Grants and contributions not restricted to specific programs				192,186	-	192,186
Miscellaneous				214,139	15,436	229,575
Total general revenues				<u>3,559,359</u>	<u>15,436</u>	<u>3,574,795</u>
Change in net position				379,867	313,525	693,392
Net position, beginning, as restated (see Note 16)				4,764,470	4,940,607	9,705,077
Net position, ending				<u>\$ 5,144,337</u>	<u>\$ 5,254,132</u>	<u>\$ 10,398,469</u>

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

EXHIBIT C-1
TOWN OF ALLENSTOWN, NEW HAMPSHIRE
Governmental Funds
Balance Sheet
December 31, 2013

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 2,758,681	\$ 68,137	\$ 2,826,818
Investments	905	6,778	7,683
Accounts receivable	56,410	-	56,410
Taxes receivable	1,126,538	-	1,126,538
Due from other governments	6,820	19,005	25,825
Voluntary tax liens	50,405	-	50,405
Voluntary tax liens reserved until collected	(50,405)	-	(50,405)
Prepaid items	1,527	-	1,527
Tax deeded property, subject to resale	27,929	-	27,929
Restricted assets:			
Cash and cash equivalents	8,002	-	8,002
Investments	215,502	-	215,502
Total assets	<u>\$ 4,202,314</u>	<u>\$ 93,920</u>	<u>\$ 4,296,234</u>
LIABILITIES			
Accounts payable	\$ 257,569	\$ -	\$ 257,569
Accrued salaries and benefits	33,767	-	33,767
Due to other governments	2,216,361	4,834	2,221,195
Total liabilities	<u>2,507,697</u>	<u>4,834</u>	<u>2,512,531</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	899,999	-	899,999
Unavailable revenue - grants	-	37,079	37,079
Total deferred inflows of resources	<u>899,999</u>	<u>37,079</u>	<u>937,078</u>
FUND BALANCES			
Nonspendable	29,456	1,375	30,831
Restricted	8,003	12,326	20,329
Committed	215,502	38,306	253,808
Assigned	73,683	-	73,683
Unassigned	467,974	-	467,974
Total fund balances	<u>794,618</u>	<u>52,007</u>	<u>846,625</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 4,202,314</u>	<u>\$ 93,920</u>	<u>\$ 4,296,234</u>

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

EXHIBIT C-2
TOWN OF ALLENSTOWN, NEW HAMPSHIRE
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
December 31, 2013

Total fund balances of governmental funds (Exhibit C-1)		\$ 846,625
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	\$ 6,823,865	
Less accumulated depreciation	<u>(2,650,371)</u>	
		4,173,494
Long term revenue (taxes) is not available for pay current period expenditures, and therefore, is deferred in the governmental funds.		899,999
Allowance for uncollectible property taxes that is recognized on a full accrual basis, but not on the modified accrual basis.		(31,930)
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(8,859)
Long-term liabilities are not due and payable in the current period, therefore, are not reported in the funds.		
Capital leases	\$ 458,012	
Compensated absences	41,060	
Other postemployment benefits	145,920	
Accrued landfill postclosure care costs	<u>90,000</u>	
		<u>(734,992)</u>
Net position of governmental activities (Exhibit A)		<u><u>\$ 5,144,337</u></u>

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

EXHIBIT C-3
TOWN OF ALLENSTOWN, NEW HAMPSHIRE
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended December 31, 2013

	General	Other Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	\$ 2,500,093	\$ -	\$ 2,500,093
Licenses and permits	586,174	-	586,174
Intergovernmental	296,986	308,984	605,970
Charges for services	130,316	23,150	153,466
Investment earnings	4,391	97	4,488
Miscellaneous	169,303	526	169,829
Total revenues	<u>3,687,263</u>	<u>332,757</u>	<u>4,020,020</u>
EXPENDITURES			
Current:			
General government	1,109,613	30	1,109,643
Public safety	1,764,678	318,581	2,083,259
Highways and streets	621,737	-	621,737
Sanitation	97,760	-	97,760
Health	33,450	-	33,450
Welfare	64,056	-	64,056
Culture and recreation	100,554	-	100,554
Conservation	11,302	-	11,302
Debt service:			
Principal	180,000	-	180,000
Interest	12,644	-	12,644
Capital outlay	116,428	-	116,428
Total expenditures	<u>4,112,222</u>	<u>318,611</u>	<u>4,430,833</u>
Excess (deficiency) of revenues over (under) expenditures	(424,959)	14,146	(410,813)
OTHER FINANCING SOURCES			
Inception of capital leases	543,409	-	543,409
Net change in fund balances	118,450	14,146	132,596
Fund balances, beginning, as restated (see Note 16)	676,168	37,861	714,029
Fund balances, ending	<u>\$ 794,618</u>	<u>\$ 52,007</u>	<u>\$ 846,625</u>

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

EXHIBIT C-4
TOWN OF ALLENSTOWN, NEW HAMPSHIRE
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended December 31, 2013

Net change in fund balances of governmental funds (Exhibit C-3)		\$ 132,596
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. In the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capitalized capital outlay exceeded depreciation expense in the current period.		
Capitalized capital outlay	\$ 597,909	
Depreciation expense	<u>(116,050)</u>	481,859
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	\$ 18,697	
Change in allowance for uncollectible taxes	<u>48,070</u>	66,767
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	\$ (543,409)	
Repayment of bond principal	180,000	
Repayment of capital leases	<u>115,119</u>	(248,290)
Some expenses reported in the Statement of Activities do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds.		
Increase in accrued interest expense	\$ (1,151)	
Increase in compensated absences payable	(7,609)	
Increase in postemployment benefits payable	(47,305)	
Decrease in accrued landfill postclosure care costs	<u>3,000</u>	(53,065)
Changes in net position of governmental activities (Exhibit B)		<u><u>\$ 379,867</u></u>

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

EXHIBIT D
TOWN OF ALLENSTOWN, NEW HAMPSHIRE
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Fiscal Year Ended December 31, 2013

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 2,535,860	\$ 2,535,860	\$ 2,566,860	\$ 31,000
Licenses and permits	538,500	538,500	586,174	47,674
Intergovernmental	310,688	333,726	296,986	(36,740)
Charges for services	107,500	107,500	130,316	22,816
Investment earnings	700	700	424	(276)
Miscellaneous	60,000	60,000	157,574	97,574
Total revenues	<u>3,553,248</u>	<u>3,576,286</u>	<u>3,738,334</u>	<u>162,048</u>
EXPENDITURES				
Current:				
General government	1,159,303	1,159,303	1,113,785	45,518
Public safety	1,406,774	1,406,774	1,305,365	101,409
Highways and streets	469,150	492,188	552,771	(60,583)
Sanitation	161,540	161,540	97,760	63,780
Health	37,482	37,482	33,450	4,032
Welfare	68,525	68,525	64,056	4,469
Culture and recreation	81,831	81,831	86,325	(4,494)
Conservation	9	9	11,302	(11,293)
Economic development	1,050	1,050	-	1,050
Debt service:				
Principal	60,000	60,000	180,000	(120,000)
Interest	23,442	23,442	12,644	10,798
Capital outlay	84,142	84,142	116,428	(32,286)
Total expenditures	<u>3,553,248</u>	<u>3,576,286</u>	<u>3,573,886</u>	<u>2,400</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	164,448	<u>\$ 164,448</u>
Decrease in nonspendable fund balance			31,250	
Unassigned fund balance, beginning, budgetary basis			1,140,345	
Unassigned fund balance, ending, budgetary basis			<u>\$ 1,336,043</u>	

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

EXHIBIT E-1
TOWN OF ALLENSTOWN, NEW HAMPSHIRE
Proprietary Fund
Statement of Proprietary Net Position
December 31, 2013

	Business-type Activities
	Enterprise Fund (Sewer Department)
ASSETS	
Cash and cash equivalents	\$ 376,628
Restricted assets - investments	1,170,493
Receivables	309,201
Capital assets, not being depreciated:	
Land	25,962
Construction in progress	101,290
Capital assets, net of accumulated depreciation:	
Land improvements	9,392
Buildings	366,156
Machinery, equipment, and vehicles	521,869
Infrastructure	2,433,355
Total assets	5,314,346
LIABILITIES	
Current liabilities:	
Accounts payable	60,214
NET POSITION	
Net investment in capital assets	3,458,024
Unrestricted	1,796,108
Total net position	\$ 5,254,132

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

EXHIBIT E-2
TOWN OF ALLENTOWN, NEW HAMPSHIRE
Proprietary Fund
Statement of Revenues, Expenses, and Change in Net Position
For the Fiscal Year Ended December 31, 2013

	Business-type Activities
Operating revenues:	Enterprise Fund (Sewer Department)
User charges	\$ 2,267,877
Miscellaneous	11,937
Total operating revenues	2,279,814
Operating expenses:	
Salaries and wages	536,957
Operation and maintenance	1,261,700
Depreciation	171,131
Total operating expenses	1,969,788
Operating gain	310,026
Nonoperating revenue:	
Investment earnings	3,499
Change in net position	313,525
Net position, beginning, as restated (see Note 16)	4,940,607
Net position, ending	\$ 5,254,132

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

EXHIBIT E-3
TOWN OF ALLENSTOWN, NEW HAMPSHIRE
Proprietary Fund
Statement of Cash Flows
For the Fiscal Year Ended December 31, 2013

	Business-type Activities
	Enterprise Fund (Sewer Department)
Cash flows from operating activities:	
Receipts from customers and users	\$ 2,241,821
Payments to employees	(537,646)
Payments to suppliers	(1,231,633)
Net cash provided by operating activities	472,542
Cash flows used by capital and related financing activities:	
Acquisition and construction of fixed assets	(473,079)
Fixed asset disposals	275,016
Net cash used by capital and related financing activities	(198,063)
Cash flows used by non-capital financing activities:	
Transfer from capital reserve funds	82,631
Transfer to capital reserve funds	(263,603)
Net cash used by non-capital financing activities	(180,972)
Cash flows from investing activities:	
Purchase of investments	(1,239)
Investment earnings	3,499
Net cash provided by investing activities	2,260
Net increase in cash	95,767
Cash, beginning	280,861
Cash, ending	\$ 376,628
<i>Reconciliation of Operating Gain to Net Cash Provided by Operating Activities</i>	
Operating gain	\$ 310,026
Adjustments to reconcile operating gain to net cash provided by operating activities:	
Depreciation expense	171,131
Increase in receivables	(37,993)
Decrease in accounts payable	30,067
Decrease in accrued salaries and benefits	(689)
Total adjustments	162,516
Net cash provided by operating activities	\$ 472,542

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

EXHIBIT F
TOWN OF ALLENSTOWN, NEW HAMPSHIRE
Fiduciary Fund
Statement of Fiduciary Net Position
December 31, 2013

	Agency Fund
ASSETS	
Investments	\$ 115,596
LIABILITIES	
Due to other governmental units	<u>115,596</u>
NET POSITION	<u><u>\$ -</u></u>

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

TOWN OF ALLENSTOWN, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2013

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TOWN OF ALLENSTOWN, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2013

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. The reporting entity is comprised of the primary government and any other organizations (*component units*) that are included to ensure that the financial statements are not misleading.

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

1-B 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, liabilities, and net position.

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*.

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 a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements 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

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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 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 fund 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

The Town reports the following major governmental fund:

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.

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 Department 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.

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

1-D Cash and Cash Equivalents

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

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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 Restricted Assets

Certain cash and investment balances are classified as restricted because their use is designated for a specific purpose and therefore not available for immediate and general use by the Town.

1-G Investments

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

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

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

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

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

1-H 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-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 expenses as the items are used.

1-J Capital Assets

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

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

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

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:

Capital Asset Classes:	<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 Inflows of Resources

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. The government has only one type of item (unavailable revenue) that qualifies for reporting in this category. The amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

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. Billings for the year were on July 1 and December 12. 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 by 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, 2013 utilized in the setting of the tax rate was as follows:

For the New Hampshire education tax	\$ 239,145,083
For all other taxes	\$ 246,917,483

The tax rates and amounts assessed for the year ended December 31, 2013 were as follows:

	<u>Per \$1,000 of Assessed Valuation</u>	<u>Property Taxes Assessed</u>
Municipal portion	\$10.35	\$ 2,554,555
School portion:		
State of New Hampshire	\$2.36	565,133
Local	\$16.20	4,000,454
County portion	\$2.62	646,823
Total		<u>\$ 7,766,965</u>

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1-M Compensated Absences

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

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

1-N Long-Term Obligations

In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable governmental activities.

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 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, including restricted 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.
- b) ***Restricted net position*** – Consists of net assets with constraints placed on use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c) ***Unrestricted net position*** – Net position that does not meet the definition of “net investment in capital assets” or “restricted.”

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.

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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.

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

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

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

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

2-A Budgetary Information

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

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

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

2-B Budgetary Reconciliation to GAAP Basis

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

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

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

Revenues and other financing sources:	
Per Exhibit D (budgetary basis)	\$ 3,738,334
Adjustments:	
Basis differences:	
Inception of capital leases	543,409
GASB Statement No. 54:	
To record miscellaneous income of the blended funds	15,696
Change in deferred tax revenue relating to 60-day revenue recognition	<u>(66,767)</u>
Per Exhibit C-3 (GAAP basis)	<u><u>\$ 4,230,672</u></u>

(Continued)

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Budgetary reconciliation to GAAP basis continued:

Expenditures:	
Per Exhibit D (budgetary basis)	\$ 3,573,886
Adjustment:	
Basis differences:	
Encumbrances, beginning	46,926
Encumbrances, ending	(73,683)
Inception of capital leases	543,409
GASB Statement No. 54:	
To record expenditures of the blended funds	<u>21,684</u>
Per Exhibit C-3 (GAAP basis)	<u><u>\$ 4,112,222</u></u>

DETAILED NOTES ON ALL FUNDS

NOTE 3 – CASH AND CASH EQUIVALENTS

At December 31, 2013, the reported amount of the Town’s deposits was \$3,210,306 and the bank balance was \$3,457,763. Of the bank balance, \$1,758,235 was covered by federal depository insurance or by collateral held by the Town’s agent in the Town’s name, and \$1,699,529 was uninsured and uncollateralized. Petty cash totaled \$1,142.

NOTE 4 – INVESTMENTS

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

At December 31, 2013, the Town had the following investments and maturities:

	<u>Fair Value</u>	<u>1-5 Years</u>	<u>6-10 Years</u>
Investment type:			
US Government obligations	\$ -	\$ 791,872	\$ 124,355
Corporate bonds	-	401,107	111,785
New Hampshire Public Deposit Investment Pool	905	-	-
Other	<u>79,250</u>	-	-
Total investments	<u><u>\$ 80,155</u></u>	<u><u>\$ 1,192,979</u></u>	<u><u>\$ 236,140</u></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-G. As of December 31, 2013, the Town’s investments in US Agencies (Federal Home Loan Mortgage Corporation and Federal National Mortgage Association) are rated AA+ by Standard and Poor’s and Aaa by Moody’s Investor’s Services.

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)	\$ 1,393,678
Investments per Statement of Fiduciary Net Position (Exhibit F)	<u>115,596</u>
Total investments	<u><u>\$ 1,509,274</u></u>

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NOTE 5 – RESTRICTED CASH AND INVESTMENTS

Restricted cash and investments in the general fund and sewer department fund at December 31, 2013 are as follows:

Cash and cash equivalents:	
General fund:	
Public library	<u>\$ 8,002</u>
Investments:	
General fund:	
Expendable trusts	\$ 215,502
Sewer department fund:	
Expendable trusts	<u>1,170,493</u>
Total investments	<u>\$ 1,385,995</u>

NOTE 6 – TAXES RECEIVABLE

Taxes receivable represent the amount of current and prior year taxes which have not been collected as of December 31, 2013. The amount has been reduced by an allowance for an estimated uncollectible amount of \$31,930. Taxes receivable by year are as follows:

	<u>As reported on:</u>	
	<u>Exhibit A</u>	<u>Exhibit C-1</u>
Property:		
Levy of 2013	\$ 751,519	\$ 751,519
Unredeemed (under tax lien):		
Levy of 2012	215,327	215,327
Levy of 2011	134,697	134,697
Levies of 2010 and prior	24,620	24,620
Yield	375	375
Less: allowance for estimated uncollectible taxes	(31,930)	-
Net taxes receivable	<u>\$ 1,094,608</u>	<u>\$ 1,126,538</u>

NOTE 7 – OTHER RECEIVABLES

Receivables at December 31, 2013, 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.

Receivables as of December 31, 2013 for the Town's individual major funds and nonmajor funds in the aggregate, including applicable allowances for uncollectible accounts, are as follows:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Governmental Funds</u>		<u>Enterprise Fund</u>	
	<u>General Fund</u>	<u>Nonmajor Funds</u>	<u>Sewer Department</u>	<u>Total</u>
Receivables:				
Accounts	\$ 56,410	\$ -	\$ 309,201	\$ 365,611
Intergovernmental	6,820	19,005	-	25,825
Liens	50,405	-	-	50,405
Gross receivables	<u>113,635</u>	<u>19,005</u>	<u>309,201</u>	<u>441,841</u>
Less: allowance for uncollectibles	(50,405)	-	-	(50,405)
Net total receivables	<u>\$ 63,230</u>	<u>\$ 19,005</u>	<u>\$ 309,201</u>	<u>\$ 391,436</u>

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NOTE 8 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2013 consisted of the following:

	Balance, beginning	Additions	Disposals	Balance, ending
Governmental activities:				
At cost:				
Not being depreciated:				
Land*	\$ 2,637,950	\$ 54,500	\$ -	\$ 2,692,450
Being depreciated:				
Buildings and building improvements	1,101,672	-	-	1,101,672
Machinery, equipment, and vehicles	2,640,334	543,409	(154,000)	3,029,743
Total capital assets being depreciated	3,742,006	543,409	(154,000)	4,131,415
Total all capital assets	6,379,956	597,909	(154,000)	6,823,865
Less accumulated depreciation:				
Buildings and building improvements	(391,500)	(26,180)	-	(417,680)
Machinery, equipment, and vehicles	(2,296,821)	(89,870)	154,000	(2,232,691)
Total accumulated depreciation	(2,688,321)	(116,050)	154,000	(2,650,371)
Net book value, capital assets being depreciated	1,053,685	427,359	-	1,481,044
Net book value, all governmental activities capital assets	\$ 3,691,635	\$ 481,859	\$ -	\$ 4,173,494
Business-type activities:				
At cost:				
Not being depreciated:				
Land	\$ 25,962	\$ -	\$ -	\$ 25,962
Construction in progress	271,453	101,290	(271,453)	101,290
Total capital assets not being depreciated	297,415	101,290	(271,453)	127,252
Being depreciated:				
Land improvements	125,230	-	-	125,230
Buildings	655,504	371,789	-	1,027,293
Machinery, equipment, and vehicles	1,344,216	-	(20,370)	1,323,846
Infrastructure	3,825,671	-	-	3,825,671
Total capital assets being depreciated	5,950,621	371,789	(20,370)	6,302,040
Total all capital assets	6,248,036	473,079	(291,823)	6,429,292
Less accumulated depreciation:				
Land improvements	(112,707)	(3,131)	-	(115,838)
Buildings	(655,504)	(5,633)	-	(661,137)
Machinery, equipment, and vehicles	(753,995)	(64,789)	16,807	(801,977)
Infrastructure	(1,294,738)	(97,578)	-	(1,392,316)
Total accumulated depreciation	(2,816,944)	(171,131)	16,807	(2,971,268)
Net book value, capital assets being depreciated	3,133,677	200,658	(3,563)	3,330,772
Net book value, all business-type activities capital assets	\$ 3,431,092	\$ 301,948	\$ (275,016)	\$ 3,458,024

*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 does not possess a practical use for the Town, and was acquired only to ensure the safety of the public, it has been recorded at assessment value rather than acquisition cost. GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, mandates that “capital assets that will no longer be used by the government should be reported at the lower of carrying value or fair value.”

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

Governmental activities:	
General government	\$ 4,494
Public safety	66,846
Highways and streets	37,186
Culture and recreation	7,524
Total depreciation expense	<u>\$ 116,050</u>
Business-type activities:	
Sewer department	<u>\$ 171,131</u>

NOTE 9 – INTERGOVERNMENTAL PAYABLES

Amounts due to other governments of \$2,336,791 at December 31, 2013 consist of the following:

General fund:	
Balance of the 2013-2014 district assessment due to the Allenstown School District	\$ 2,215,587
Miscellaneous fees due to the State of New Hampshire	774
Total general fund	<u>2,216,361</u>
Grants fund:	
Unspent grant monies due to the federal government	<u>4,834</u>
Agency fund:	
Balance of trust funds belonging to the Allenstown School District	<u>115,596</u>
Total intergovernmental payables	<u>\$ 2,336,791</u>

NOTE 10 – DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources of \$937,078 at December 31, 2013 consist of the following:

	General Fund	Nonmajor Governmental Fund
Property taxes not collected within 60 days of fiscal year end	\$ 899,999	\$ -
Federal grant revenue collected in advance of eligible expenditures being made	-	37,079
Total deferred inflows of resources	<u>\$ 899,999</u>	<u>\$ 37,079</u>

NOTE 11 – CAPITAL LEASE OBLIGATIONS

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

	Standard Interest Rate	Present Value of Remaining Payments as of December 31, 2013
Capital lease obligations:		
Police vehicle	6.50%	\$ 10,799
Police vehicle	6.00%	22,360
Fire truck	2.52%	315,853
Wheel loader	2.75%	109,000
Total capital lease obligations		<u>\$ 458,012</u>

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

	Governmental Activities
Equipment:	
Police vehicle	\$ 37,879
Police vehicle	34,556
Fire truck	399,853
Wheel loader	109,000
Total equipment	581,288
Less: accumulated depreciation	(26,937)
Total leased equipment	<u>\$ 554,351</u>

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

The annual requirements to amortize the capital leases payable as of December 31, 2013, including interest payments, are as follows:

Fiscal Year Ending December 31,	Governmental Activities
2014	\$ 121,697
2015	110,196
2016	114,500
2017	114,500
2018	30,500
Total requirements	491,393
Less: interest	(33,381)
Present value of remaining payments	<u>\$ 458,012</u>

NOTE 12 – LONG-TERM LIABILITIES

Changes in the Town's long-term liabilities consisted of the following for the year ended December 31, 2013:

	Balance January 1, 2013	Additions	Reductions	Balance December 31, 2013	Due Within One Year
General obligation bond payable	\$ 180,000	\$ -	\$ (180,000)	\$ -	\$ -
Capital leases	29,722	543,409	(115,119)	458,012	108,696
Compensated absences	33,451	7,609	-	41,060	-
Accrued landfill postclosure care costs	93,000	-	(3,000)	90,000	3,000
Net other postemployment benefits	98,615	47,305	-	145,920	-
Total long-term liabilities	<u>\$ 434,788</u>	<u>\$ 598,323</u>	<u>\$ (298,119)</u>	<u>\$ 734,992</u>	<u>\$ 111,696</u>

TOWN OF ALLENSTOWN, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
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Long term liabilities payable are comprised of the following:

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at December 31, 2013	Current Portion
Capital leases payable:						
Police vehicle	\$ 32,439	2012	2014	6.50	\$ 10,799	\$ 10,799
Police vehicle	\$ 34,131	2013	2015	6.00	22,360	10,854
Fire truck	\$ 420,000	2013	2017	2.52	315,853	76,040
Wheel loader	\$ 119,500	2013	2018	2.75	109,000	11,003
					<u>458,012</u>	<u>108,696</u>
Compensated absences payable:						
Accrued vacation leave					41,060	-
Accrued landfill postclosure care costs payable					90,000	3,000
Net other postemployment benefits					145,920	-
Total					<u>\$ 734,992</u>	<u>\$ 111,696</u>

Accrued Landfill Postclosure Care Costs – The Town ceased operating its landfill in past years. Federal and State laws and regulations require that the Town perform certain maintenance and monitoring functions at the landfill site after closure. A liability is being recognized based on the future postclosure care costs that will be incurred. The estimated liability for landfill postclosure care costs has a balance of \$90,000 as of December 31, 2013. The estimated total current cost of the landfill postclosure care (\$90,000) 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, 2013. 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 \$3,663 at year-end.

NOTE 13 – ENCUMBRANCES

Encumbrances outstanding at December 31, 2013 are as follows:

General fund:	
General government	\$ 23,661
Public safety	9,988
Highways and streets	40,034
Total encumbrances	<u>\$ 73,683</u>

NOTE 14 – GOVERNMENTAL ACTIVITIES NET POSITION

Net position reported on the government-wide Statement of Net Position at December 31, 2013 includes the following:

	Governmental Activities	Business-type Activities	Total
Net investment in capital assets:			
Net property, buildings, and equipment	\$ 4,173,494	\$ 3,458,024	\$ 7,631,518
Less:			
Capital leases payable	(458,012)	-	(458,012)
Total net investment in capital assets	<u>3,715,482</u>	<u>3,458,024</u>	<u>7,173,506</u>
Restricted for:			
Library purposes	8,002	-	8,002
Perpetual care	6,778	-	6,778
Drug forfeiture	6,923	-	6,923
Total restricted	<u>21,703</u>	<u>-</u>	<u>21,703</u>
Unrestricted	1,407,152	1,796,108	3,203,260
Total net position	<u>\$ 5,144,337</u>	<u>\$ 5,254,132</u>	<u>\$ 10,398,469</u>

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NOTE 15 – GOVERNMENTAL FUND BALANCES

Governmental fund balances reported on the fund financial statements at December 31, 2013 include the following:

Nonspendable:		
Major fund:		
General:		
Prepaid items	\$ 1,527	
Tax deeded property, subject to resale	27,929	
	<u>29,456</u>	
Nonmajor fund:		
Permanent - principal balance	1,375	
Total nonspendable fund balance		\$ 30,831
Restricted:		
Major fund:		
General:		
Public library	\$ 8,003	
Nonmajor funds:		
Permanent - income balance	5,403	
Special revenue:		
DARE	6,923	
	<u>12,326</u>	
Total restricted fund balance		20,329
Committed:		
Major fund:		
General:		
Expendable trust	\$ 215,502	
Nonmajor fund:		
Special revenue:		
Conservation commission	1,351	
Recreation revolving	138	
Public safety services revolving	28,341	
Recycling revolving	8,476	
	<u>38,306</u>	
Total committed fund balance		253,808
Assigned:		
Major fund:		
General:		
Encumbrances		73,683
Unassigned:		
Major fund:		
General		<u>467,974</u>
Total governmental fund balances		<u><u>\$ 846,625</u></u>

TOWN OF ALLENSTOWN, NEW HAMPSHIRE
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NOTE 16 – PRIOR PERIOD ADJUSTMENTS

Net position/fund balance at January 1, 2013 was restated to give retroactive effect to the following prior period adjustments:

	Governmental Activities	General Fund	Sewer Department Fund	Total
To record the beginning balance of the accrued landfill postclosure care costs payable	\$ (93,000)	\$ -	\$ -	\$ (93,000)
To defer property taxes not collected within 60 days of fiscal year-end	-	(801,302)	-	(801,302)
To remove outdated contracts and accounts payable	-	-	135,772	135,772
Net position/fund balance, as previously reported	4,857,470	1,477,470	4,804,835	11,139,775
Net position/fund balance, as restated	<u>\$ 4,764,470</u>	<u>\$ 676,168</u>	<u>\$ 4,940,607</u>	<u>\$ 10,381,245</u>

NOTE 17 – EMPLOYEE RETIREMENT PLAN

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

The System is financed by contributions from both the employees and the Town. Member contribution rates are established and may be amended by the State legislature while employer contribution rates are set by the System trustees based on an actuarial valuation. For fiscal year 2013, 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 2013 for pension and medical subsidy were as follows:

Period	Police	Fire	All Other Employees
January 1, 2013 thru June 30, 2013	19.95%	22.89%	8.80%
July 1, 2013 thru December 31, 2013	25.30%	27.74%	10.77%

The contribution requirements for the Town of Allenstown for the fiscal years 2011, 2012, and 2013 were \$146,312, \$161,797, and \$179,127, respectively, which were paid in full in each year.

457(b) Retirement Plan – The Town also contributes to a 457(b) annuity retirement plan for certain employees. The contribution rate is 10.77%. The total amount contributed by the Town for the fiscal year was \$3,028.

NOTE 18 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

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

The Governmental Accounting Standards Board (GASB) issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. GASB Statement No. 45 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.

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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 2013:

Annual required contribution/OPEB cost	\$ 63,094
Contributions made (pay-as-you-go)	<u>(15,789)</u>
Increase in net OPEB obligation	47,305
Net OPEB obligation, beginning	<u>98,615</u>
Net OPEB obligation, ending	<u><u>\$ 145,920</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 2013 was as follows:

Fiscal Year Ended	Annual OPEB Contribution Cost	Actual Contributions (pay-as-you-go)	Percentage Contributed	Net OPEB Obligation
December 31, 2013	\$ 63,094	\$ 15,789	25.02%	\$ 145,920
December 31, 2012	\$ 63,081	\$ 14,423	22.86%	\$ 98,615
December 31, 2011	\$ 63,068	\$ 13,111	20.79%	\$ 49,957

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

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

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

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

NOTE 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 2013, the Town was a member of the Local Government Center Property-Liability Trust, LLC, and the New Hampshire Public Risk Management Exchange (Primex³) Workers' Compensation Program. These entities are considered public entity risk pools, currently operating as common risk management and insurance programs for member towns and cities.

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

Contributions paid in fiscal year ending June 30, 2013, to be recorded as an insurance expenditure totaled \$37,328. There were no unpaid contributions for the year ended June 30, 2013. The Town received a premium holiday during fiscal year 2013 in the amount of \$19,615.

The New Hampshire Public Risk Management Exchange (Primex³) Workers' Compensation Program is a pooled risk management program under RSAs 5-B and 281-A. Coverage was provided from January 1, 2013 to December 31, 2013 by Primex³, which retained \$1,000,000 of each workers' compensation loss, \$500,000 of each liability loss, and \$200,000 of each property loss. The Board has decided to self-insure the aggregate exposure and has allocated funds based on actuarial analysis for that purpose. The estimated net contribution from the Town of Allenstown billed and paid for the year ended December 31, 2013 was \$33,524 for workers' compensation. The Town received a premium holiday during fiscal year 2013 in the amount of \$23,401.

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.

NOTE 21 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

The following GASB pronouncements were implemented by the Town for the fiscal year ended December 31, 2013. Only GASB Statement No. 65 impacted these financial statements:

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus and Amendments of GASB Statements No. 14 and No. 34*, issued November 2010. This Statement is intended to improve financial reporting for a governmental financial reporting entity by improving guidance for including, presenting, and disclosing information about component units and equity interest transactions of a financial reporting entity.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, issued March 2012. This Statement is intended to improve financial reporting by clarifying the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting.

GASB Statement No. 66, *Technical Corrections – 2012 – An Amendment of GASB Statements No. 10 and No. 62*, issued March 2012. This Statement is intended to resolve conflicting accounting and financial reporting guidance that emerged from two recent standards, Statement No. 54 and Statement No. 62. These standards conflicted with existing guidance in Statements No. 10, 13, and 48.

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

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

TOWN OF ALLENSTOWN, NEW HAMPSHIRE
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GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, issued in June 2012, will be effective for the Town beginning with its fiscal year ending December 31, 2015. The guidance contained in this Statement will change how governments calculate and report the costs and obligations associated with pensions in important ways. This replaces the requirements of Statements No. 27 and 50.

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, issued in January 2013, will be effective for the Town beginning with its fiscal year ending December 31, 2014. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations that have been transferred or sold.

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, issued in April 2013, will be effective for the Town beginning with the fiscal year ending December 31, 2014. The objective of this Statement is to improve accounting and financial reporting by governments that extend and receive nonexchange financial guarantees.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*, issued in November 2013, will be effective for the Town beginning with its fiscal year ending December 31, 2015. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*, and is required to be applied simultaneously with the provisions of that Statement.

NOTE 22 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the balance sheet date, but before the financial statements are issued. Recognized subsequent events are events or transactions that provided additional evidence about conditions that existed at the balance sheet date, including the estimates inherent in the process of preparing the financial statements. Nonrecognized subsequent events are events that provide evidence about conditions that did not exist at the balance sheet date, but arose after the date. Management has evaluated subsequent events through August 29, 2014, the date the December 31, 2013 financial statements were available to be issued, and identified one subsequent event which required disclosure.

At the March 11, 2014 annual Town meeting, the voters of the Town approved the establishment of an accrued benefits liability expendable trust fund, for the purpose of funding the costs of accrued employee vacation leave that is payable at the time of the employee separation or retirement. The Town also voted to raise and appropriate \$10,000 to come from the unassigned fund balance at December 31, 2013 to be added to this fund.

REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT G
TOWN OF ALLENSTOWN, NEW HAMPSHIRE
Schedule of Funding Progress for Other Postemployment Benefit Plan
For the Fiscal Year Ended December 31, 2013

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

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

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

As required by GASB Statement No. 45, Exhibit G represents the actuarial determined costs associated with the Town's other postemployment benefits for the fiscal year ended December 31, 2013.

COMBINING AND INDIVIDUAL FUND SCHEDULES

SCHEDULE 1
TOWN OF ALLENSTOWN, NEW HAMPSHIRE
Major General Fund
Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2013

	Estimated	Actual	Variance Positive (Negative)
Taxes:			
Property	\$ 2,375,160	\$ 2,382,206	\$ 7,046
Land use change	17,000	17,000	-
Yield	7,100	12,966	5,866
Excavation	1,600	-	(1,600)
Interest and penalties on taxes	135,000	154,688	19,688
Total from taxes	<u>2,535,860</u>	<u>2,566,860</u>	<u>31,000</u>
Licenses, permits, and fees:			
Business licenses, permits, and fees	800	720	(80)
Motor vehicle permit fees	520,000	560,701	40,701
Building permits	8,000	13,860	5,860
Other	9,700	10,893	1,193
Total from licenses, permits, and fees	<u>538,500</u>	<u>586,174</u>	<u>47,674</u>
Intergovernmental:			
State:			
Meals and rooms distribution	192,186	192,186	-
Highway block grant	76,881	76,660	(221)
State and federal forest land reimbursement	4,621	5,102	481
Other	47,270	10,270	(37,000)
Federal:			
FEMA	12,768	12,768	-
Total from intergovernmental	<u>333,726</u>	<u>296,986</u>	<u>(36,740)</u>
Charges for services:			
Income from departments	<u>107,500</u>	<u>130,316</u>	<u>22,816</u>
Miscellaneous:			
Sale of municipal property	60,000	75,543	15,543
Interest on investments	700	424	(276)
Fines and forfeits	-	1,530	1,530
Insurance dividends and reimbursements	-	59,432	59,432
Contributions and donations	-	1,875	1,875
Other	-	19,194	19,194
Total from miscellaneous	<u>60,700</u>	<u>157,998</u>	<u>97,298</u>
Total revenues	<u><u>\$ 3,576,286</u></u>	<u><u>\$ 3,738,334</u></u>	<u><u>\$ 162,048</u></u>

SCHEDULE 2
TOWN OF ALLENSTOWN, NEW HAMPSHIRE
Major General Fund
Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2013

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
General government:					
Executive	\$ -	\$ 159,572	\$ 122,570	\$ -	\$ 37,002
Election and registration	-	47,679	44,964	-	2,715
Financial administration	-	191,831	230,871	-	(39,040)
Legal	-	20,000	40,196	15,000	(35,196)
Personnel administration	-	636,094	555,553	-	80,541
Planning and zoning	-	21,502	8,352	7,000	6,150
General government buildings	12,034	24,800	57,793	1,661	(22,620)
Cemeteries	-	3	-	-	3
Insurance, not otherwise allocated	-	53,500	37,328	-	16,172
Advertising and regional associations	-	4,322	4,531	-	(209)
Total general government	<u>12,034</u>	<u>1,159,303</u>	<u>1,102,158</u>	<u>23,661</u>	<u>45,518</u>
Public safety:					
Police	26,075	856,381	767,666	9,988	104,802
Ambulance	-	137,253	137,253	-	-
Fire	8,817	311,459	348,011	-	(27,735)
Building inspection	-	31,081	36,174	-	(5,093)
Emergency management	-	70,600	41,165	-	29,435
Total public safety	<u>34,892</u>	<u>1,406,774</u>	<u>1,330,269</u>	<u>9,988</u>	<u>101,409</u>
Highways and streets:					
Highways and streets	-	469,288	488,921	40,034	(59,667)
Street lighting	-	22,900	23,816	-	(916)
Total highways and streets	<u>-</u>	<u>492,188</u>	<u>512,737</u>	<u>40,034</u>	<u>(60,583)</u>
Sanitation	<u>-</u>	<u>161,540</u>	<u>97,760</u>	<u>-</u>	<u>63,780</u>
Health:					
Administration	-	7,305	6,226	-	1,079
Pest control	-	9,970	9,017	-	953
Health agencies	-	20,207	18,207	-	2,000
Total health	<u>-</u>	<u>37,482</u>	<u>33,450</u>	<u>-</u>	<u>4,032</u>
Welfare	<u>-</u>	<u>68,525</u>	<u>64,056</u>	<u>-</u>	<u>4,469</u>
Culture and recreation:					
Parks and recreation	-	31,650	36,495	-	(4,845)
Library	-	47,830	47,830	-	-
Patriotic purposes	-	2,351	2,000	-	351
Total culture and recreation	<u>-</u>	<u>81,831</u>	<u>86,325</u>	<u>-</u>	<u>(4,494)</u>
Conservation	<u>-</u>	<u>9</u>	<u>11,302</u>	<u>-</u>	<u>(11,293)</u>
Economic development	<u>-</u>	<u>1,050</u>	<u>-</u>	<u>-</u>	<u>1,050</u>
Debt service:					
Principal of long-term debt	-	60,000	180,000	-	(120,000)
Interest on long-term debt	-	8,442	12,644	-	(4,202)
Interest on tax anticipation notes	-	15,000	-	-	15,000
Total debt service	<u>-</u>	<u>83,442</u>	<u>192,644</u>	<u>-</u>	<u>(109,202)</u>

(Continued)

SCHEDULE 2 (Continued)
TOWN OF ALLENSTOWN, NEW HAMPSHIRE
Major General Fund
Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2013

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Capital outlay:					
Town Hall interior repairs	-	1	251	-	(250)
Fire truck	-	84,141	84,000	-	141
Pinewood Road clean up	-	-	21,100	-	(21,100)
Highway loader	-	-	9,477	-	(9,477)
Other	-	-	1,600	-	(1,600)
Total capital outlay	-	84,142	116,428	-	(32,286)
Total appropriations, expenditures, and encumbrances	\$ 46,926	\$ 3,576,286	\$ 3,547,129	\$ 73,683	\$ 2,400

SCHEDULE 3
TOWN OF ALLENSTOWN, NEW HAMPSHIRE
Major General Fund
Schedule of Changes in Unassigned Fund Balance
For the Fiscal Year Ended December 31, 2013

Unassigned fund balance, beginning (Non-GAAP Budgetary Basis)		\$ 1,140,345
Changes:		
2013 Budget summary:		
Revenue surplus (Schedule 1)	\$ 162,048	
Unexpended balance of appropriations (Schedule 2)	2,400	
2013 Budget surplus		164,448
Decrease in nonspendable fund balance		31,250
Unassigned fund balance, ending (Non-GAAP Budgetary Basis)		1,336,043
Reconciliation of Non-GAAP Budgetary Basis to GAAP Basis:		
To comply with generally accepted accounting principles by deferring property taxes not collected within 60 days of fiscal year-end		(899,999)
Elimination of the allowance for uncollectible taxes		31,930
Unassigned fund balance, ending (GAAP basis Exhibit C-1)		\$ 467,974

SCHEDULE 4
TOWN OF ALLENSTOWN, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2013

	Special Revenue Funds							Total
	Grants	Conservation Commission	Recreation Revolving	DARE	Public Safety Services Revolving	Recycling Revolving	Permanent Fund	
ASSETS								
Cash and cash equivalents	\$ 22,908	\$ 1,351	\$ 138	\$ 6,923	\$ 28,341	\$ 8,476	\$ -	\$ 68,137
Investments	-	-	-	-	-	-	6,778	6,778
Intergovernmental receivables	19,005	-	-	-	-	-	-	19,005
Total assets	\$ 41,913	\$ 1,351	\$ 138	\$ 6,923	\$ 28,341	\$ 8,476	\$ 6,778	\$ 93,920
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES								
Liabilities:								
Intergovernmental payable	\$ 4,834	-	-	-	-	-	-	\$ 4,834
Deferred inflows:								
Unavailable revenue - grants	37,079	-	-	-	-	-	-	37,079
Fund balances:								
Nonspendable	-	-	-	-	-	-	1,375	1,375
Restricted	-	-	-	6,923	-	-	5,403	12,326
Committed	-	1,351	138	-	28,341	8,476	-	38,306
Total fund balances	-	1,351	138	6,923	28,341	8,476	6,778	52,007
Total liabilities, deferred inflows, and fund balances	\$ 41,913	\$ 1,351	\$ 138	\$ 6,923	\$ 28,341	\$ 8,476	\$ 6,778	\$ 93,920

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, 2013

	Special Revenue Funds							Total
	Grants	Conservation Commission	Recreation Revolving	DARE	Public Safety Services Revolving	Recycling Revolving	Permanent Fund	
Revenues:								
Intergovernmental	\$ 308,984	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 308,984
Charges for services	-	-	-	-	14,679	8,471	-	23,150
Investment earnings	-	-	-	9	33	5	50	97
Miscellaneous	-	-	-	526	-	-	-	526
Total revenues	308,984	-	-	535	14,712	8,476	50	332,757
Expenditures:								
Current:								
General government	-	-	-	-	-	-	30	30
Public safety	308,984	-	-	-	9,597	-	-	318,581
Total expenditures	308,984	-	-	-	9,597	-	30	318,611
Net change in fund balances	-	-	-	535	5,115	8,476	20	14,146
Fund balances, beginning	-	1,351	138	6,388	23,226	-	6,758	37,861
Fund balances, ending	\$ -	\$ 1,351	\$ 138	\$ 6,923	\$ 28,341	\$ 8,476	\$ 6,778	\$ 52,007



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INDEPENDENT AUDITOR'S COMMUNICATION OF SIGNIFICANT DEFICIENCIES

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

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, major fund, and aggregate remaining fund information of the Town of Allenstown as of and for the year ended December 31, 2013, 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 control 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 deficiencies in internal control to be significant deficiencies:

Town Treasurer

We noted that the Town Treasurer does not remit monthly cash reconciliations to the finance office on a regular basis. In addition, we noted numerous entries made to record year-end accruals which were posted to the cash account. As a result, extensive procedures were necessary in order to reconcile the general ledger cash balance with the Treasurer's records at the end of the year.

We recommend that the Town Treasurer provide cash reconciliations for each of the cash accounts in her custody to the finance office on a monthly basis, and further recommend that the general ledger be reconciled monthly with the Treasurer's records in order to identify any mispostings. In addition, we recommend that year-end accrual entries be made to the correct balance sheet accounts rather than to cash.

Town Clerk

During our testing of Town Clerk receipts, we noted that reconciliations are not being performed between the Town Clerk's daily cash receipts logs and the Treasurer's records. In addition, discrepancies were noted between the Treasurer's cash receipts logs and the corresponding bank deposit receipts. We noted that there is no formal system in place to reconcile the Town Clerk receipts with the Treasurer's records and the bank deposit receipts. Lack of such a system increases the risk of mispostings or misappropriation of cash.

*Town of Allenstown
Independent Auditor's Communication of Significant Deficiencies*

We recommend that the Town implement of formal system of reconciling the Town Clerk's receipts with the treasurer's cash receipts logs. Furthermore, we recommend that the treasurer's cash receipts logs be reconciled with the daily bank deposit receipt.

Public Library

We noted the following conditions during our review of the library records:

- Although cash reconciliations were being performed for the library's cash account, these reconciliations were not being reviewed and approved by the Library Treasurer.
- The library's petty cash account had not been reconciled or replenished during the year.
- Invoices paid out of the library's operating account during the year were not formally reviewed or approved by the Library Trustees.
- Timesheets submitted to the Town were not formally reviewed or approved by the Library Trustees.
- During our review of disbursements, two instances were noted where supporting documentation could not be found to support the disbursements made.

We recommend that the following procedures be implemented:

- Formal cash reconciliations should be performed for the library's cash account on a monthly basis, and should be reviewed and approved by the Library Treasurer.
- Petty cash should be reconciled and replenished on a monthly basis.
- Check requests should be properly issued, reviewed, and approved for disbursements made from the library's operating account. In addition, disbursements should be reviewed and approved by a majority of the library trustees. Supporting documentation for all disbursements should be retained as proof of the disbursement.
- Timesheets prepared by library employees should be reviewed and approved by a majority of the library trustees prior to being submitted to the Town.

This communication is intended solely for the information and use of management, the 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.

August 29, 2014

*Plodzik & Sanderson
Professional Association*