

**TOWN OF ALLENSTOWN,  
NEW HAMPSHIRE**

**ANNUAL FINANCIAL REPORT**

**AS OF AND FOR THE FISCAL YEAR ENDED  
DECEMBER 31, 2014**

**TOWN OF ALLENSTOWN, NEW HAMPSHIRE**  
**ANNUAL FINANCIAL REPORT**  
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**DECEMBER 31, 2014**

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# PLODZIK & SANDERSON

*Professional Association/Accountants & Auditors*

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## ***INDEPENDENT AUDITOR'S REPORT***

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

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, business-type activities, major funds, and aggregate remaining fund information of the Town of Allentown as of and for the year ended December 31, 2014, 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, business-type activities, major funds, and aggregate remaining fund information of the Town of Allentown as of December 31, 2014, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

**Required Supplementary Information** - Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (pages 3 through 10) and the Schedule of Funding Progress for Other Postemployment Benefit Plan (page 40) 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

*Town of Allentown  
Independent Auditor's Report*

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 Allentown'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.

July 23, 2015

*Plodzik & Sanderson  
Professional Association*

# TOWN OF ALLENSTOWN, NH

## Management's Discussion and Analysis Calendar Year Ended December 31, 2014

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, 2014. Please read it in conjunction with the Town's financial statements, which begin on page 11.

### FINANCIAL HIGHLIGHTS

For the year ended December 31, 2014:

- The Town's total net position was \$10,862,707 an increase from the prior year of \$481,220 which consisted of \$5,511,725 for Governmental Activities and \$5,350,982 from Business-Type Activities.
- Capital assets, net of depreciation for the Governmental Activities were \$3,723,514 an increase from the prior year of \$8,032. Capital assets, net of depreciation for the Business-Type Activities were \$3,406,968 a decrease from the prior year of \$51,056. Depreciation expense for 2014 was \$175,489 for the governmental activities and \$177,633 for the business-type activities. Depreciation expense doesn't include roadway infrastructure.
- The total long-term obligations for the Town were \$846,924, an increase of \$111,932 from the prior year. This includes capital leases, compensated absences, other postemployment benefits and accrued landfill post closure care costs.
- The unassigned fund balance of the General Fund was \$1,547,546.

### 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 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.

# TOWN OF ALLENSTOWN, NH

## Management's Discussion and Analysis Calendar Year Ended December 31, 2014

- 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.

# TOWN OF ALLENSTOWN, NH

## Management's Discussion and Analysis Calendar Year Ended December 31, 2014

### *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, 2014:

#### **Statement of Net Position**

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

- Investment in Capital Assets: The Town has recorded its inventory in capital assets such as land, buildings, equipment and wastewater collection system. Infrastructure such as roadways 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.
- 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 12 of the financial statements.

#### Governmental Activities

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

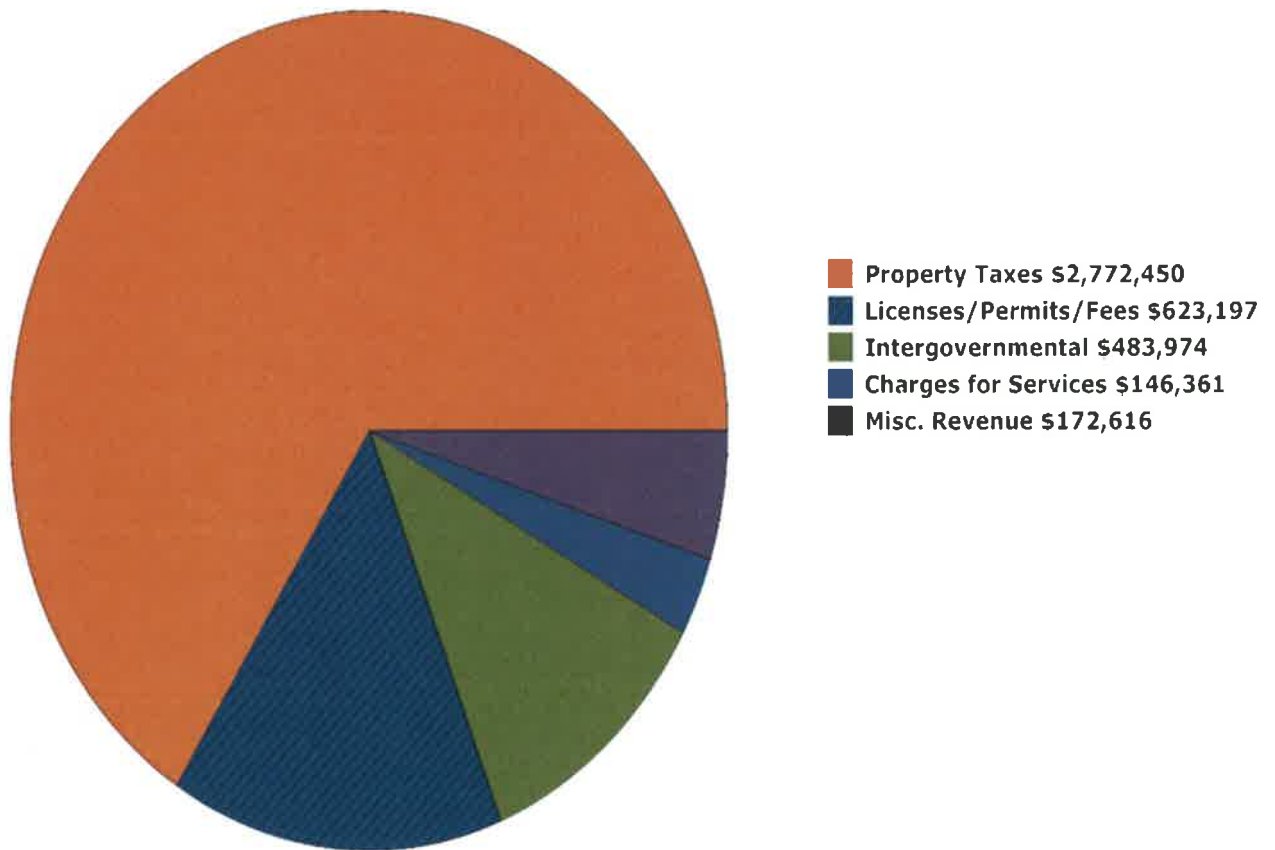
# TOWN OF ALLENSTOWN, NH

## Management's Discussion and Analysis Calendar Year Ended December 31, 2014

Program revenues are targeted to directly offset expenses. For 2014, program revenues, consisted of charges for services (\$2,473,555) and operating grants and contributions (\$272,902) which account for 9.98% of total revenues. General revenues for 2014 accounted for 90.02% of total governmental activities revenues.

Revenues not specifically targeted for an activity are known as general revenues. Property taxes make up 73.35% of the Town's general revenues and 66.03% of total revenues. Licenses and permits, mainly auto registrations, account for 16.48% of general revenues and 14.84% of total revenues. Detail of the total revenues is as follows:

### 2014 Actual Governmental Activities Revenues





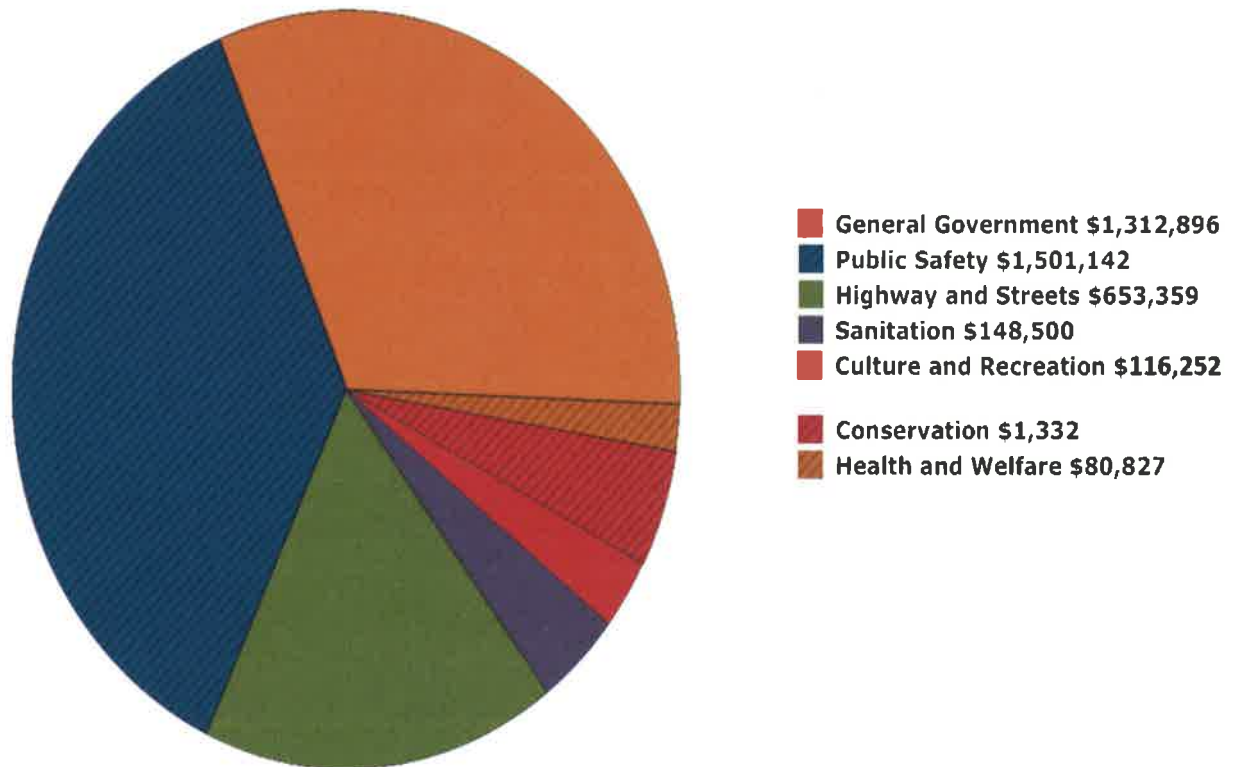
# TOWN OF ALLENSTOWN, NH

## Management's Discussion and Analysis Calendar Year Ended December 31, 2014

➤ Expenses: Expenses are classified by major governmental function or program and are offset by related program income. Depreciation has been recorded for 2014 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 34% of total expenses; Public safety, 39%; and Highways and Streets, 17%, Sanitation 4%, Health and Welfare 2% Culture and recreation, 3%, and Conservation, 1%.

### 2014 Governmental Activities Expenses



# TOWN OF ALLENSTOWN, NH

## Management's Discussion and Analysis Calendar Year Ended December 31, 2014

### Business-Type Activities

#### ➤ Revenues:

Program revenues for the Business-Type Activities, accounted for 99% of total revenues, which are charges for service for Wastewater Treatment the remaining 1% 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 \$4,326,031 in revenues and other financing sources in the General Fund, which is an increase of \$95,359 from the prior year. The Town incurred \$3,855,827 in General Fund expenditures and other financing uses during the year, which represents an increase of \$256,395 from the prior year.

The Town finished the fiscal year with General Fund balance in the amount of \$1,851,829 an increase from the prior year. The current year net change in fund balance is \$470,204. Of the total fund balance, \$4,562 is Nonspendable \$6,136 Restricted, \$230,305 Committed, and \$63,280 Assigned, leaving an unassigned balance of \$1,547,546.

## TOWN OF ALLENSTOWN, NH

### Management's Discussion and Analysis Calendar Year Ended December 31, 2014

- 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 \$96,850. Depreciation expense for 2014 was \$177,633.

#### BUDGETARY HIGHLIGHTS

The town budget was defeated at Town Meeting for the year ending December 31, 2014. This means that the default budget for the general fund passed \$3,837,639 which was increased by \$160,498 from the proposed 2014 budget committee budget. Also included in the budget was \$36,000 special warrant article to enter into a lease purchase for a Highway Truck and \$10,000 was voted on to be placed in the landfill Capital Reserve Fund. The Town's general fund budget totaled \$3,893,639.

Of the total budget \$5,938,531, the General Fund accounted for \$3,893,639 and \$2,044,892 for the Sewer Fund.

In the General Fund, actual expenditures of \$3,648,373 including encumbered amounts of \$63,280 which was less than the budgeted amount as of December 31, 2014 by \$245,266. This variance was a result of unutilized grant funds, vacant position in the police department, and a premium holiday from worker's compensation insurance. The largest factor was the result of the passage of the default budget which was \$160,000 more than requested. This authorization was not utilized.

#### CAPITAL ASSETS

As shown in Note 7 page 31 of the financial statements, the Town of Allenstown has \$4,219,960 Governmental activities and \$3,406,968 Business-type activities invested in capital assets, including land, buildings, building improvements, machinery, equipment and vehicles. This represents an increase \$46,466 on the Governmental activities and a decrease \$51,056 on the Business-type activities.

#### NON-CURRENT OBLIGATIONS

As shown in Note 11 page 34 of the Governmental financial statements, the Town of Allenstown has \$846,924 in long-term liabilities. Long term obligations include capital leases, compensated absences, landfill site monitoring, and other postemployment benefits.

# TOWN OF ALLENSTOWN, NH

## Management's Discussion and Analysis Calendar Year Ended December 31, 2014

### ECONOMIC FACTORS AND THE 2014 BUDGET

New Hampshire Department of Employment Security and the United States Department of Labor reported the following unemployment rates for December 2013 and December 2014:

|                        | <u>2013</u> | <u>2014</u> |
|------------------------|-------------|-------------|
| Allenstown             | 4.8%        | 3.6%        |
| Merrimack County       | 4.8%        | 3.8%        |
| State of New Hampshire | 5.3%        | 4.3%        |
| United States          | 7.4%        | 6.2%        |

The Northeast Regional Consumer Price Index (CPI) increased 1.4% from December 2013 to December 2014. The National CPI for the same period increased 1.5%.

At the 2014 Town Meeting, the legislative body approved total appropriations for the 2014 calendar year in the amount of \$3,893,639 for the town and \$2,044,892 for the sewer.

### 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:

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

***BASIC FINANCIAL STATEMENTS***

**EXHIBIT A**  
**TOWN OF ALLENSTOWN, NEW HAMPSHIRE**  
**Statement of Net Position**  
**December 31, 2014**

|   | Governmental<br>Activities | Business-type<br>Activities | Total                |
|---|----------------------------|-----------------------------|----------------------|
| <b>ASSETS</b>                             |                            |                             |                      |
| Cash and cash equivalents                 | \$ 3,551,444               | \$ 314,128                  | \$ 3,865,572         |
| Investments                               | 236,825                    | 1,383,328                   | 1,620,153            |
| Taxes receivable (net)                    | 953,790                    | -                           | 953,790              |
| Accounts receivable                       | 84,633                     | 254,508                     | 339,141              |
| Intergovernmental receivable              | 22,450                     | -                           | 22,450               |
| Prepaid items                             | 4,562                      | 8,309                       | 12,871               |
| Capital assets:                           |                            |                             |                      |
| Land and construction in progress         | 2,669,255                  | 51,721                      | 2,720,976            |
| Other capital assets, net of depreciation | 1,550,705                  | 3,355,247                   | 4,905,952            |
| Total assets                              | <u>9,073,664</u>           | <u>5,367,241</u>            | <u>14,440,905</u>    |
| <b>LIABILITIES</b>                        |                            |                             |                      |
| Accounts payable                          | 139,334                    | 15,008                      | 154,342              |
| Accrued salaries and benefits             | 37,740                     | 1,251                       | 38,991               |
| Accrued interest payable                  | 6,389                      | -                           | 6,389                |
| Intergovernmental payable                 | 2,502,839                  | -                           | 2,502,839            |
| Escrow and performance deposits           | 8,046                      | -                           | 8,046                |
| Long-term liabilities:                    |                            |                             |                      |
| Due within one year                       | 144,377                    | -                           | 144,377              |
| Due in more than one year                 | 702,547                    | -                           | 702,547              |
| Total liabilities                         | <u>3,541,272</u>           | <u>16,259</u>               | <u>3,557,531</u>     |
| <b>DEFERRED INFLOWS OF RESOURCES</b>      |                            |                             |                      |
| Unavailable revenue - property taxes      | 6,988                      | -                           | 6,988                |
| Unavailable revenue - grants              | 13,679                     | -                           | 13,679               |
| Total deferred outflows of resources      | <u>20,667</u>              | <u>-</u>                    | <u>20,667</u>        |
| <b>NET POSITION</b>                       |                            |                             |                      |
| Net investment in capital assets          | 3,723,514                  | 3,406,968                   | 7,130,482            |
| Restricted                                | 18,684                     | -                           | 18,684               |
| Unrestricted                              | 1,769,527                  | 1,944,014                   | 3,713,541            |
| Total net position                        | <u>\$ 5,511,725</u>        | <u>\$ 5,350,982</u>         | <u>\$ 10,862,707</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, 2014

|  | Expenses            | Program Revenues           |  | Net (Expense) Revenue and<br>Change in Net Position |                             | Total                |
|--|---------------------|----------------------------|--|---|-----------------------------|----------------------|
|  |                     | Charges<br>for<br>Services | Operating<br>Grants and<br>Contributions | Governmental<br>Activities                          | Business-type<br>Activities |                      |
| <b>Governmental activities:</b>                              |                     |                            |  |   |                             |                      |
| General government   | \$ 1,312,896        | \$ 40,304                  | \$ 200                                   | \$ (1,272,392)                                      | \$ -                        | \$ (1,272,392)       |
| Public safety  | 1,501,142           | 63,047                     | 23,400                                   | (1,414,695)   | -                           | (1,414,695)          |
| Highways and streets   | 653,359             | -                          | 225,856                                  | (427,503)   | -                           | (427,503)            |
| Sanitation   | 148,500             | 43,010                     | 9,981                                    | (95,509)  | -                           | (95,509)             |
| Health   | 25,007              | -                          | -  | (25,007)  | -                           | (25,007)             |
| Welfare  | 55,820              | -                          | -  | (55,820)  | -                           | (55,820)             |
| Culture and recreation                                       | 116,252             | -                          | 13,465                                   | (102,787)   | -                           | (102,787)            |
| Conservation   | 1,332               | -                          | -  | (1,332)   | -                           | (1,332)              |
| Total governmental activities                                | <u>3,814,308</u>    | <u>146,361</u>             | <u>272,902</u>                           | <u>(3,395,045)</u>                                  | <u>-</u>                    | <u>(3,395,045)</u>   |
| <b>Business-type activities:</b>                             |                     |                            |  |   |                             |                      |
| Sewer  | 2,248,493           | 2,327,194                  | -  | -   | 78,701                      | 78,701               |
| Total  | <u>\$ 6,062,801</u> | <u>\$ 2,473,555</u>        | <u>\$ 272,902</u>                        | <u>(3,395,045)</u>                                  | <u>78,701</u>               | <u>(3,316,344)</u>   |
| General revenues:  |                     |                            |  |   |                             |                      |
| Taxes:   |                     |                            |  |   |                             |                      |
| Property   |                     |                            |  | 2,629,820   | -                           | 2,629,820            |
| Other  |                     |                            |  | 142,630   | -                           | 142,630              |
| Motor vehicle permit fees                                    |                     |                            |  | 605,315   | -                           | 605,315              |
| Licenses and other fees                                      |                     |                            |  | 17,882  | -                           | 17,882               |
| Grants and contributions not restricted to specific programs |                     |                            |  | 211,072   | -                           | 211,072              |
| Miscellaneous  |                     |                            |  | 172,696   | 18,149                      | 190,845              |
| Total general revenues                                       |                     |                            |  | <u>3,779,415</u>                                    | <u>18,149</u>               | <u>3,797,564</u>     |
| Change in net position                                       |                     |                            |  | 384,370   | 96,850                      | 481,220              |
| Net position, beginning, as restated (see Note 15)           |                     |                            |  | 5,127,355   | 5,254,132                   | 10,381,487           |
| Net position, ending   |                     |                            |  | <u>\$ 5,511,725</u>                                 | <u>\$ 5,350,982</u>         | <u>\$ 10,862,707</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, 2014**

|  | General             | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|---------------------|--------------------------------|--------------------------------|
| <b>ASSETS</b>  |                     |                                |                                |
| Cash and cash equivalents  | \$ 3,493,089        | \$ 58,355                      | \$ 3,551,444                   |
| Investments  | 231,210             | 5,615                          | 236,825                        |
| Accounts receivable  | 84,633              | -                              | 84,633                         |
| Taxes receivable   | 987,343             | -                              | 987,343                        |
| Due from other governments   | -                   | 22,450                         | 22,450                         |
| Voluntary tax liens  | 59,668              | -                              | 59,668                         |
| Voluntary tax liens reserved until collected                                   | (59,668)            | -                              | (59,668)                       |
| Prepaid items  | 4,562               | -                              | 4,562                          |
| <b>Total assets</b>  | <b>\$ 4,800,837</b> | <b>\$ 86,420</b>               | <b>\$ 4,887,257</b>            |
| <b>LIABILITIES</b>   |                     |                                |                                |
| Accounts payable   | \$ 132,648          | \$ 6,686                       | \$ 139,334                     |
| Accrued salaries and benefits  | 37,740              | -                              | 37,740                         |
| Due to other governments   | 2,498,005           | 4,834                          | 2,502,839                      |
| Escrow and performance deposits  | 8,046               | -                              | 8,046                          |
| <b>Total liabilities</b>   | <b>2,676,439</b>    | <b>11,520</b>                  | <b>2,687,959</b>               |
| <b>DEFERRED INFLOWS OF RESOURCES</b>   |                     |                                |                                |
| Unavailable revenue - property taxes   | 272,569             | -                              | 272,569                        |
| Unavailable revenue - grants   | -                   | 13,679                         | 13,679                         |
| <b>Total deferred inflows of resources</b>                                     | <b>272,569</b>      | <b>13,679</b>                  | <b>286,248</b>                 |
| <b>FUND BALANCES</b>   |                     |                                |                                |
| Nonspendable   | 4,562               | 1,375                          | 5,937                          |
| Restricted   | 6,136               | 11,173                         | 17,309                         |
| Committed  | 230,305             | 48,673                         | 278,978                        |
| Assigned   | 63,280              | -                              | 63,280                         |
| Unassigned   | 1,547,546           | -                              | 1,547,546                      |
| <b>Total fund balances</b>   | <b>1,851,829</b>    | <b>61,221</b>                  | <b>1,913,050</b>               |
| <b>Total liabilities, deferred inflows<br/>of resources, and fund balances</b> | <b>\$ 4,800,837</b> | <b>\$ 86,420</b>               | <b>\$ 4,887,257</b>            |

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, 2014**

|   |                    |                            |
|---|--------------------|----------------------------|
| Total fund balances of governmental funds (Exhibit C-1)   |                    | \$ 1,913,050               |
| 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  | \$ 7,000,820       |                            |
| Less accumulated depreciation   | <u>(2,780,860)</u> | 4,219,960                  |
| 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  | \$ 265,581         |                            |
| Allowance for uncollectible property taxes  | <u>(33,553)</u>    | 232,028                    |
| Interest on long-term debt is not accrued in governmental funds.  |                    |                            |
| Accrued interest payable  |                    | (6,389)                    |
| Long-term liabilities are not due and payable in the current period, therefore, are not reported in the funds.                                |                    |                            |
| Capital leases  | \$ 496,446         |                            |
| Compensated absences  | 57,383             |                            |
| Other postemployment benefits   | 206,095            |                            |
| Accrued landfill postclosure care costs   | <u>87,000</u>      | <u>(846,924)</u>           |
| Net position of governmental activities (Exhibit A)   |                    | <u><u>\$ 5,511,725</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, 2014**

|   | General             | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|---------------------|--------------------------------|--------------------------------|
| <b>REVENUES</b>                                     |                     |                                |                                |
| Taxes   | \$ 2,804,502        | \$ -                           | \$ 2,804,502                   |
| Licenses and permits                                | 623,197             | -                              | 623,197                        |
| Intergovernmental                                   | 380,396             | 103,578                        | 483,974                        |
| Charges for services                                | 130,358             | 16,003                         | 146,361                        |
| Miscellaneous                                       | 195,756             | 135                            | 195,891                        |
| Total revenues                                      | <u>4,134,209</u>    | <u>119,716</u>                 | <u>4,253,925</u>               |
| <b>EXPENDITURES</b>                                 |                     |                                |                                |
| Current:  |                     |                                |                                |
| General government                                  | 1,221,024           | 1,229                          | 1,222,253                      |
| Public safety                                       | 1,436,866           | 29,095                         | 1,465,961                      |
| Highways and streets                                | 660,882             | 80,178                         | 741,060                        |
| Sanitation  | 150,985             | -                              | 150,985                        |
| Health  | 25,007              | -                              | 25,007                         |
| Welfare   | 55,820              | -                              | 55,820                         |
| Culture and recreation                              | 108,116             | -                              | 108,116                        |
| Conservation  | 1,332               | -                              | 1,332                          |
| Capital outlay                                      | 195,795             | -                              | 195,795                        |
| Total expenditures                                  | <u>3,855,827</u>    | <u>110,502</u>                 | <u>3,966,329</u>               |
| Excess of revenues over expenditures                | 278,382             | 9,214                          | 287,596                        |
| <b>OTHER FINANCING SOURCES</b>                      |                     |                                |                                |
| Capital leases                                      | 191,822             | -                              | 191,822                        |
| Net change in fund balances                         | 470,204             | 9,214                          | 479,418                        |
| Fund balances, beginning, as restated (see Note 15) | 1,381,625           | 52,007                         | 1,433,632                      |
| Fund balances, ending                               | <u>\$ 1,851,829</u> | <u>\$ 61,221</u>               | <u>\$ 1,913,050</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, 2014**

|  |                  |                          |
|--|------------------|--------------------------|
| Net change in fund balances of governmental funds (Exhibit C-3)  |                  | \$ 479,418               |
| <p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>  |                  |                          |
| <p>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.</p> |                  |                          |
| Capitalized capital outlay   | \$ 176,955       |                          |
| Depreciation expense   | <u>(130,489)</u> | 46,466                   |
| <p>Revenue in the Statement of Activities that does not provide current financial resources is not reported as revenue in the governmental funds.</p>  |                  |                          |
| Change in deferred tax revenue   | \$ (30,428)      |                          |
| Change in allowance for uncollectible property taxes   | <u>(1,624)</u>   | (32,052)                 |
| <p>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.</p>                             |                  |                          |
| Inception of capital leases  | \$ (191,822)     |                          |
| Repayment of capital leases  | <u>153,388</u>   | (38,434)                 |
| <p>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.</p>   |                  |                          |
| Decrease in accrued interest expense   | \$ 2,470         |                          |
| Increase in compensated absences payable   | (16,323)         |                          |
| Decrease in accrued landfill postclosure care costs  | 3,000            |                          |
| Increase in postemployment benefits payable  | <u>(60,175)</u>  | (71,028)                 |
| Changes in net position of governmental activities (Exhibit B)   |                  | <u><u>\$ 384,370</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, 2014**

|   | Budgeted Amounts |                  | Actual              | Variance<br>Positive<br>(Negative) |
|---|------------------|------------------|---------------------|------------------------------------|
|   | Original         | Final            |                     |                                    |
| <b>REVENUES</b>   |                  |                  |                     |                                    |
| Taxes   | \$ 2,802,651     | \$ 2,802,651     | \$ 2,772,450        | \$ (30,201)                        |
| Licenses and permits  | 545,100          | 545,100          | 623,197             | 78,097                             |
| Intergovernmental   | 382,688          | 382,688          | 366,931             | (15,757)                           |
| Charges for services  | 125,000          | 125,000          | 130,358             | 5,358                              |
| Miscellaneous   | 38,200           | 38,200           | 187,656             | 149,456                            |
| Total revenues  | <u>3,893,639</u> | <u>3,893,639</u> | <u>4,080,592</u>    | <u>186,953</u>                     |
| <b>EXPENDITURES</b>   |                  |                  |                     |                                    |
| Current:  |                  |                  |                     |                                    |
| General government  | 1,304,786        | 1,303,486        | 1,202,152           | 101,334                            |
| Public safety   | 1,534,927        | 1,546,471        | 1,394,918           | 151,553                            |
| Highways and streets  | 525,029          | 504,746          | 518,471             | (13,725)                           |
| Sanitation  | 161,540          | 170,279          | 150,985             | 19,294                             |
| Health  | 37,482           | 37,482           | 25,007              | 12,475                             |
| Welfare   | 63,908           | 63,908           | 55,820              | 8,088                              |
| Culture and recreation  | 82,181           | 82,181           | 83,893              | (1,712)                            |
| Conservation  | 9                | 1,309            | 1,332               | (23)                               |
| Economic development  | 1,050            | 1,050            | -                   | 1,050                              |
| Debt service:   |                  |                  |                     |                                    |
| Interest  | 15,000           | 15,000           | -                   | 15,000                             |
| Capital outlay  | 147,727          | 147,727          | 195,795             | (48,068)                           |
| Total expenditures  | <u>3,873,639</u> | <u>3,873,639</u> | <u>3,628,373</u>    | <u>245,266</u>                     |
| Excess of revenue over expenditures                           | <u>20,000</u>    | <u>20,000</u>    | <u>452,219</u>      | <u>432,219</u>                     |
| <b>OTHER FINANCING SOURCES (USES)</b>                         |                  |                  |                     |                                    |
| Transfers in  | -                | -                | 3,400               | 3,400                              |
| Transfers out   | (20,000)         | (20,000)         | (20,000)            | -                                  |
| Total other financing sources (uses)                          | <u>(20,000)</u>  | <u>(20,000)</u>  | <u>(16,600)</u>     | <u>3,400</u>                       |
| Net change in fund balances                                   | <u>\$ -</u>      | <u>\$ -</u>      | 435,619             | <u>\$ 435,619</u>                  |
| Decrease in nonspendable fund balance                         |                  |                  | 24,894              |                                    |
| Unassigned fund balance, beginning, as restated (see Note 15) |                  |                  | 1,319,061           |                                    |
| Unassigned fund balance, ending                               |                  |                  | <u>\$ 1,779,574</u> |                                    |

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

**EXHIBIT E-1**  
**TOWN OF ALLENSTOWN, NEW HAMPSHIRE**  
**Proprietary Fund**  
**Statement of Net Position**  
**December 31, 2014**

|   | Business-type<br>Activities           |
|---|---------------------------------------|
|   | Enterprise Fund<br>(Sewer Department) |
| <b>ASSETS</b>                                   |                                       |
| Cash and cash equivalents                       | \$ 314,128                            |
| Investments                                     | 1,383,328                             |
| Receivables, net of allowance for uncollectible | 254,508                               |
| Prepaid items                                   | 8,309                                 |
| Capital assets:                                 |                                       |
| Land and construction in progress               | 51,721                                |
| Other capital assets, net of depreciation       | 3,355,247                             |
| Total assets                                    | 5,367,241                             |
| <b>LIABILITIES</b>                              |                                       |
| Current liabilities:                            |                                       |
| Accounts payable                                | 15,008                                |
| Accrued salaries and benefits                   | 1,251                                 |
| Total liabilities                               | 16,259                                |
| <b>NET POSITION</b>                             |                                       |
| Net investment in capital assets                | 3,406,968                             |
| Unrestricted                                    | 1,944,014                             |
| Total net position                              | \$ 5,350,982                          |

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

**EXHIBIT E-2**  
**TOWN OF ALLENSTOWN, NEW HAMPSHIRE**  
**Proprietary Fund**  
**Statement of Revenues, Expenses, and Change in Net Position**  
**For the Fiscal Year Ended December 31, 2014**

|                                  | Business-type<br>Activities           |
|----------------------------------|---------------------------------------|
|                                  | Enterprise Fund<br>(Sewer Department) |
| Operating revenues:              |                                       |
| User charges                     | \$ 2,327,194                          |
| Miscellaneous                    | 9,851                                 |
| Total operating revenues         | 2,337,045                             |
| Operating expenses:              |                                       |
| Salaries and wages               | 574,429                               |
| Operation and maintenance        | 1,490,900                             |
| Depreciation                     | 177,633                               |
| Total operating expenses         | 2,242,962                             |
| Operating gain                   | 94,083                                |
| Nonoperating revenue (expenses): |                                       |
| Investment and interest income   | 8,298                                 |
| Investment fees                  | (5,531)                               |
| Total nonoperating revenues      | 2,767                                 |
| Change in net position           | 96,850                                |
| Net position, beginning          | 5,254,132                             |
| Net position, ending             | \$ 5,350,982                          |

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, 2014**

|   | Business-type<br>Activities<br><u>Enterprise Fund</u><br><u>(Sewer Department)</u> |
|---|--|
| Cash flows from operating activities:                     |  |
| Receipts from customers and users                         | \$ 2,391,738   |
| Payments to employees                                     | (573,178)  |
| Payments to suppliers                                     | (1,544,415)  |
| Net cash provided by operating activities                 | <u>274,145</u>   |
| Cash flows from capital and related financing activities: |  |
| Acquisition and construction of fixed assets              | (303,185)  |
| Fixed asset disposals                                     | 176,608  |
| Net cash used by capital and related financing activities | <u>(126,577)</u>   |
| Cash flows from non-capital financing activities:         |  |
| Transfer to capital reserves                              | <u>(210,173)</u>   |
| Cash flows from investing activities:                     |  |
| Interest income   | <u>105</u>   |
| Net decrease in cash                                      | (62,500)   |
| Cash, beginning   | 376,628  |
| Cash, ending  | <u>\$ 314,128</u>  |

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

|   |                   |
|---|-------------------|
| Operating gain  | <u>\$ 94,083</u>  |
| Adjustments to reconcile operating gain to net cash provided by operating activities: |                   |
| Depreciation expense  | 177,633           |
| Decrease in receivables   | 54,693            |
| Increase in prepaid items   | (8,309)           |
| Decrease in accounts payable  | (45,206)          |
| Increase in accrued salaries and benefits   | 1,251             |
| Total adjustments   | <u>180,062</u>    |
| Net cash provided by operating activities   | <u>\$ 274,145</u> |

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

**EXHIBIT F**  
**TOWN OF ALLENSTOWN, NEW HAMPSHIRE**  
**Fiduciary Funds**  
**Statement of Net Position**  
**December 31, 2014**

|                                 | <u>Agency</u>  |
|---------------------------------|----------------|
| <b>ASSETS</b>                   |                |
| Investments                     | \$ 116,048     |
| <b>LIABILITIES</b>              |                |
| Due to other governmental units | <u>116,048</u> |
| <b>NET POSITION</b>             | <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, 2014**

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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, 2014**

**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; (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, deferred inflows of resources, 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 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 the major enterprise fund 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.

**TOWN OF ALLENSTOWN, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2014**

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 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 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 fund type:

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

**TOWN OF ALLENSTOWN, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2014**

***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 expenses as the items are used.

***1-J Capital Assets***

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements.

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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.

Interest incurred during the construction phase of capital assets of the enterprise fund 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:

| <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 accordance with GASB Statement No. 34, the Town reports its major general infrastructure assets prospectively since the Town is a Phase 3 entity. This prospective reporting became effective for the Town January 1, 2004. Phase 3 governments are encouraged but are not required to report major general infrastructure assets retroactively.

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.

***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 May 17, 2014 and October 22, 2014. 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, 2014 utilized in the setting of the tax rate was as follows:

|                                     |                |
|-------------------------------------|----------------|
| For the New Hampshire education tax | \$ 237,957.536 |
| For all other taxes                 | \$ 245,729.936 |

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The tax rates and amounts assessed for the year ended December 31, 2014 were as follows:

|                        | Per \$1,000<br>of Assessed<br>Valuation | Property<br>Taxes<br>Assessed |
|------------------------|---|-------------------------------|
| Municipal portion      | \$11.66                                 | \$ 2,866,016                  |
| School portion:        |   |                               |
| State of New Hampshire | \$2.28                                  | 542,535                       |
| Local                  | \$16.81                                 | 4,129,642                     |
| County portion         | \$3.03                                  | 744,843                       |
| Total                  |   | \$ 8,283,036                  |

***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.

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

***Fund Balance Classifications*** - 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.

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**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.

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

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

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

**NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**2-A Budgetary Information**

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

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

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

State statutes require balanced budgets, but provide for the use of beginning unassigned fund balance to achieve that end. For the fiscal year 2014, none 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.

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

|   |                     |
|---|---------------------|
| Revenues and other financing sources:                                 |                     |
| Per Exhibit D (budgetary basis)                                       | \$ 4,083,992        |
| Adjustment:   |                     |
| Basis difference:   |                     |
| Inception of capital leases   | 191,822             |
| GASB Statement No. 54:  |                     |
| To record miscellaneous income of the blended funds                   | 21,565              |
| To eliminate transfers between blended funds                          | (3,400)             |
| Change in property tax revenue relating to 60-day revenue recognition | 30,428              |
| Change in allowance for uncollectible property taxes                  | 1,624               |
| Per Exhibit C-3 (GAAP basis)  | <u>\$ 4,326,031</u> |
| Expenditures and other financing uses:                                |                     |
| Per Exhibit D (budgetary basis)                                       | \$ 3,648,373        |
| Adjustment:   |                     |
| Basis differences:  |                     |
| Encumbrances, beginning   | 73,683              |
| Encumbrances, ending  | (63,280)            |
| Inception of capital leases   | 191,822             |
| GASB Statement No. 54:  |                     |
| To record expenditures of the blended funds                           | 25,229              |
| To eliminate transfers between general and expendable trust funds     | (20,000)            |
| Per Exhibit C-3 (GAAP basis)  | <u>\$ 3,855,827</u> |

**DETAILED NOTES ON ALL FUNDS**

**NOTE 3 – CASH AND CASH EQUIVALENTS**

At December 31, 2014, the reported amount of the Town's deposits was \$3,865,572 (Exhibit A) and the bank balance was \$4,006,015. Of the bank balance \$3,976,086 was covered by federal depository insurance or by collateral held by the Town's agent in the Town's name, and \$29,929 was uninsured and uncollateralized. Petty cash totaled \$5,274.

**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, 2014, this Town had the following investments and maturities:

|  | <u>Fair Value</u> | <u>1-5 Years</u>    | <u>6-10 Years</u> | <u>Total</u>        |
|--|-------------------|---------------------|-------------------|---------------------|
| Investments type:                            |                   |                     |                   |                     |
| U.S. Government obligations                  | \$ -              | \$ 531,479          | \$ 522,652        | \$ 1,054,131        |
| Corporate bonds                              | -                 | 494,726             | 63,465            | 558,191             |
| Fixed income mutual funds                    | 122,974           | -                   | -                 | 122,974             |
| New Hampshire Public Deposit Investment Pool | 905               | -                   | -                 | 905                 |
| Total fair value                             | <u>\$ 123,879</u> | <u>\$ 1,026,205</u> | <u>\$ 586,117</u> | <u>\$ 1,736,201</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.



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**Credit Risk** - State law limits investments as explained in Note 1-F. As of December 31, 2014, the Town's investments had the following credit ratings:

|                                       | Amount       | Rating* |
|---------------------------------------|--------------|---------|
| U.S. Government obligations:          |              |         |
| Federal Home Loan Mortgage Corp       | \$ 135,071   | Aaa     |
| Federal National Mortgage Association | 46,115       | Aaa     |
| U.S. Treasury Notes                   | 872,945      | Aaa     |
|                                       | 1,054,131    |         |
| Corporate bonds:                      |              |         |
| AT & T                                | 35,071       | A3      |
| Bhp Finance USA                       | 15,124       | A1      |
| Bank of America                       | 14,946       | A2      |
| Branch Bk. & Trust                    | 50,296       | A1      |
| Coca-Cola Co.                         | 35,584       | Aa3     |
| Comcast Corp.                         | 31,806       | A3      |
| General Electric Cap. Corp.           | 45,276       | A1      |
| Home Depot Inc.                       | 31,659       | A2      |
| JP Morgan Chase                       | 49,999       | A3      |
| Ontario Province                      | 45,602       | Aa2     |
| Royal Bank of CA                      | 50,019       | Aa3     |
| US Bank Na. Cinn.                     | 34,971       | Aa3     |
| Wal-Mart Stores                       | 51,056       | Aa2     |
| Wells Fargo & Co.                     | 66,782       | A2      |
|                                       | 558,191      |         |
|                                       | \$ 1,612,322 |         |

\*Ratings per Moody's

**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)                   | \$ 1,620,153 |
| Investments per Fiduciary Funds - Statement of Net Position (Exhibit F) | 116,048      |
| Total investments   | \$ 1,736,201 |

**NOTE 5 – TAXES RECEIVABLE**

Taxes receivable represent the amount of current and prior year taxes which have not been collected as of December 31, 2014. The amount has been reduced by an allowance for an estimated uncollectible amount of \$33,553. Taxes receivable by year are as follows:

|   | As reported on: |             |
|---|-----------------|-------------|
|   | Exhibit A       | Exhibit C-1 |
| Property:   |                 |             |
| Levy of 2014                                      | \$ 665,095      | \$ 665,095  |
| Unredeemed (under tax lien):                      |                 |             |
| Levy of 2013                                      | 207,553         | 207,553     |
| Levy of 2012                                      | 98,127          | 98,127      |
| Levies of 2011 and prior                          | 16,568          | 16,568      |
| Less: allowance for estimated uncollectible taxes | (33,553) *      | -           |
| Net taxes receivable                              | \$ 953,790      | \$ 987,343  |

\*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).

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**NOTE 6 – OTHER RECEIVABLES**

Receivables at December 31, 2014, 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, 2014 consisted of the following:

|   | <u>Balance,<br/>beginning</u> | <u>Additions</u>  | <u>Disposals</u>    | <u>Balance,<br/>ending</u> |
|---|-------------------------------|-------------------|---------------------|----------------------------|
| <b>Governmental activities:</b>                             |                               |                   |                     |                            |
| At cost:  |                               |                   |                     |                            |
| Not being depreciated:                                      |                               |                   |                     |                            |
| Land*   | \$ 2,692,450                  | \$ 4,975          | \$ (28,170)         | \$ 2,669,255               |
| Being depreciated:  |                               |                   |                     |                            |
| Buildings and building improvements                         | 1,101,672                     | -                 | -                   | 1,101,672                  |
| Machinery, equipment, and vehicles                          | 3,029,743                     | 245,150           | (45,000)            | 3,229,893                  |
| Total capital assets being depreciated                      | <u>4,131,415</u>              | <u>245,150</u>    | <u>(45,000)</u>     | <u>4,331,565</u>           |
| Total all capital assets                                    | <u>6,823,865</u>              | <u>250,125</u>    | <u>(73,170)</u>     | <u>7,000,820</u>           |
| Less accumulated depreciation:                              |                               |                   |                     |                            |
| Buildings and building improvements                         | (417,680)                     | (26,180)          | -                   | (443,860)                  |
| Machinery, equipment, and vehicles                          | (2,232,691)                   | (149,309)         | 45,000              | (2,337,000)                |
| Total accumulated depreciation                              | <u>(2,650,371)</u>            | <u>(175,489)</u>  | <u>45,000</u>       | <u>(2,780,860)</u>         |
| Net book value, capital assets being depreciated            | 1,481,044                     | 69,661            | -                   | 1,550,705                  |
| Net book value, all governmental activities capital assets  | <u>\$ 4,173,494</u>           | <u>\$ 74,636</u>  | <u>\$ (28,170)</u>  | <u>\$ 4,219,960</u>        |
|   | <u>Balance,<br/>beginning</u> | <u>Additions</u>  | <u>Disposals</u>    | <u>Balance,<br/>ending</u> |
| <b>Business-type activities:</b>                            |                               |                   |                     |                            |
| At cost:  |                               |                   |                     |                            |
| Not being depreciated:                                      |                               |                   |                     |                            |
| Land  | \$ 25,962                     | \$ -              | \$ -                | \$ 25,962                  |
| Construction in progress                                    | 101,290                       | 53,077            | (128,608)           | 25,759                     |
| Total capital assets not being depreciated                  | <u>127,252</u>                | <u>53,077</u>     | <u>(128,608)</u>    | <u>51,721</u>              |
| Being depreciated:  |                               |                   |                     |                            |
| Land improvements   | 125,230                       | -                 | -                   | 125,230                    |
| Buildings   | 1,027,293                     | 128,608           | -                   | 1,155,901                  |
| Machinery, equipment, and vehicles                          | 1,323,846                     | 107,500           | (80,000)            | 1,351,346                  |
| Infrastructure  | 3,825,671                     | 14,000            | -                   | 3,839,671                  |
| Total capital assets being depreciated                      | <u>6,302,040</u>              | <u>250,108</u>    | <u>(80,000)</u>     | <u>6,472,148</u>           |
| Total all capital assets                                    | <u>6,429,292</u>              | <u>303,185</u>    | <u>(208,608)</u>    | <u>6,523,869</u>           |
| Less accumulated depreciation:                              |                               |                   |                     |                            |
| Land improvements   | (115,838)                     | (3,131)           | -                   | (118,969)                  |
| Buildings   | (661,137)                     | (13,215)          | -                   | (674,352)                  |
| Machinery, equipment, and vehicles                          | (801,977)                     | (63,476)          | 32,000              | (833,453)                  |
| Infrastructure  | (1,392,316)                   | (97,811)          | -                   | (1,490,127)                |
| Total accumulated depreciation                              | <u>(2,971,268)</u>            | <u>(177,633)</u>  | <u>32,000</u>       | <u>(3,116,901)</u>         |
| Net book value, capital assets being depreciated            | 3,330,772                     | 72,475            | (48,000)            | 3,355,247                  |
| Net book value, all business-type activities capital assets | <u>\$ 3,458,024</u>           | <u>\$ 125,552</u> | <u>\$ (176,608)</u> | <u>\$ 3,406,968</u>        |

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\*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. 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."

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                   | \$ 4,494   |
| Public safety                        | 88,885     |
| Highways and streets                 | 74,586     |
| Culture and recreation               | 7,524      |
| Total depreciation expense           | \$ 175,489 |
| <br><b>Business-type activities:</b> |            |
| Sewer                                | \$ 177,633 |

**NOTE 8 – INTERGOVERNMENTAL PAYABLES**

Amounts due to other governments of \$2,618,887 at December 31, 2014 consist of the following:

|  |              |
|--|--------------|
| General fund:  |              |
| Balance of the 2014-2015 district assessment due to the Allenstown School District | \$ 2,497,177 |
| Miscellaneous fees due to the State of New Hampshire                               | 828          |
| Total general fund   | 2,498,005    |
| Nonmajor funds:  |              |
| Unspent grant monies due to the federal government                                 | 4,834        |
| Agency fund:   |              |
| Balance of trust funds belonging to the Allenstown School District                 | 116,048      |
| Total intergovernmental payables due   | \$ 2,618,887 |

**NOTE 9 – DEFERRED INFLOW OF RESOURCES**

Deferred inflows of resources of \$286,248 at December 31, 2014 consist of the following:

|  | General<br>Fund | Nonmajor<br>Governmental<br>Funds | Totals     |
|--|-----------------|-----------------------------------|------------|
| Town's portion of property taxes not collected within 60 days of the fiscal year-end | \$ 265,581 *    | \$ -                              | \$ 265,581 |
| Property taxes paid in advance of warrants   | 6,988           | -                                 | 6,988      |
| Federal grant revenue collected in advance of eligible expenditure being made        | -               | 13,679                            | 13,679     |
| Total deferred inflows of resources  | \$ 272,569      | \$ 13,679                         | \$ 286,248 |

\*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.

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**NOTE 10 – CAPITAL LEASES**

The Town has entered into certain lease agreements that for accounting purposes, qualify as capital leases, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

|                                 | Standard<br>Interest<br>Rate | Present Value<br>of Remaining<br>Payments as of<br>December 31,<br>2014 |
|---------------------------------|------------------------------|---|
| Capital lease obligations:      |                              |   |
| Police vehicle                  | 6.00%                        | \$ 11,506   |
| Fire truck                      | 2.52%                        | 239,813   |
| Wheel loader                    | 2.75%                        | 97,997  |
| Dump truck                      | 2.69%                        | 126,170   |
| Police vehicle                  | 3.29%                        | 20,960  |
| Total capital lease obligations |                              | <u>\$ 496,446</u>   |

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

|                                | Governmental<br>Activities |
|--------------------------------|----------------------------|
| Equipment:                     |                            |
| Police vehicle                 | \$ 37,879                  |
| Police vehicle                 | 34,556                     |
| Fire truck                     | 399,853                    |
| Wheel loader                   | 109,000                    |
| Dump truck                     | 164,500                    |
| Police vehicle                 | 33,000                     |
| Total equipment                | <u>778,788</u>             |
| Less: accumulated depreciation | 89,089                     |
| Total capital lease equipment  | <u>\$ 689,699</u>          |

The annual requirements to amortize the capital leases payable as of December 31, 2014, including interest payments, are as follows:

| Fiscal Year Ending<br>December 31,  | Governmental<br>Activities |
|-------------------------------------|----------------------------|
| 2015                                | \$ 154,888                 |
| 2016                                | 159,192                    |
| 2017                                | 148,192                    |
| 2018                                | 64,192                     |
| Total requirements                  | <u>526,464</u>             |
| Less: interest                      | (30,018)                   |
| Present value of remaining payments | <u>\$ 496,446</u>          |

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

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**NOTE 11 – LONG-TERM LIABILITIES**

Changes in the Town’s long-term liabilities consisted of the following for the year ended December 31, 2014:

|   | Balance<br>January 1,<br>2014 | Additions         | Reductions          | Balance<br>December 31,<br>2014 | Due Within<br>One Year |
|---|-------------------------------|-------------------|---------------------|---------------------------------|------------------------|
| <b>Governmental activities:</b>         |                               |                   |                     |                                 |                        |
| Capital leases                          | \$ 458,012                    | \$ 191,822        | \$ (153,388)        | \$ 496,446                      | \$ 141,377             |
| Compensated absences                    | 41,060                        | 16,323            | -                   | 57,383                          | -                      |
| Accrued landfill postclosure care costs | 90,000                        | -                 | (3,000)             | 87,000                          | 3,000                  |
| Net other postemployment benefits       | 145,920                       | 60,175            | -                   | 206,095                         | -                      |
| Total long-term liabilities             | <u>\$ 734,992</u>             | <u>\$ 268,320</u> | <u>\$ (156,388)</u> | <u>\$ 846,924</u>               | <u>\$ 144,377</u>      |

**Accrued Landfill Postclosure Care Costs** – The Town ceased operating its landfill in past years. The New Hampshire Department of Environmental Services (NHDES) Groundwater Management Permit (GMP) currently requires annual water quality monitoring and reporting. The landfill is no longer active and has not been required by the NHDES to have an engineered cap constructed. A liability is being recognized based on the future postclosure care costs that will be incurred. The estimated liability for landfill postclosure care costs has a balance of \$87,000 as of December 31, 2014. 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, 2014. 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 \$7,746 at year-end.

**NOTE 12 – ENCUMBRANCES**

Encumbrances outstanding at December 31, 2014 are as follows:

|                      |                  |
|----------------------|------------------|
| General fund:        |                  |
| General government   | \$ 5,795         |
| Highways and streets | 57,485           |
| Total encumbrances   | <u>\$ 63,280</u> |

**NOTE 13 – 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, 2014 include the following:

|  | Governmental<br>Activities | Business-type<br>Activities | Total                |
|--|----------------------------|-----------------------------|----------------------|
| Net investment in capital assets:      |                            |                             |                      |
| Net property, buildings, and equipment | \$ 4,219,960               | \$ 3,406,968                | \$ 7,626,928         |
| Less:                                  |                            |                             |                      |
| Capital leases payable                 | (496,446)                  | -                           | (496,446)            |
| Total net investment in capital assets | <u>3,723,514</u>           | <u>3,406,968</u>            | <u>7,130,482</u>     |
| Restricted net position for:           |                            |                             |                      |
| Library purposes                       | 6,136                      | -                           | 6,136                |
| Perpetual care - principal portion     | 1,375                      | -                           | 1,375                |
| Perpetual care - income portion        | 4,240                      | -                           | 4,240                |
| Drug forfeiture                        | 6,933                      | -                           | 6,933                |
| Total restricted                       | <u>18,684</u>              | <u>-</u>                    | <u>18,684</u>        |
| Unrestricted                           | 1,769,527                  | 1,944,014                   | 3,713,541            |
| Total net position                     | <u>\$ 5,511,725</u>        | <u>\$ 5,350,982</u>         | <u>\$ 10,862,707</u> |

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**NOTE 14 – GOVERNMENTAL FUND BALANCES**

Governmental fund balances reported on the fund financial statements at December 31, 2014 include the following:

|                                       | General<br>Fund     | Nonmajor<br>Funds | Total<br>Governmental<br>Funds |
|---------------------------------------|---------------------|-------------------|--------------------------------|
| <b>Nonspendable:</b>                  |                     |                   |                                |
| Prepaid items                         | \$ 4,562            | \$ -              | \$ 4,562                       |
| Permanent fund - principal balance    | -                   | 1,375             | 1,375                          |
| Total nonspendable fund balance       | <u>4,562</u>        | <u>1,375</u>      | <u>5,937</u>                   |
| <b>Restricted:</b>                    |                     |                   |                                |
| Library                               | 6,136               | -                 | 6,136                          |
| Permanent fund - income balance       | -                   | 4,240             | 4,240                          |
| DARE fund                             | -                   | 6,933             | 6,933                          |
| Total restricted fund balance         | <u>6,136</u>        | <u>11,173</u>     | <u>17,309</u>                  |
| <b>Committed:</b>                     |                     |                   |                                |
| Expendable trust                      | 230,305             | -                 | 230,305                        |
| Conservation commission               | -                   | 1,352             | 1,352                          |
| Recreation revolving fund             | -                   | 138               | 138                            |
| Public safety services revolving fund | -                   | 33,041            | 33,041                         |
| Recycling revolving fund              | -                   | 14,142            | 14,142                         |
| Total committed fund balance          | <u>230,305</u>      | <u>48,673</u>     | <u>278,978</u>                 |
| <b>Assigned:</b>                      |                     |                   |                                |
| Encumbrances                          | 63,280              | -                 | 63,280                         |
| <b>Unassigned</b>                     | <u>1,547,546</u>    | <u>-</u>          | <u>1,547,546</u>               |
| Total governmental fund balances      | <u>\$ 1,851,829</u> | <u>\$ 61,221</u>  | <u>\$ 1,913,050</u>            |

**NOTE 15 – PRIOR PERIOD ADJUSTMENTS**

Net position/fund balance at January 1, 2014 was restated to give retroactive effect to the following prior period adjustments:

|   | Government-wide<br>Statements | General<br>Fund<br>(Exhibit C-3) | General<br>Fund<br>(Schedule 3) |
|---|-------------------------------|----------------------------------|---------------------------------|
| To adjust for school and county portions of property taxes which were previously reported as deferred inflows | \$ -                          | \$ 603,989                       | \$ -                            |
| To adjust for Safe Routes to Schools grant receivable which was overstated in the prior year                  | (16,982)                      | (16,982)                         | (16,982)                        |
| Net position/fund balance, as previously reported   | 5,144,337                     | 794,618                          | 1,336,043                       |
| Net position/fund balance, as restated  | <u>\$ 5,127,355</u>           | <u>\$ 1,381,625</u>              | <u>\$ 1,319,061</u>             |

**NOTE 16 – 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.

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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 2014, 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 2014 for pension and medical subsidy were 25.30% for police officers, 27.74% for firefighters, and 10.77% for all other employees.

The contribution requirements for the Town of Allenstown for the fiscal years 2012, 2013, and 2014 were \$161,797, \$179,127, and \$250,388, respectively, which were paid in full in each year.

**457(b) Retirement Plan** – The Town also contributes to a 457(b) defined contribution plan for certain employees. The contribution rate is 10.77%. The total amount contributed by the Town for the fiscal year was \$8,026.

**NOTE 17 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

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

The Governmental Accounting Standards Board (GASB) issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. GASB Statement No. 45, was implemented by the Town during fiscal year 2014, and requires that the long-term cost of retirement health care and obligations for other postemployment benefits (OPEB) be determined on an actuarial basis and reported similar to pension plans. GASB Statement No. 45 does not mandate the pre-funding of postemployment benefit liabilities. However, any pre-funding of these benefits will help minimize or eliminate the postemployment benefit obligation that will be required to be reported on the financial statements.

The Town has only partially funded (on a pay-as-you-go basis) the annual required contribution (ARC), an actuarially determined rate in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table presents the OPEB cost for the year, the amount contributed and changes in the OPEB plan for fiscal year 2014:

|  |                          |
|--|--------------------------|
| Annual required contribution/OPEB cost     | \$ 71,540                |
| Interest Net OPEB obligation               | 5,837                    |
| Adjustment to annual required contribution | (5,799)                  |
| Contributions made (pay-as-you-go)         | <u>(11,403)</u>          |
| Increase in net OPEB obligation            | 60,175                   |
| Net OPEB obligation, beginning             | 145,920                  |
| Net OPEB obligation, ending                | <u><u>\$ 206,095</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 2014 and the two preceding years were as follows:

| Fiscal Year<br>Ended | Annual<br>OPEB<br>Contribution<br>Cost | Actual<br>Contributions<br>(pay-as-you-go) | Percentage<br>Contributed | Net OPEB<br>Obligation |
|----------------------|--|--|---------------------------|------------------------|
| 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              |

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As of January 1, 2014, the date of the most recent actuarial valuation, the actuarial accrued liability (AAL) for benefits was \$389,187, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$389,187. The covered payroll (annual payroll of active employees covered by the plan) was \$1,523,358 during fiscal year 2014, and the ratio of the UAAL to the covered payroll was 25.5%.

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, 2014 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 9% 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 July 1, 2013 was 30 years.

**NOTE 18 – RISK MANAGEMENT**

The Town is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. During fiscal year 2014, 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 public entity risk pools, currently operating as common risk management and insurance programs for member Towns and cities.

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

Contributions paid in fiscal year ending June 30, 2014, to be recorded as an insurance expenditure totaled \$61,525. There were no unpaid contributions for the year ended June 30, 2014.

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, 2014 to December 31, 2014 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, 2014 was \$36,206 for workers' compensation.

The Town received a premium holiday during fiscal year 2014 in the amount of \$60,648.

**NOTE 19 – 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.



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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 20 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS**

The following GASB pronouncements were implemented by the Town for the fiscal year ended December 31, 2014, none of which impacted these financial statements:

**GASB Statement No. 67, *Financial Reporting for Pension Plans***, issued in June 2012. 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.

**GASB Statement No. 69, *Government Combinations and Disposals of Government Operations***, issued in January 2013. 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. The objective of this Statement is to improve accounting and financial reporting by governments that extend and receive nonexchange financial guarantees.

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. 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. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date***, issued in November 2013, should be implemented simultaneously with the provision of Statement No. 68, beginning with the fiscal year ending December 31, 2015. This statement addresses an issue in Statement No. 68 concerning transition provisions related to certain pension contributions made to defend benefit pension plans prior to implementation of that Statement by employers and nonemployer contributing entities.

**GASB Statement No. 72, *Fair Value Measurement and Application***, issued in February 2015, will be effective for the Town beginning with the fiscal year ending December 31, 2016. This Statement addresses accounting and financial reporting issues related to fair value measurements.

**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.

At the Annual Town Meeting held on March 10, 2015, the Town voted to approve warrant articles using 2014 surplus, for the following purposes:

| Article | Purpose                               | Amount            |
|---------|---------------------------------------|-------------------|
| 16      | Highway Garage Capital Reserve        | \$ 80,000         |
| 17      | Landfill Capital Reserve              | 20,000            |
| 18      | Fire Safety Equipment Capital Reserve | 60,000            |
| 20      | Highway Equipment Capital Reserve     | 20,000            |
|         |                                       | <u>\$ 180,000</u> |

***TOWN OF ALLENSTOWN, NEW HAMPSHIRE  
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Additionally, Warrant Article No. 13 was approved to authorize the issuance of bonds or notes of not more than \$30,000 which is to be offset by applying for a Clean Water State Revolving Funds, with it being understood that repayment of loan funds will include up to 50% of forgiveness of the loan principal amount up to \$30,000.

***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, 2014*

| Actuarial<br>Valuation<br>Date | Actuarial<br>Value of<br>Assets<br>(a) | Actuarial<br>Accrued<br>Liability<br>(AAL)<br>(b) | Unfunded<br>AAL<br>(UAAL)<br>(b-a) | Funded<br>Ratio<br>(a/b) | Covered<br>Payroll<br>(c) | UAAL as<br>a Percentage<br>of Covered<br>Payroll<br>((b-a)/c) |
|--------------------------------|--|---|------------------------------------|--------------------------|---------------------------|---|
| January 1, 2011                | \$ -                                   | \$ 378,877  | \$ 378,877                         | 0.00%                    | \$ 1,399,091              | 27.08%  |
| January 1, 2014                | \$ -                                   | \$ 389,187  | \$ 389,187                         | 0.00%                    | \$ 1,523,358              | 25.50%  |

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, 2014.

***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, 2014*

|   | Estimated           | Actual              | Variance<br>Positive<br>(Negative) |
|---|---------------------|---------------------|------------------------------------|
| <b>Taxes:</b>                                     |                     |                     |                                    |
| Property  | \$ 2,662,751        | \$ 2,629,820        | \$ (32,931)                        |
| Land use change                                   | -                   | 1,453               | 1,453                              |
| Yield   | 3,000               | 5,779               | 2,779                              |
| Excavation  | 1,600               | -                   | (1,600)                            |
| Payment in lieu of taxes                          | 5,300               | -                   | (5,300)                            |
| Interest and penalties on taxes                   | 130,000             | 135,398             | 5,398                              |
| Total from taxes                                  | <u>2,802,651</u>    | <u>2,772,450</u>    | <u>(30,201)</u>                    |
| <b>Licenses, permits, and fees:</b>               |                     |                     |                                    |
| Business licenses, permits, and fees              | 600                 | 615                 | 15                                 |
| Motor vehicle permit fees                         | 530,000             | 605,315             | 75,315                             |
| Building permits                                  | 6,500               | 7,645               | 1,145                              |
| Other   | 8,000               | 9,622               | 1,622                              |
| Total from licenses, permits, and fees            | <u>545,100</u>      | <u>623,197</u>      | <u>78,097</u>                      |
| <b>Intergovernmental:</b>                         |                     |                     |                                    |
| <b>State:</b>                                     |                     |                     |                                    |
| Meals and rooms distribution                      | 208,560             | 208,560             | -                                  |
| Highway block grant                               | 77,416              | 77,694              | 278                                |
| State and federal forest land reimbursement       | 2,512               | 2,512               | -                                  |
| Other   | 35,000              | 42,502              | 7,502                              |
| <b>Federal:</b>                                   |                     |                     |                                    |
| FEMA  | 59,200              | 35,663              | (23,537)                           |
| Total from intergovernmental                      | <u>382,688</u>      | <u>366,931</u>      | <u>(15,757)</u>                    |
| <b>Charges for services:</b>                      |                     |                     |                                    |
| Income from departments                           | 125,000             | 130,358             | 5,358                              |
| <b>Miscellaneous:</b>                             |                     |                     |                                    |
| Sale of municipal property                        | 22,900              | 91,297              | 68,397                             |
| Interest on investments                           | 300                 | 785                 | 485                                |
| Fines and forfeits                                | -                   | 1,301               | 1,301                              |
| Insurance dividends and reimbursements            | -                   | 23,665              | 23,665                             |
| Other   | 15,000              | 70,608              | 55,608                             |
| Total from miscellaneous                          | <u>38,200</u>       | <u>187,656</u>      | <u>149,456</u>                     |
| <b>Other financing sources:</b>                   |                     |                     |                                    |
| Transfers in                                      | -                   | 3,400               | 3,400                              |
| <b>Total revenues and other financing sources</b> | <u>\$ 3,893,639</u> | <u>\$ 4,083,992</u> | <u>\$ 190,353</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, 2014**

|                                       | Encumbered<br>from Prior<br>Year | Appropriations   | Expenditures     | Encumbered<br>to Subsequent<br>Year | Variance<br>Positive<br>(Negative) |
|---------------------------------------|----------------------------------|------------------|------------------|-------------------------------------|------------------------------------|
| Current:                              |                                  |                  |                  |                                     |                                    |
| General government:                   |                                  |                  |                  |                                     |                                    |
| Executive                             | \$ -                             | \$ 169,294       | \$ 178,729       | \$ -                                | \$ (9,435)                         |
| Election and registration             | -                                | 54,307           | 47,858           | -                                   | 6,449                              |
| Financial administration              | -                                | 109,641          | 107,999          | -                                   | 1,642                              |
| Revaluation of property               | -                                | 97,603           | 61,430           | -                                   | 36,173                             |
| Legal                                 | 15,000                           | 20,000           | 78,367           | -                                   | (43,367)                           |
| Personnel administration              | -                                | 740,339          | 610,196          | -                                   | 130,143                            |
| Planning and zoning                   | 7,000                            | 21,502           | 28,136           | -                                   | 366                                |
| General government buildings          | 1,661                            | 23,500           | 40,369           | 5,795                               | (21,003)                           |
| Cemeteries                            | -                                | 3                | 110              | -                                   | (107)                              |
| Insurance, not otherwise allocated    | -                                | 62,766           | 62,074           | -                                   | 692                                |
| Advertising and regional associations | -                                | 4,531            | 4,750            | -                                   | (219)                              |
| Total general government              | <u>23,661</u>                    | <u>1,303,486</u> | <u>1,220,018</u> | <u>5,795</u>                        | <u>101,334</u>                     |
| Public safety:                        |                                  |                  |                  |                                     |                                    |
| Police                                | 9,988                            | 903,740          | 823,317          | -                                   | 90,411                             |
| Ambulance                             | -                                | 209,007          | 209,007          | -                                   | -                                  |
| Fire                                  | -                                | 326,281          | 285,753          | -                                   | 40,528                             |
| Building inspection                   | -                                | 33,593           | 44,982           | -                                   | (11,389)                           |
| Emergency management                  | -                                | 73,850           | 41,847           | -                                   | 32,003                             |
| Total public safety                   | <u>9,988</u>                     | <u>1,546,471</u> | <u>1,404,906</u> | <u>-</u>                            | <u>151,553</u>                     |
| Highways and streets:                 |                                  |                  |                  |                                     |                                    |
| Public works garage                   | -                                | 312,156          | 335,684          | -                                   | (23,528)                           |
| Highways and streets                  | 40,034                           | 169,590          | 140,922          | 57,485                              | 11,217                             |
| Street lighting                       | -                                | 23,000           | 24,414           | -                                   | (1,414)                            |
| Total highways and streets            | <u>40,034</u>                    | <u>504,746</u>   | <u>501,020</u>   | <u>57,485</u>                       | <u>(13,725)</u>                    |
| Sanitation:                           |                                  |                  |                  |                                     |                                    |
| Solid waste disposal                  | -                                | 170,279          | 150,985          | -                                   | 19,294                             |
| Health:                               |                                  |                  |                  |                                     |                                    |
| Administration                        | -                                | 7,305            | 5,877            | -                                   | 1,428                              |
| Pest control                          | -                                | 9,970            | 423              | -                                   | 9,547                              |
| Health agencies                       | -                                | 20,207           | 18,707           | -                                   | 1,500                              |
| Total health                          | <u>-</u>                         | <u>37,482</u>    | <u>25,007</u>    | <u>-</u>                            | <u>12,475</u>                      |
| Welfare:                              |                                  |                  |                  |                                     |                                    |
| Administration                        | -                                | 20,009           | 20,486           | -                                   | (477)                              |
| Direct assistance                     | -                                | 43,899           | 35,334           | -                                   | 8,565                              |
| Total welfare                         | <u>-</u>                         | <u>63,908</u>    | <u>55,820</u>    | <u>-</u>                            | <u>8,088</u>                       |
| Culture and recreation:               |                                  |                  |                  |                                     |                                    |
| Parks and recreation                  | -                                | 31,650           | 34,468           | -                                   | (2,818)                            |
| Library                               | -                                | 48,180           | 47,425           | -                                   | 755                                |
| Patriotic purposes                    | -                                | 2,351            | 2,000            | -                                   | 351                                |
| Total culture and recreation          | <u>-</u>                         | <u>82,181</u>    | <u>83,893</u>    | <u>-</u>                            | <u>(1,712)</u>                     |
| Conservation                          | -                                | 1,309            | 1,332            | -                                   | (23)                               |
| Economic development                  | -                                | 1,050            | -                | -                                   | 1,050                              |

*(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, 2014*

|   | Encumbered<br>from Prior<br>Year | Appropriations      | Expenditures        | Encumbered<br>to Subsequent<br>Year | Variance<br>Positive<br>(Negative) |
|---|----------------------------------|---------------------|---------------------|-------------------------------------|------------------------------------|
| Debt service:   |                                  |                     |                     |                                     |                                    |
| Interest on tax anticipation notes  | -                                | 15,000              | -                   | -                                   | 15,000                             |
| Capital outlay  | -                                | 147,727             | 195,795             | -                                   | (48,068)                           |
| Other financing uses:   |                                  |                     |                     |                                     |                                    |
| Transfers out   | -                                | 20,000              | 20,000              | -                                   | -                                  |
| Total appropriations, expenditures,<br>other financing uses, and encumbrances | <u>\$ 73,683</u>                 | <u>\$ 3,893,639</u> | <u>\$ 3,658,776</u> | <u>\$ 63,280</u>                    | <u>\$ 245,266</u>                  |

**SCHEDULE 3**  
**TOWN OF ALLENSTOWN, NEW HAMPSHIRE**  
**Major General Fund**  
**Schedule of Changes in Unassigned Fund Balance**  
**For the Fiscal Year Ended December 31, 2014**

|   |                |                            |
|---|----------------|----------------------------|
| Unassigned fund balance, beginning (Non-GAAP Budgetary Basis), as restated (see Note 15)  |                | \$ 1,319,061               |
| <b>Changes:</b>   |                |                            |
| 2014 Budget summary:  |                |                            |
| Revenue surplus (Schedule 1)  | \$ 190,353     |                            |
| Unexpended balance of appropriations (Schedule 2)   | <u>245,266</u> |                            |
| 2014 Budget surplus   |                | 435,619                    |
| Decrease in nonspendable fund balance   |                | <u>24,894</u>              |
| Unassigned fund balance, ending (Non-GAAP Budgetary Basis)  |                | 1,779,574                  |
| <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 |                | (265,581)                  |
| To remove the allowance for uncollectible property taxes, recognized on a budgetary basis, but not on a GAAP basis                                  |                | <u>33,553</u>              |
| Unassigned fund balance, ending (GAAP basis Exhibit C-1)  |                | <u><u>\$ 1,547,546</u></u> |

**SCHEDULE 4**  
**TOWN OF ALLENSTOWN, NEW HAMPSHIRE**  
*Nonmajor Governmental Funds*  
**Combining Balance Sheet**  
**December 31, 2014**

|  | Special Revenue Funds |                            |                         |          |  |                        |                   | Total     |
|--|-----------------------|----------------------------|-------------------------|----------|--|------------------------|-------------------|-----------|
|  | Grants                | Conservation<br>Commission | Recreation<br>Revolving | DARE     | Public Safety<br>Services<br>Revolving | Recycling<br>Revolving | Permanent<br>Fund |           |
| <b>ASSETS</b>  |                       |                            |                         |          |  |                        |                   |           |
| Cash and cash equivalents  | \$ 2,749              | \$ 1,352                   | \$ 138                  | \$ 6,933 | \$ 33,041                              | \$ 14,142              | \$ -              | \$ 58,355 |
| Investments  | -                     | -                          | -                       | -        | -                                      | -                      | 5,615             | 5,615     |
| Intergovernmental receivables  | 22,450                | -                          | -                       | -        | -                                      | -                      | -                 | 22,450    |
| Total assets   | \$ 25,199             | \$ 1,352                   | \$ 138                  | \$ 6,933 | \$ 33,041                              | \$ 14,142              | \$ 5,615          | \$ 86,420 |
| <b>LIABILITIES</b>   |                       |                            |                         |          |  |                        |                   |           |
| Accounts payable   | \$ 6,686              | \$ -                       | \$ -                    | \$ -     | \$ -                                   | \$ -                   | \$ -              | \$ 6,686  |
| Intergovernmental payable  | 4,834                 | -                          | -                       | -        | -                                      | -                      | -                 | 4,834     |
| Total liabilities  | 11,520                | -                          | -                       | -        | -                                      | -                      | -                 | 11,520    |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                   |                       |                            |                         |          |  |                        |                   |           |
| Unavailable revenue - grants   | 13,679                | -                          | -                       | -        | -                                      | -                      | -                 | 13,679    |
| <b>FUND BALANCES</b>   |                       |                            |                         |          |  |                        |                   |           |
| Nonspendable   | -                     | -                          | -                       | -        | -                                      | -                      | 1,375             | 1,375     |
| Restricted   | -                     | -                          | -                       | 6,933    | -                                      | -                      | 4,240             | 11,173    |
| Committed  | -                     | 1,352                      | 138                     | -        | 33,041                                 | 14,142                 | -                 | 48,673    |
| Total fund balances  | -                     | 1,352                      | 138                     | 6,933    | 33,041                                 | 14,142                 | 5,615             | 61,221    |
| Total liabilities, deferred inflows<br>of resources, and fund balances | \$ 25,199             | \$ 1,352                   | \$ 138                  | \$ 6,933 | \$ 33,041                              | \$ 14,142              | \$ 5,615          | \$ 86,420 |

**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, 2014**

|                             | Special Revenue Funds |                            |                         |          |  |                        |                   | Total      |
|-----------------------------|-----------------------|----------------------------|-------------------------|----------|--|------------------------|-------------------|------------|
|                             | Grants                | Conservation<br>Commission | Recreation<br>Revolving | DARE     | Public Safety<br>Services<br>Revolving | Recycling<br>Revolving | Permanent<br>Fund |            |
| <b>REVENUES</b>             |                       |                            |                         |          |  |                        |                   |            |
| Intergovernmental           | \$ 103,578            | -                          | \$ -                    | \$ -     | \$ -                                   | \$ -                   | \$ -              | \$ 103,578 |
| Charges for services        | -                     | -                          | -                       | -        | 10,352                                 | 5,651                  | -                 | 16,003     |
| Miscellaneous               | -                     | 1                          | -                       | 10       | 43                                     | 15                     | 66                | 135        |
| Total revenues              | 103,578               | 1                          | -                       | 10       | 10,395                                 | 5,666                  | 66                | 119,716    |
| <b>EXPENDITURES</b>         |                       |                            |                         |          |  |                        |                   |            |
| Current:                    |                       |                            |                         |          |  |                        |                   |            |
| General government          | -                     | -                          | -                       | -        | -                                      | -                      | 1,229             | 1,229      |
| Public safety               | 23,400                | -                          | -                       | -        | 5,695                                  | -                      | -                 | 29,095     |
| Highways and streets        | 80,178                | -                          | -                       | -        | -                                      | -                      | -                 | 80,178     |
| Total expenditures          | 103,578               | -                          | -                       | -        | 5,695                                  | -                      | 1,229             | 110,502    |
| Net change in fund balances | -                     | 1                          | -                       | 10       | 4,700                                  | 5,666                  | (1,163)           | 9,214      |
| Fund balances, beginning    | -                     | 1,351                      | 138                     | 6,923    | 28,341                                 | 8,476                  | 6,778             | 52,007     |
| Fund balances, ending       | \$ -                  | \$ 1,352                   | \$ 138                  | \$ 6,933 | \$ 33,041                              | \$ 14,142              | \$ 5,615          | \$ 61,221  |



## **PLODZIK & SANDERSON**

*Professional Association/Accountants & Auditors*

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

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

In planning and performing our audit of the financial statements of the governmental activities, business-type activities, major fund, and aggregate remaining fund information of the Town of Allentown as of and for the year ended December 31, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered the Town's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Allentown'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 significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. 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 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:

#### ***Bank Reconciliations***

We noted that the Town Treasurer does not remit monthly cash reconciliations to the finance office on a regular basis for all bank accounts in the Treasurer's custody. We recommend that all bank accounts in the custody of the Treasurer are reconciled to the general ledger balances on a monthly basis. Additionally, if this duty is not to be performed by the Treasurer, we recommend that the duties are delegated to the Board of Selectmen's designee in accordance with RSA 41:29.

#### ***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, third party credit card processor and the Treasurer's records. We noted that the Town's financial transaction policy was not being followed. Lack of following such a system increases the risk of misstatement or misappropriation of funds. We recommend that the Town follow its formal process of reconciling the Town Clerk's receipts, the third party credit card processor, and the Treasurer's cash receipts logs so that any discrepancies can be identified and remedied on a timely basis.

#### ***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.

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

- Invoices paid out of the library's operating account during the year were not formally reviewed or approved by the Library Trustees, prior to the payment being issued.
- During our review of disbursements, six of the disbursements selected for testing did not have adequate documentation to support the purchases.

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 they should be reviewed and approved by the Library Treasurer.
- 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 disbursement should be retained as proof of the disbursement.
- Further, we strongly recommend that all activity be run through the Town's accounts payable process to eliminate these above noted issues.

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

July 23, 2015

*Plodzik & Sanderson  
Professional Association*