



**LOCAL GOVERNMENT CENTER REAL ESTATE, INC.
(A Wholly-Owned Subsidiary of Local Government Center, Inc.)**

FINANCIAL STATEMENTS

December 31, 2010 and 2009

With Independent Auditors' Report

LOCAL GOVERNMENT CENTER REAL ESTATE, INC.
(A Wholly-Owned Subsidiary of Local Government Center, Inc.)

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INDEPENDENT AUDITORS' REPORT

The Board of Directors of Local Government Center, Inc., as Sole Shareholder of
Local Government Center Real Estate, Inc.
(A Wholly-Owned Subsidiary of Local Government Center, Inc.)

We have audited the statements of financial position of Local Government Center Real Estate, Inc. (a wholly-owned subsidiary of Local Government Center, Inc.) (LGCRE) as of December 31, 2010 and 2009 and the related statements of revenues, expenses, and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of LGCRE's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of LGCRE as of December 31, 2010 and 2009, and the results of its operations and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2011 on our consideration of LGCRE's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 3 through 5 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, 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.

Berry Dunn McNeil & Parker, LLC

Manchester, New Hampshire
June 15, 2011

LOCAL GOVERNMENT CENTER REAL ESTATE, INC.
(A Wholly-Owned Subsidiary of Local Government Center, Inc.)

Management's Discussion and Analysis

December 31, 2010

Overview:

In 1988, the Local Government Center, Inc. (formerly New Hampshire Municipal Association), Local Government Center HealthTrust (formerly HealthTrust) and Local Government Center Property-Liability Trust (formerly NHMA Property-Liability Trust) formed the Local Government Center Real Estate, Inc. (LGCRE) (formerly Local Government Center, Inc.). LGCRE was established to acquire and hold title to real estate to house the incorporators. At its inception, LGCRE's stockholders were the three incorporators. As of July 1, 2003, the three stockholders distributed their shares in LGCRE to Local Government Center, Inc. Local Government Center, Inc. is the sole stockholder in LGCRE.

LGCRE primarily leases real estate to Local Government Center, Inc., Local Government Center HealthTrust, LLC, Local Government Center Property-Liability Trust, LLC and New Hampshire Municipal Association, LLC. There are no lease terms associated with the leases. The rent payments are determined to cover the operating and maintenance expenses of LGCRE. During 2004, LGCRE entered into a 10-year lease agreement with the New Hampshire Municipal Bond Bank. LGCRE also provides free office space to another third-party tenant under an agreement for an initial ten-year term.

Discussion of the Basic Financial Statements:

Following the pronouncements of the Governmental Accounting Standards Board, LGCRE's financial information is presented in three basic financial statements.

Statement of Financial Position: This statement provides information about LGCRE's assets, liabilities and net assets as of December 31, 2010 and 2009. The majority of LGCRE's assets are in the property and equipment category. This reflects the amount invested in the building and grounds at 25 Triangle Park Drive in Concord, NH. The liabilities reflect amounts due to parent and vendors at December 31, 2010 and that were paid in 2011. Net Assets reflect the result of ongoing operations and stockholder's equity in LGCRE.

Statement of Revenues, Expenses, and Changes in Net Assets: The results of LGCRE's operations are shown on this statement. This statement provides information about the rent, other income and expenses for calendar year 2010 and 2009. Additionally, this statement sets forth LGCRE's change in Net Assets for the year (whether LGCRE had a profit or loss).

Statement of Cash Flows: This statement reviews how LGCRE's cash balance changed during calendar years 2010 and 2009. It is divided into three different areas explaining where LGCRE provided or used cash during the year. These areas relate to LGCRE's operations, investing and financing activities (sale and acquisition of capital assets). It provides the "reasons" for the increase or decrease in LGCRE's cash position.

LOCAL GOVERNMENT CENTER REAL ESTATE, INC.
(A Wholly-Owned Subsidiary of Local Government Center, Inc.)

Management's Discussion and Analysis

December 31, 2010

Operating Results:

LGCRE's assets stand at \$8,604,426, a decrease of \$229,305 during 2010. This decrease is primarily due to depreciation expense during the year.

Current liabilities increased \$42,002 in 2010 to stand at \$100,494. The increase is primarily due to the inclusion of invoices related to property and equipment additions in accounts payable amounting to \$31,961 as of December 31, 2010. There are no long-term liabilities. Net assets are broken into two categories with unrestricted net assets of \$194,124 and investment in capital assets of \$8,309,808.

LGCRE net assets decreased by \$271,307 during 2010. There was a loss from operations of \$271,515, primarily in the area of depreciation and amortization (\$281,622). Other income in the amount of \$208 came from interest income.

LGCRE's revenue is primarily from office space leases to its affiliated companies Local Government Center, Inc., Local Government Center HealthTrust, LLC, Local Government Center Property-Liability Trust, LLC, and New Hampshire Municipal Association, LLC. The New Hampshire Municipal Bond Bank also leases space from LGCRE under a 10-year lease agreement. LGCRE provides free office space to the New Hampshire School Boards Association. In addition to this income, employees of the lessees pay a fee to belong to the fitness facility.

Total expenses include an allowance for depreciation and amortization expense, salaries, repairs, maintenance, utilities, supplies and other operating expenses. Expenses for 2010 total \$657,210. Major operating expenses as a percentage of total expenses are as follows:

Depreciation and amortization	42.9 %
Salaries and related expenses	17.5 %
Utilities	12.2 %
Taxes and licenses	10.1 %
Repairs and maintenance	9.3 %
All other expenses	8.0 %

Although exempt from the payment of property taxes, LGCRE pays the City of Concord a payment in lieu of taxes. This payment is consistent with the organization's policy that tax exempt properties should remit the city/town portion of property taxes to their host community for assistance in provision of public safety, public works and other community-wide commitments the tax exempt property owner uses.

Major Accounting Policies:

Financial statements are prepared under the accrual method of accounting. Thus, expenses are recognized in the period in which they are incurred and revenue in the period in which it is earned. At December 31, 2010, calculations for prepaid expenses, accrued expenses, and amounts due to the parent were recognized to ensure expenses and revenues were recognized in the appropriate period(s).

**LOCAL GOVERNMENT CENTER REAL ESTATE, INC.
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Management's Discussion and Analysis

December 31, 2010

Outlook:

LGCRE continues to be popular with outside groups as premier meeting space with state-of-the-art audio-visual capabilities. The meeting facilities are used frequently free of charge by various municipal and school groups on a first-come, first-served basis. There are times when conflicts occur because of their popularity. This exposes all the LGC programs to multiple audiences and enhances the ability of municipal and school groups to offer outstanding training to their constituencies.

LOCAL GOVERNMENT CENTER REAL ESTATE, INC.
(A Wholly-Owned Subsidiary of Local Government Center, Inc.)

Statements of Financial Position

December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 258,462	\$ 322,450
Prepaid expenses	<u>4,195</u>	<u>274</u>
Total current assets	262,657	322,724
Property and equipment, net	<u>8,341,769</u>	<u>8,511,007</u>
Total assets	<u>\$ 8,604,426</u>	<u>\$ 8,833,731</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable, trade	\$ 49,230	\$ 15,710
Accrued expenses	4,260	4,166
Due to Parent	<u>47,004</u>	<u>38,616</u>
Total current liabilities and total liabilities	<u>100,494</u>	<u>58,492</u>
Commitments and contingencies (Notes 3, 5 and 7)		
Net assets		
Unrestricted net assets	194,124	264,232
Invested in capital assets	<u>8,309,808</u>	<u>8,511,007</u>
Total net assets	<u>8,503,932</u>	<u>8,775,239</u>
Total liabilities and net assets	<u>\$ 8,604,426</u>	<u>\$ 8,833,731</u>

The accompanying notes are an integral part of these financial statements.

LOCAL GOVERNMENT CENTER REAL ESTATE, INC.
(A Wholly-Owned Subsidiary of Local Government Center, Inc.)

Statements of Revenues, Expenses, and Changes in Net Assets

Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Operating revenues		
Rent	\$ 378,962	\$ 316,480
Other revenue	<u>6,733</u>	<u>6,090</u>
Total operating revenues	<u>385,695</u>	<u>322,570</u>
Operating expenses		
Depreciation and amortization	281,622	208,864
Salaries, payroll taxes and benefits	114,711	105,490
Utilities	80,349	89,430
Taxes and licenses	66,512	63,452
Repairs and maintenance	60,840	54,560
Insurance	28,383	19,285
Supplies	17,060	18,980
Professional fees	6,750	4,313
Staff and board expenses	870	1,258
Miscellaneous	<u>113</u>	<u>94</u>
Total operating expenses	<u>657,210</u>	<u>565,726</u>
Loss from operations	(271,515)	(243,156)
Nonoperating income		
Interest income	<u>208</u>	<u>1,575</u>
Decrease in net assets	(271,307)	(241,581)
Net assets, beginning of year	<u>8,775,239</u>	<u>9,016,820</u>
Net assets, end of year	<u>\$ 8,503,932</u>	<u>\$ 8,775,239</u>

The accompanying notes are an integral part of these financial statements.

LOCAL GOVERNMENT CENTER REAL ESTATE, INC.
(A Wholly-Owned Subsidiary of Local Government Center, Inc.)

Statements of Cash Flows

Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities		
Rental income collected	\$ 378,962	\$ 316,480
Other revenue received	6,733	6,090
Salaries, payroll taxes, and benefits paid	(109,604)	(101,990)
Other expenses paid	<u>(259,864)</u>	<u>(247,305)</u>
Net cash provided (used) by operating activities	16,227	(26,725)
Cash flows from investing activities		
Received from interest	208	1,575
Cash flows from capital and related financing activities		
Payment for construction of building and acquisition of equipment	<u>(80,423)</u>	<u>(2,361,499)</u>
Net decrease in cash and cash equivalents	(63,988)	(2,386,649)
Cash and cash equivalents, beginning of year	<u>322,450</u>	<u>2,709,099</u>
Cash and cash equivalents, end of year	<u>\$ 258,462</u>	<u>\$ 322,450</u>

The accompanying notes are an integral part of these financial statements.

LOCAL GOVERNMENT CENTER REAL ESTATE, INC.
(A Wholly-Owned Subsidiary of Local Government Center, Inc.)

Statements of Cash Flows (Concluded)

Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Reconciliation of loss from operations to net cash provided (used) by operating activities		
Loss from operations	\$ (271,515)	\$ (243,156)
Adjustments to reconcile loss from operations to net cash provided (used) by operating activities		
Depreciation and amortization	281,622	208,864
Increase in prepaid expenses	(3,921)	(17)
Increase (decrease) in		
Accounts payable, trade	1,559	(3,790)
Accrued expenses	94	(1,715)
Due to Parent	<u>8,388</u>	<u>13,089</u>
Net cash provided (used) by operating activities	<u>\$ 16,227</u>	<u>\$ (26,725)</u>
Supplemental disclosure of noncash capital financing activities		
Cost of construction of building and acquisition of equipment	\$ 112,384	\$ 2,268,829
Less: Cost of construction of building and acquisition of equipment included in accounts payable, trade at year-end	(31,961)	-
Plus: Payment of short-term trade accounts payable at beginning of year used to finance construction of building	<u>-</u>	<u>92,670</u>
Payment for construction of building and acquisition of equipment	<u>\$ 80,423</u>	<u>\$ 2,361,499</u>

The accompanying notes are an integral part of these financial statements.

LOCAL GOVERNMENT CENTER REAL ESTATE, INC.
(A Wholly-Owned Subsidiary of Local Government Center, Inc.)

Notes to Financial Statements

December 31, 2010 and 2009

Nature of Operations

Local Government Center Real Estate, Inc. (LGCRE) was organized February 5, 1988 as a nonprofit corporation for the purpose of acquiring and holding title to real estate. LGCRE became a wholly-owned subsidiary of Local Government Center, Inc. (LGC or Parent) on July 1, 2003 when Local Government Center HealthTrust, LLC (LGC HealthTrust) and Local Government Center Property-Liability Trust, LLC (LGC Property-Liability Trust), former shareholders of LGCRE and wholly-owned subsidiaries of Parent, distributed their interests in LGCRE to the Parent. LGCRE leases the real estate to the Parent, affiliated companies wholly-owned by the Parent, and third parties.

1. Summary of Significant Accounting Policies

Basis of Accounting

LGCRE is, primarily, an internal service fund providing office space to related entities on a cost reimbursement basis. The financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting.

Accounting Standards

Pursuant to Governmental Accounting Standards Board (GASB) Statements No. 20, "Accounting and Financial Reporting for Proprietary Funds," and No. 29, "Other Governmental Entities That Use Proprietary Fund Accounting," LGCRE has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board, including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Cash Equivalents

Cash equivalents consist of all highly liquid investments with an original maturity of three months or less.

LOCAL GOVERNMENT CENTER REAL ESTATE, INC.
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Notes to Financial Statements

December 31, 2010 and 2009

Property and Equipment

Property and equipment with an estimated useful life greater than one year is recorded at cost. The cost of maintenance and repairs is charged to expense as incurred, while renewals and betterments are capitalized. Upon sale or other disposition of assets, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in income.

Property and equipment is depreciated using primarily the straight-line method over the following useful lives:

	<u>Estimated Useful Life (in Years)</u>
Land improvements	15
Buildings and building improvements	31 - 40
Equipment	3 - 5
Furniture and fixtures	3 - 5

Operating Revenues and Expenses

LGCRE's statement of revenues, expenses, and changes in net assets distinguishes between operating and nonoperating revenues and expenses. Operating revenues result primarily from rental of property - LGCRE's principal activity. Operating expenses are all expenses incurred in rental operations. Interest income is reported as nonoperating income.

Income Taxes

LGCRE is exempt from federal and state income taxes under provisions of the Internal Revenue Code and State Statutes.

LOCAL GOVERNMENT CENTER REAL ESTATE, INC.
(A Wholly-Owned Subsidiary of Local Government Center, Inc.)

Notes to Financial Statements

December 31, 2010 and 2009

2. Cash and Cash Equivalents

LGCRE maintains its cash in bank deposits and cash management accounts that are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 as of December 31, 2010 and 2009. As of December 31, 2010, the carrying amount of cash held did not exceed the FDIC limit. As of December 31, 2009, the carrying amount of cash held, in total, in excess of the FDIC limit was \$39,519. The balance in excess of the FDIC limit is collateralized with securities held in joint custody with the bank.

3. Related Party Transactions

Of the 3,000 shares of common stock authorized, 2,022 shares are issued and outstanding, are owned solely by the Parent, and have no par value.

The Parent provides substantially all the administrative and operational services to LGCRE. Total administrative expenses charged by the Parent to LGCRE were \$156,291 and \$129,201 during 2010 and 2009, respectively. Amounts due to the Parent represent expenses paid by the Parent on behalf of LGCRE. These amounts are noninterest-bearing and are expected to be repaid during the subsequent year.

LGCRE leases building space to its Parent and affiliated companies that are wholly-owned by the Parent, under operating leases with an indefinite lease term. Rental income from the Parent and affiliates was as follows:

	<u>Year Ended December 31,</u>	
	<u>2010</u>	<u>2009</u>
Parent	\$ 39,520	\$ 39,520
New Hampshire Municipal Association, LLC	25,572	4,300
LGC HealthTrust	189,193	194,699
LGC Property-Liability Trust	<u>113,262</u>	<u>64,471</u>
Total rental income from related parties	\$ <u>367,547</u>	\$ <u>302,990</u>

LOCAL GOVERNMENT CENTER REAL ESTATE, INC.
(A Wholly-Owned Subsidiary of Local Government Center, Inc.)

Notes to Financial Statements

December 31, 2010 and 2009

4. Property and Equipment

Property and equipment consists of the following:

	Year Ended December 31, 2010		
	Beginning Balance	Additions	Ending Balance
Land and land improvements	\$ 2,272,989	\$ -	\$ 2,272,989
Buildings and building improvements	7,316,614	2,590	7,319,204
Equipment	492,071	108,660	600,731
Furniture and fixtures	<u>368,856</u>	<u>1,134</u>	<u>369,990</u>
	10,450,530	112,384	10,562,914
Less accumulated depreciation	<u>1,939,523</u>	<u>281,622</u>	<u>2,221,145</u>
	<u>\$ 8,511,007</u>	<u>\$ (169,238)</u>	<u>\$ 8,341,769</u>

	Year Ended December 31, 2009		
	Beginning Balance	Additions	Ending Balance
Land and land improvements	\$ 2,269,747	\$ 3,242	\$ 2,272,989
Buildings and building improvements	5,242,800	2,073,814	7,316,614
Equipment	403,706	88,365	492,071
Furniture and fixtures	<u>265,448</u>	<u>103,408</u>	<u>368,856</u>
	8,181,701	2,268,829	10,450,530
Less accumulated depreciation	<u>1,730,659</u>	<u>208,864</u>	<u>1,939,523</u>
	<u>\$ 6,451,042</u>	<u>\$ 2,059,965</u>	<u>\$ 8,511,007</u>

LOCAL GOVERNMENT CENTER REAL ESTATE, INC.
(A Wholly-Owned Subsidiary of Local Government Center, Inc.)

Notes to Financial Statements

December 31, 2010 and 2009

5. Description of Rental Agreements

LGCRE entered into a rent agreement with a third-party tenant (tenant A) during 2004. The initial term of the rent agreement is for a period of ten years, expiring on December 31, 2014. As of April 2005, LGCRE began providing office space to another third-party tenant under an agreement with its Parent at no charge for an initial term of ten years. The estimated fair value of the office space leased is approximately \$9,775 per year.

The following is a schedule of future minimum lease payments to be received under the rent agreement with tenant A:

2011	\$ 12,452
2012	12,452
2013	12,452
2014	<u>12,452</u>
	\$ <u>49,808</u>

Rent income under the lease with tenant A totaled \$11,415 for 2010 and \$13,490 for 2009.

6. Risk Management

LGCRE maintains commercial insurance coverage for its buildings and improvements. Coverage limits are set at replacement values with customary levels of deductibles.

7. Contingencies

LGCRE assesses potential liabilities in connection with lawsuits and threatened lawsuits under Statement of Financial Accounting Standards No. 5, *Accounting for Contingencies*. LGCRE accrues an estimated loss for these loss contingencies if both of the following conditions are met: information available prior to issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of loss can be reasonably estimated. As of December 31, 2010, LGCRE has not accrued any liability for any lawsuits or threatened lawsuits as the conditions for accrual have not been met. LGCRE expenses legal costs as they are incurred.

On October 28, 2010, the Department of State (the Department) issued an interim report regarding an investigation of LGC and LGC's related insurance pools stemming from a complaint it received. The complaint alleged that member contributions to Local Government Center HealthTrust, LLC were being used to fund expenses not related to the operation of Local Government Center HealthTrust, LLC and that surplus funds were not being returned to political subdivisions.

LOCAL GOVERNMENT CENTER REAL ESTATE, INC.
(A Wholly-Owned Subsidiary of Local Government Center, Inc.)

Notes to Financial Statements

December 31, 2010 and 2009

The October 2010 interim report raised questions regarding LGC's compliance in the areas of corporate organization and governance, as well as its level and use of reserves. The Board of Directors filed a response to the interim report which disputes the implication that LGC may have acted improperly. The Department is still conducting its investigation and has yet to issue its findings of the investigation. The Board of Directors maintains that the complaint under investigation is without merit, member contributions have been used appropriately and surplus funds have been returned to participating local governments through rate credits and other means. LGC is cooperating fully with the investigation and has been meeting with the Department on an ongoing basis to resolve the pending issues. At this time, LGCRE believes there is no liability to recognize.

**INDEPENDENT AUDITORS'
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT
AUDITING STANDARDS***

The Board of Directors of Local Government Center, Inc., as Sole Shareholder of
Local Government Center Real Estate, Inc.
(A Wholly-Owned Subsidiary of Local Government Center, Inc.)

We have audited the financial statements of Local Government Center Real Estate, Inc. (a wholly-owned subsidiary of Local Government Center, Inc.) (LGCRE) as of and for the year ended December 31, 2010 and have issued our report thereon dated June 15, 2011. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether LGCRE's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors of Local Government Center, Inc. as sole shareholder of LGCRE and management, and is not intended to be and should not be used by anyone other than these specified parties.

Berry Dunn McNeil & Parker, LLC

Manchester, New Hampshire
June 15, 2011