

**TOWN OF SEABROOK,
NEW HAMPSHIRE**

ANNUAL FINANCIAL REPORT

**AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2007**

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PLODZIK & SANDERSON

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INDEPENDENT AUDITOR'S REPORT

To the Members of the Board of Selectmen and Town Manager
Town of Seabrook
Seabrook, New Hampshire

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Seabrook as of and for the fiscal year ended December 31, 2007, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Seabrook's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The amounts reported as capital assets, accumulated depreciation and depreciation expense on the government-wide statements are not accurate because incorrect useful lives were used, and in some instances, the depreciation expense was improperly calculated. The differences have not been fully determined. Therefore, in our opinion, the financial statements referred to above do not present fairly the financial position of the governmental activities of the Town of Seabrook at December 31, 2007, and the changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of the Town of Seabrook as of December 31, 2007, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison information is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Town of Seabrook has not presented a management's discussion and analysis that accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Seabrook's basic financial statements. The combining and individual fund schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. They have been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

April 7, 2009

*Plodzik & Sanderson
Professional Association*

BASIC FINANCIAL STATEMENTS

EXHIBIT A
TOWN OF SEABROOK, NEW HAMPSHIRE
Statement of Net Assets
December 31, 2007

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 15,954,378
Investments	9,988
Intergovernmental receivable	62,859
Other receivables, net of allowances for uncollectible	1,658,264
Tax dedeed property held for resale	3,140
Capital assets, not being depreciated:	
Land	3,796,170
Construction in progress	126,970
Capital assets, net of accumulated depreciation:	
Buildings and building improvements	19,745,067
Improvements other than buildings	13,147
Equipment and vehicles	2,169,006
Infrastructure	12,199,678
Total assets	55,738,667
LIABILITIES	
Accounts payable	530,190
Accrued salaries and benefits	229,374
Intergovernmental payable	6,703,728
Accrued interest payable	12,879
Unearned revenue	2,675
Noncurrent obligations:	
Due within one year:	
Bond	92,400
Capital leases	101,108
Compensated absences	6,609
Due in more than one year:	
Bond	369,600
Capital leases	113,504
Compensated absences	657,661
Total liabilities	8,819,728
NET ASSETS	
Invested in capital assets, net of related debt	37,762,813
Restricted for perpetual care	13,531
Unrestricted	9,142,595
Total net assets	\$ 46,918,939

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

EXHIBIT B
TOWN OF SEABROOK, NEW HAMPSHIRE
Statement of Activities
For the Fiscal Year Ended December 31, 2007

	Expenses	Program Revenues		Net (Expense) Revenue and Change in Net Assets
		Charges for Services	Operating Grants and Contributions	
Governmental activities:				
General government	\$ 2,623,159	\$ 29,627	\$ 464	\$ (2,593,068)
Public safety	7,298,242	255,836	330,419	(6,711,987)
Highways and streets	1,791,682	-	129,479	(1,662,203)
Sanitation	3,224,584	565,305	-	(2,659,279)
Water distribution and treatment	2,240,440	498,097	-	(1,742,343)
Health	326,143	3,081	-	(323,062)
Welfare	145,787	-	-	(145,787)
Culture and recreation	1,384,189	82,162	-	(1,302,027)
Conservation	24,326	-	-	(24,326)
Interest on long-term debt	9,885	-	-	(9,885)
Total governmental activities	<u>\$ 19,068,437</u>	<u>\$ 1,434,108</u>	<u>\$ 460,362</u>	<u>(17,173,967)</u>
General revenues:				
Taxes:				
Property				12,211,977
Other				99,934
Motor vehicle permit fees				1,449,865
Licenses and other fees				169,238
Grants and contributions not restricted to specific programs				428,714
Unrestricted investment earnings				377,165
Miscellaneous				558,893
Total general revenues				<u>15,295,786</u>
Change in net assets				(1,878,181)
Net assets, beginning, as restated (see Note 2-H)				<u>48,797,120</u>
Net assets, ending				<u>\$ 46,918,939</u>

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

EXHIBIT C-1
TOWN OF SEABROOK, NEW HAMPSHIRE
Balance Sheet
Governmental Funds
December 31, 2007

	General	Expendable Trust	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 11,985,525	\$ 2,168,073	\$ 1,800,780	\$ 15,954,378
Investments	4,784	-	5,204	9,988
Receivables, net of allowances for uncollectible:				
Taxes	1,355,106	-	-	1,355,106
Accounts	151,559	-	151,599	303,158
Intergovernmental	62,859	-	-	62,859
Interfund receivable	150,473	-	231,120	381,593
Tax dedeed property subject to resale	3,140	-	-	3,140
Total assets	<u>\$ 13,713,446</u>	<u>\$ 2,168,073</u>	<u>\$ 2,188,703</u>	<u>\$ 18,070,222</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 334,340	\$ -	\$ 195,850	\$ 530,190
Accrued salaries and benefits	193,690	-	35,684	229,374
Intergovernmental payable	6,703,728	-	-	6,703,728
Interfund payable	51,543	179,577	150,473	381,593
Deferred revenue	2,482	-	193	2,675
Total liabilities	<u>7,285,783</u>	<u>179,577</u>	<u>382,200</u>	<u>7,847,560</u>
Fund balances:				
Reserved for encumbrances	531,987	-	358,580	890,567
Reserved for endowments	-	-	13,531	13,531
Reserved for special purposes	21,413	1,988,496	-	2,009,909
Reserved for tax dedeed property	3,140	-	-	3,140
Unreserved:				
Designated for contingency	50,000	-	-	50,000
Undesignated, reported in:				
General fund	5,821,123	-	-	5,821,123
Special revenue funds	-	-	1,434,392	1,434,392
Total fund balances	<u>6,427,663</u>	<u>1,988,496</u>	<u>1,806,503</u>	<u>10,222,662</u>
Total liabilities and fund balances	<u>\$ 13,713,446</u>	<u>\$ 2,168,073</u>	<u>\$ 2,188,703</u>	<u>\$ 18,070,222</u>

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

EXHIBIT C-2
TOWN OF SEABROOK, NEW HAMPSHIRE
Reconciliation of Total Governmental Fund Balances to the Statement of Net Assets
December 31, 2007

Total fund balances of governmental funds (Exhibit C-1)		\$ 10,222,662
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.		
Cost	\$ 59,115,052	
Less accumulated depreciation	<u>(21,065,014)</u>	38,050,038
Interfund receivables and payables between governmental funds are eliminated on the statement of net assets.		
Receivables	\$ (381,593)	
Payables	<u>381,593</u>	-
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(12,879)
Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the funds.		
Bond	\$ 462,000	
Capital leases	214,612	
Compensated absences payable	<u>664,270</u>	<u>(1,340,882)</u>
Total net assets of governmental activities (Exhibit A)		<u>\$ 46,918,939</u>

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

EXHIBIT C-3
TOWN OF SEABROOK, NEW HAMPSHIRE
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended December 31, 2007

	General	Expendable Trust	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 12,311,911	\$ -	\$ -	\$ 12,311,911
Licenses and permits	1,619,103	-	-	1,619,103
Intergovernmental	888,612	-	-	888,612
Charges for services	435,288	-	998,820	1,434,108
Miscellaneous	598,097	181,547	130,818	910,462
Total revenues	<u>15,853,011</u>	<u>181,547</u>	<u>1,129,638</u>	<u>17,164,196</u>
Expenditures:				
Current:				
General government	2,464,421	86,030	-	2,550,451
Public safety	6,859,313	-	-	6,859,313
Highways and streets	1,116,142	-	-	1,116,142
Water distribution and treatment	-	84,772	1,093,805	1,178,577
Sanitation	1,399,183	-	1,655,844	3,055,027
Health	323,540	-	-	323,540
Welfare	145,787	-	-	145,787
Culture and recreation	757,297	-	451,578	1,208,875
Conservation	3,460	-	20,866	24,326
Capital outlay	1,980,030	180,240	-	2,160,270
Total expenditures	<u>15,049,173</u>	<u>351,042</u>	<u>3,222,093</u>	<u>18,622,308</u>
Excess (deficiency) of revenues over (under) expenditures	<u>803,838</u>	<u>(169,495)</u>	<u>(2,092,455)</u>	<u>(1,458,112)</u>
Other financing sources (uses):				
Transfers in	100,464	-	2,225,181	2,325,645
Transfers out	(2,225,181)	(75,000)	(25,464)	(2,325,645)
Debt issued	462,000	-	-	462,000
Inception of capital lease	320,548	-	-	320,548
Total other financing sources and uses	<u>(1,342,169)</u>	<u>(75,000)</u>	<u>2,199,717</u>	<u>782,548</u>
Net change in fund balances	(538,331)	(244,495)	107,262	(675,564)
Fund balances, beginning, as restated (see Note 2-H)	6,965,994	2,232,991	1,699,241	10,898,226
Fund balances, ending	<u>\$ 6,427,663</u>	<u>\$ 1,988,496</u>	<u>\$ 1,806,503</u>	<u>\$ 10,222,662</u>

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

EXHIBIT C-4
TOWN OF SEABROOK, NEW HAMPSHIRE
Governmental Funds
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, 2007

Net change in fund balances of governmental funds (Exhibit C-3)	\$	(675,564)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capitalized capital outlay in the current period.		
Capitalized capital outlay	\$ 1,177,405	
Depreciation expense	<u>(1,263,324)</u>	(85,919)
The disposal of capital assets decreases net assets.		
Disposal of capital assets		(600,408)
Transfers in and out between governmental funds are eliminated on the operating statement.		
Transfers in	\$ (2,325,645)	
Transfers out	<u>2,325,645</u>	-
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.		
Bond issued	\$ (462,000)	
Capital lease inception	(320,548)	
Repayment of capital lease principal	<u>237,574</u>	(544,974)
Some expenses reported in the statement of activities do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds.		
Increase in accrued interest expense	\$ (9,885)	
Decrease in compensated absences payable	<u>38,569</u>	28,684
Change in net assets of governmental activities (Exhibit B)	<u>\$</u>	<u>(1,878,181)</u>

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

EXHIBIT D-1
TOWN OF SEABROOK, NEW HAMPSHIRE
Fiduciary Funds
Statement of Fiduciary Net Assets
December 31, 2007

	Private Purpose Trust	Agency
ASSETS		
Cash and cash equivalents	\$ 728,968	\$ 608,858
LIABILITIES		
Due to others	-	608,858
NET ASSETS		
Held in trust for specific purposes	<u>\$ 728,968</u>	<u>\$ -</u>

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

EXHIBIT D-2
TOWN OF SEABROOK, NEW HAMPSHIRE
Fiduciary Funds
Statement of Changes in Fiduciary Net Assets
For the Fiscal Year Ended December 31, 2007

	Private Purpose Trust
ADDITIONS	
Contributions:	
New scholarship funds	\$ 101,547
Investment earnings:	
Interest	24,234
Total additions	125,781
DEDUCTIONS	
Scholarships	(59,000)
Change in net assets	66,781
Net assets, beginning	662,187
Net assets, ending	\$ 728,968

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

TOWN OF SEABROOK, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2007

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TOWN OF SEABROOK, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Seabrook, New Hampshire (the Town) have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Town's accounting policies are described below.

1-A Reporting Entity

The Town of Seabrook is a municipal corporation governed by an elected 3-member Board of Selectmen and Town Manager. The reporting entity is comprised of the primary government and any other organizations 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 organization; or (2) the Town is legally entitled to or can otherwise access the organization's resources; the Town is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Town is obligated for the debt of the organization. Based on the foregoing criteria, no other organizations are included in the Town's financial reporting entity.

1-B Basis of Presentation

The Town's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities; and fund financial statements, which provide a more detailed level of financial information.

Government-wide Financial Statements - The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the Town as a whole. Fiduciary activities are not included at the government-wide reporting level. Individual funds are not displayed at this reporting level as all individual funds are consolidated as governmental activities.

The statement of net assets presents the financial position of the governmental activities of the Town at year-end. This statement includes all of the Town's assets, liabilities and net assets.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with the function, and therefore, clearly identifiable to that particular function.

The statement of activities reports the expenses of a given function offset by program revenues directly related to the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with the functional activity. Program revenues include: (1) charges for services, which include 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) operating grants and contributions which finance annual operating activities including restricted investment income. These revenues are subject to externally imposed restrictions to the program uses.

For identifying to which function program revenue pertains, the determining factor for *charges for services* is which functions generate the revenue. For *grants and contributions*, the determining factor is to which functions the revenues are *restricted*. Taxes, unrestricted state aid and other revenues not specifically related to particular functions are reported as general revenues of the Town.

Fund Financial Statements - During the year, the Town segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. A fund is a fiscal and accounting entity with a self-balancing set of accounts. Fund financial statements are designed to present financial information of the Town at this more detailed level. Fund financial statements are provided for governmental and fiduciary funds.

TOWN OF SEABROOK, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2007

Fund Accounting - The Town uses funds to maintain its financial records during the year. The Town uses two categories of funds: governmental and fiduciary.

Governmental Funds - Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Fund liabilities are assigned to the fund from which they will be liquidated. The Town reports the difference between governmental fund assets and liabilities as fund balance. The following are the Town's major governmental funds:

General Fund - The general fund is the primary operating fund of the Town. All general revenues and other receipts that are not allocated by law or contractual 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.

Expendable Trust Fund - The expendable trust fund is used to account for funds established by Town Meeting as capital reserve or other expendable funds.

The Town also reports seven nonmajor governmental funds.

Fiduciary Funds - Fiduciary fund reporting focuses on net assets. The Town's fiduciary funds consist of two types of funds, private purpose trust and agency funds. The agency funds are custodial in nature (assets equal liabilities), and do not involve the measurement of results of operations.

1-C Measurement Focus

Government-wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the Town are included on the statement of net assets. The statement of activities reports revenues, expenses and changes in net assets.

Fund Financial Statements - All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the governmental fund statements.

Fiduciary funds use an economic resources measurement focus. These funds report all assets and liabilities on the statement of fiduciary net assets. The statement of changes in fiduciary net assets reports additions and deductions to net assets of the private purpose trust funds.

1-D Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. At the fund reporting level, governmental funds use the modified accrual basis of accounting, and fiduciary funds use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of some deferred revenue, and in the presentation of expenses versus expenditures.

TOWN OF SEABROOK, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
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Revenues - Exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded when the exchange takes place and in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year, generally within sixty days of year-end.

Revenues - Nonexchange Transactions - Nonexchange transactions, in which the Town receives value without directly giving equal value in return, include grants and donations. Revenue from grants and donations is recognized in the fiscal year in which all grantor imposed eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the Town must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Town on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions also must be available (i.e., collected within 60 days) before it can be recognized, with the exception of property taxes which are recognized if expected to be collected in time to be used to pay the liability to the school district which is due over the next six months.

Under the modified accrual basis, the following revenue sources are considered to be susceptible to accrual: taxes, charges for services, interest, and federal and state grants.

Deferred/Unearned Revenue – Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met (e.g., cash advances) are recorded as deferred revenue in the governmental funds, and as unearned revenue on the government-wide financial statements.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. On the modified accrual basis, expenditures generally are recognized in the accounting period in which the related fund liability is incurred and due, if measurable.

1-E Assets, Liabilities and Net Assets or Fund Equity

1-E-1 Cash, Cash Equivalents and Investments

Cash and Cash Equivalents - Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the Town.

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

Investments - Whenever the treasurer has in custody an excess of funds, which is not immediately needed for the purpose of expenditure, the treasurer shall, with the approval of the Town Manager, invest the excess funds.

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.

TOWN OF SEABROOK, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
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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 are stated at fair value based on quoted market prices.

1-E-2 Receivables

Tax revenue is recorded when a warrant for collection is committed to the tax collector. Taxes receivable are reported net of an allowance established for any taxes management has deemed to have questionable collectability. As prescribed by law, the tax collector executes a lien on properties for all uncollected property taxes in the following year after taxes are due. The lien on these properties has priority over other liens and accrues interest at 18% per annum. If property is not redeemed within the 2-year redemption period, the property is tax deeded to the Town.

Accounts receivable include various service charges which are recorded as revenue for the period when service was provided. These receivables are reported net of any allowances for uncollectible amounts.

1-E-3 Interfund Balances

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated on the statement of net assets.

1-E-4 Capital Assets

Capital assets are those assets of a capital nature which the Town owns. These assets are reported in the government-wide financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The Town maintains a capitalization threshold of \$1,000 and more than one year of estimated life. Improvements to capital assets are capitalized; the costs of normal maintenance and repairs that do not add to the value of an asset or materially extend the asset's life are expensed.

All reported capital assets are depreciated over their estimated useful lives. Depreciation is computed using the straight-line method over the following useful lives:

	<u>Years</u>
Buildings and building improvements	100
Improvements other than buildings	100
Equipment and vehicles	3 - 10
Infrastructure	100

1-E-5 Compensated Absences

Vacation and sick leave benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the Town will compensate the employees for the benefits through paid time off or some other means. All compensated absence liabilities include salary-related payments, where applicable.

The total compensated absence liability is reported on the government-wide financial statements. Governmental funds report the compensated absence liability at the fund reporting level only "when due."

TOWN OF SEABROOK, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
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1-E-6 Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of these funds. However, claims and judgments, and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are "due for payment" during the current year.

1-E-7 Equity

Fund equity at the governmental fund financial reporting level is classified as "fund balance." Equity for all other reporting is classified as "net assets."

Fund Balance - Generally, fund balance represents the difference between the current assets and current liabilities. The Town reserves those portions of fund balance that are legally segregated for a specific future use or which do not represent available, spendable resources, and therefore, are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund balance that is available for appropriation in future periods.

Net Assets - Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. All other net assets are reported as unrestricted.

The Town applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

1-E-8 Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures in the purchaser funds. Flows of cash or goods from one fund to another without a requirement of repayment are reported as interfund transfers. At the fund reporting level, interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures to the funds that initially paid for them are not presented on the financial statements.

At the government-wide financial reporting level, transfers between funds that would be reported in the individual funds are eliminated.

1-E-9 Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles, requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

TOWN OF SEABROOK, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
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NOTE 2 - DETAILED NOTES ON ALL FUNDS AND GOVERNMENT-WIDE STATEMENTS

2-A Taxes Receivable

The property tax year is from April 1 to March 31 and all property taxes are assessed on the inventory taken in April of that year. The net assessed valuation as of April 1, 2007, upon which the 2007 property tax levy was based is:

For the New Hampshire education tax	\$ 1,345,885,500
For all other taxes	\$ 2,410,814,500

The Town subscribes to the semi-annual method of tax collection as provided for by RSA 76:15-a. Under this method, tax bills are due on or around July 1 and December 1 of each year, with interest accruing at a rate of 12% on bills outstanding after the due date. The first billing is considered an estimate only and is one half of the previous year's tax billing. The remaining balance of taxes due is billed in the fall after the New Hampshire Department of Revenue Administration has calculated and approved the Town's tax rate for the fiscal year.

In connection with the setting of the tax rate, Town officials with the approval of the Department of Revenue Administration, establish and raise through taxation an amount for abatements and refunds of property taxes, known as overlay. This amount is reported as a reduction in tax revenue and is adjusted by management for any tax allowances at year-end. The property taxes collected by the Town include taxes levied for the State of New Hampshire, Seabrook School District, Winnacunnet Cooperative School District and Rockingham County, which are remitted as required by law. The ultimate responsibility for the collection of taxes rests with the Town.

The tax rates and amounts assessed for the year ended December 31, 2007, were as follow:

	<u>Per \$1,000 of Assessed Valuation</u>	<u>Property Taxes Assessed</u>
Municipal portion	\$5.21	\$ 12,550,794
School portion:		
State of New Hampshire	\$2.34	3,147,107
Local	\$4.77	11,503,637
County portion	\$0.76	1,839,982
Total		<u>\$ 29,041,520</u>

During the current fiscal year, the tax collector executed a lien on May 11 for all uncollected 2006 property taxes.

Taxes receivable at December 31, 2007, are as follow:

Property:	
Levy of 2007	\$ 1,111,339
Unredeemed (under tax lien):	
Levy of 2006	182,800
Levy of 2005	95,485
Levy of 2004	5,822
Levy of 2003	1,260
Less: allowance for estimated uncollectible taxes	(41,600)
Net taxes receivable	<u>\$ 1,355,106</u>

TOWN OF SEABROOK, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
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2-B Other Receivables

Other receivables at December 31, 2007, consisted of accounts (billings for ambulance, water, sewer, police details, 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 collectibility.

Amounts receivable at December 31, 2007 are as follow:

	General Fund	Nonmajor Fund	Total
Accounts	\$ 253,555	\$ 151,599	\$ 405,154
Intergovernmental	62,859	-	62,859
Less: allowance for uncollectible amounts	(101,996)	-	(101,996)
Net receivables	<u>\$ 214,418</u>	<u>\$ 151,599</u>	<u>\$ 366,017</u>

2-C Capital Assets

Capital asset activity for the year ended December 31, 2007 was as follows:

	Balance, beginning (as restated)	Changes	Balance, ending
At cost:			
Not being depreciated:			
Land	\$ 3,796,170	\$ -	\$ 3,796,170
Construction in progress	-	126,970	126,970
Total capital assets not being depreciated	<u>3,796,170</u>	<u>126,970</u>	<u>3,923,140</u>
Being depreciated:			
Buildings and building improvements	23,288,680	-	23,288,680
Improvements other than buildings	-	13,260	13,260
Equipment and vehicles	4,948,500	436,767	5,385,267
Infrastructure	26,504,705	-	26,504,705
Total capital assets being depreciated	<u>54,741,885</u>	<u>450,027</u>	<u>55,191,912</u>
Total all capital assets	<u>58,538,055</u>	<u>576,997</u>	<u>59,115,052</u>
Less accumulated depreciation:			
Buildings and building improvements	(3,307,650)	(235,963)	(3,543,613)
Improvements other than buildings	-	(113)	(113)
Equipment and vehicles	(2,718,078)	(498,183)	(3,216,261)
Infrastructure	(13,775,962)	(529,065)	(14,305,027)
Total accumulated depreciation	<u>(19,801,690)</u>	<u>(1,263,324)</u>	<u>(21,065,014)</u>
Net book value, capital assets being depreciated	<u>34,940,195</u>	<u>(813,297)</u>	<u>34,126,898</u>
Net book value, all capital assets	<u>\$ 38,736,365</u>	<u>\$ (686,327)</u>	<u>\$ 38,050,038</u>

TOWN OF SEABROOK, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
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Depreciation expense was charged to functions of the Town as follows:

General government	\$ 31,676
Public safety	394,597
Highways and streets	574,540
Sanitation	193,269
Water distribution and treatment	6,679
Health	2,603
Culture and recreation	59,960
Total	\$ 1,263,324

2-D Interfund Balances and Transfers

Interfund balances at December 31, 2007 consist of overdrafts in the pooled cash and budgetary transfers not yet made, and are as follow:

Receivable Fund	Payable Fund	Amount
General	Nonmajor	\$ 150,473
Nonmajor	General	51,543
Nonmajor	Expendable trust	179,577
		\$ 381,593

Interfund transfers during the year were comprised of voted appropriations and the distribution of trust income, and are as follow:

	Transfers In:		
	General Fund	Nonmajor Funds	Total
Transfers out:			
General fund	\$ -	\$ 2,225,181	\$ 2,225,181
Expendable trust fund	75,000	-	75,000
Nonmajor funds	25,464	-	25,464
Total	\$ 100,464	\$ 2,225,181	\$ 2,325,645

2-E Intergovernmental Payable

Amounts due to other governments at December 31, 2007 consist of:

Due to the State of New Hampshire for unclaimed property	\$ 58
Balance of the 2007-2008 district assessment due to the Seabrook School District	4,427,386
Balance of the 2007-2008 district assessment due to the Winnacunnet Cooperatiove School District	2,273,358
Fees and other miscellaneous amounts	2,926
Total	\$ 6,703,728

2-F Deferred/Unearned Revenue

Deferred/unearned revenue at December 31, 2007 of \$2,675 consists of \$2,482 of property taxes collected in advance for the 2008 levy, \$94 of water charges collected in advance and \$99 of sewer charges collected in advance.

TOWN OF SEABROOK, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
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2-G Long-Term Liabilities

Changes in the Town's long-term obligations during the year ended December 31, 2007, consisted of the following:

	General Obligation Bond Payable	Capital Leases Payable	Compensated Absences Payable	Total
Balance, beginning	\$ -	\$ 131,638	\$ 702,839	\$ 834,477
Additions	462,000	320,548	-	782,548
Reductions	-	(237,574)	(38,569)	(276,143)
Balance, ending	<u>\$ 462,000</u>	<u>\$ 214,612</u>	<u>\$ 664,270</u>	<u>\$ 1,340,882</u>

Long-term liabilities are comprised of the following:

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at December 31, 2007	Current Portion
General obligation bond payable:						
Arsenic removal	\$ 462,000	2007	2012	4.29	\$ 462,000	\$ 92,400
Capital leases payable:						
Copier	\$ 12,000	2004	2008	N/A	2,400	2,400
Police vehicle	\$ 21,017	2006	2009	7.00	10,485	5,065
Recycling trucks (2)	\$ 238,238	2007	2009	5.47	154,558	75,220
Surf rake	\$ 46,683	2007	2009	N/A	22,455	11,228
Police vehicle	\$ 21,587	2007	2010	6.10	15,702	4,927
Acorn recorder	\$ 11,340	2007	2011	10.92	9,012	2,268
					<u>214,612</u>	<u>101,108</u>
Compensated absences payable:						
Vested sick leave					268,045	-
Accrued vacation leave					396,225	6,609
					<u>664,270</u>	<u>6,609</u>
Total					<u>\$ 1,340,882</u>	<u>\$ 200,117</u>

The annual requirements to amortize the general obligation debt outstanding as of December 31, 2007, including interest payments, are as follow:

Annual Requirements To Amortize General Obligation Bond Payable

Fiscal Year Ending December 31,	Principal	Interest	Total
2008	\$ 92,400	\$ 19,820	\$ 112,220
2009	92,400	15,856	108,256
2010	92,400	11,892	104,292
2011	92,400	7,928	100,328
2012	92,400	3,964	96,364
Totals	<u>\$ 462,000</u>	<u>\$ 59,460</u>	<u>\$ 521,460</u>

TOWN OF SEABROOK, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
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Annual Requirements To Amortize Capital Leases Payable

Fiscal Year Ending December 31,	Principal	Interest	Total
2008	\$ 101,108	\$ 10,152	\$ 111,260
2009	103,481	5,378	108,859
2010	7,785	338	8,123
2011	2,238	-	2,238
Totals	<u>\$ 214,612</u>	<u>\$ 15,868</u>	<u>\$ 230,480</u>

All debt is general obligation debt of the Town, which is backed by its full faith and credit and will be repaid from general governmental revenues.

The Town has established an expendable trust fund for the compensated absences. The balance in the expendable retirement fund at December 31, 2007 was \$137,824, which is part of the fund balance in the expendable trust fund. Funds were disbursed from the expendable retirement fund in 2007 to cover payments to employees leaving employment. This amount totaled \$86,030.

2-H Restatement of Equity

Equity at January 1, 2007 was restated as follows:

	Governmental Activities	General Fund
To adjust balance of capital assets and accumulated depreciation	\$ (906,817)	\$ -
To record additional cash account	1,611	1,611
Net assets/fund balance, as previously reported	49,702,326	6,964,383
Net assets/fund balance, as restated	<u>\$ 48,797,120</u>	<u>\$ 6,965,994</u>

NOTE 3 - OTHER MATTERS

3-A Pensions

The Town of Seabrook participates in the New Hampshire Retirement System (the System) which consists 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. Provisions for benefits and contributions are established and can be amended by the New Hampshire Legislature. The System issues a publicly available financial report that may be obtained by writing the New Hampshire Retirement System, 54 Regional Drive, Concord, NH 03301.

The System is financed by contributions from both the employees and the Town. Member contribution rates are established and may be amended by the State legislature while employer contribution rates are set by the System trustees based on an actuarial valuation. Police officers and firefighters are required to contribute 9.3% of gross earnings. For the first six months of 2007, the Town contributed 9.68% for police and 14.36% for fire. As of July 1, those rates increased to 11.84% for police and 15.92% for fire. The contribution requirements for the Town of Seabrook for the fiscal years 2005, 2006 and 2007 were \$380,359, \$401,346 and \$460,483, respectively, which were paid in full in each year.

The State of New Hampshire funds 35% of employer costs for police officers and firefighters employed by the Town. This amount, \$265,362, is reported as an "on-behalf payment," as an expenditure and revenue on the governmental funds operating statement, and as an expense and revenue on the government-wide statement of activities.

TOWN OF SEABROOK, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
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3-B 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 2007, the Town was a member of the Local Government Center Property-Liability Trust, LLC and the New Hampshire Public Risk Management Exchange (Primex) Workers' Compensation Program. These entities are considered public entity risk pools, currently operating as common risk management and insurance programs for member towns and cities.

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

Contributions paid in 2007 for fiscal year 2008, ending June 30, 2008, to be recorded as an insurance expenditure totaled \$128,762. There were no unpaid contributions for the year ending June 30, 2008 and due in 2007. The trust agreement permits the Trust to make additional assessments to members should there be a deficiency in Trust assets to meet its liabilities. At this time, the Trust foresees no likelihood of any additional assessments for past years.

The Primex Workers' Compensation Program is a pooled risk management program under RSAs 5-B and 281-A. The workers' compensation policy provides statutory coverage for workers' compensation. Primex retained \$500,000 of each loss. The membership and coverage run from January 1 through December 31. The estimated net contribution from the Town of Seabrook billed and paid for the year ended December 31, 2007 was \$348,387. The member participation agreement permits Primex to make additional assessments to members, should there be a deficiency in contributions for any member year, not to exceed the member's annual contribution. At this time, Primex foresees no likelihood of any additional assessment for this or any prior year.

3-C Contingent Liabilities

There are some tax abatement claims being sought by several commercial entities. Management has designated \$50,000 for the contingency of a settlement against the Town. There are other cases pending against the Town which management does not feel will materially impact the Town's financial position in a negative way.

The Town has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designee. These audits could result in a request for reimbursement from the grantor agency for costs disallowed under terms of the grant. Based on prior experience, the Town believes such disallowances, if any, will be immaterial.

REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT E
TOWN OF SEABROOK, NEW HAMPSHIRE
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Fiscal Year Ended December 31, 2007

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Taxes	\$ 12,250,569	\$ 12,250,569	\$ 12,311,911	\$ 61,342
Licenses and permits	1,885,000	1,780,770	1,619,103	(161,667)
Intergovernmental	723,029	723,028	623,250	(99,778)
Charges for services	300,000	322,330	435,288	112,958
Miscellaneous	356,000	437,901	598,097	160,196
Total revenues	<u>15,514,598</u>	<u>15,514,598</u>	<u>15,587,649</u>	<u>73,051</u>
Expenditures:				
Current:				
General government	2,641,252	2,593,852	2,460,621	133,231
Public safety	7,072,064	6,692,893	6,593,951	98,942
Highways and streets	1,170,490	1,170,490	1,116,142	54,348
Sanitation	1,421,290	1,442,990	1,472,926	(29,936)
Health	193,501	330,473	326,163	4,310
Welfare	397,749	260,777	145,787	114,990
Culture and recreation	1,366,580	799,614	757,297	42,317
Debt service:				
Interest	5,000	5,000	-	5,000
Capital outlay	614,000	1,115,471	(628,818)	1,744,289
Total expenditures	<u>14,886,269</u>	<u>14,415,903</u>	<u>12,247,529</u>	<u>2,168,374</u>
Excess of revenues over expenditures	<u>628,329</u>	<u>1,098,695</u>	<u>3,340,120</u>	<u>2,241,425</u>
Other financing sources (uses):				
Transfers in	100,000	100,000	100,464	464
Transfers out	(1,718,500)	(2,188,866)	(2,225,181)	(36,315)
Bond issued	462,000	462,000	462,000	-
Total other financing sources and uses	<u>(1,156,500)</u>	<u>(1,626,866)</u>	<u>(1,662,717)</u>	<u>(35,851)</u>
Net change in fund balances	<u>\$ (528,171)</u>	<u>\$ (528,171)</u>	1,677,403	<u>\$ 2,205,574</u>
Increase in fund balance reserved for special purposes			(19,802)	
Increase in fund balance reserved for tax deeded property			(682)	
Unreserved fund balance, beginning			<u>4,214,204</u>	
Unreserved fund balance, ending			<u>\$ 5,871,123</u>	

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

TOWN OF SEABROOK, NEW HAMPSHIRE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2007

General Budget Policies.....	1
Budgetary Reconciliation.....	2

TOWN OF SEABROOK, NEW HAMPSHIRE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2007

1. General Budget Policies

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 fund, as well as a few of the nonmajor governmental funds. Except as reconciled below, the budget was adopted on a basis consistent with U.S. 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 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 unreserved fund balance to achieve that end. In the fiscal year 2007, \$528,171 of the beginning general fund fund balance was applied for this purpose.

2. Budgetary Reconciliation

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

Revenues and other financing sources:	
Per Exhibit E (budgetary basis)	\$ 16,150,113
Adjustments:	
Basis difference:	
Inception of capital leases	320,548
On-behalf retirement contributions made by the State of New Hampshire recognized as revenue on the GAAP basis, but not on the budgetary basis	265,362
Per Exhibit C-3 (GAAP basis)	<u>\$ 16,736,023</u>
Expenditures and other financing uses:	
Per Exhibit E (budgetary basis)	\$ 14,472,710
Adjustments:	
Basis difference:	
Encumbrances, beginning	2,747,721
Encumbrances, ending	(531,987)
Inception of capital leases	320,548
On-behalf retirement contributions made by the State of New Hampshire recognized as expenditures on the GAAP basis, but not on the budgetary basis	265,362
Per Exhibit C-3 (GAAP basis)	<u>\$ 17,274,354</u>

COMBINING AND INDIVIDUAL FUND SCHEDULES

SCHEDULE 1
TOWN OF SEABROOK, NEW HAMPSHIRE
Major General Fund
Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2007

	Estimated	Actual	Variance Positive (Negative)
Taxes:			
Property	\$ 12,177,069	\$ 12,211,977	\$ 34,908
Yield	1,500	1,421	(79)
Interest and penalties on taxes	72,000	98,513	26,513
Total taxes	12,250,569	12,311,911	61,342
Licenses, permits and fees:			
Business licenses, permits and fees	65,000	44,592	(20,408)
Motor vehicle permit fees	1,600,000	1,449,865	(150,135)
Building permits	60,000	82,380	22,380
Other	55,770	42,266	(13,504)
Total licenses, permits and fees	1,780,770	1,619,103	(161,667)
Intergovernmental:			
State:			
Shared revenue block grant	71,086	71,086	-
Meals and rooms distribution	357,628	357,628	-
Highway block grant	124,315	124,315	-
State summer food reimbursement	-	2,670	2,670
Federal	169,999	67,551	(102,448)
Total intergovernmental	723,028	623,250	(99,778)
Charges for services:			
Income from departments	322,330	435,288	112,958
Miscellaneous:			
Interest on investments	325,000	377,629	52,629
Other	112,901	220,468	107,567
Total miscellaneous	437,901	598,097	160,196
Other financing sources:			
Transfers in:			
Expendable trust fund	75,000	75,000	-
Nonmajor funds:			
Transportation	25,000	25,000	-
Permanent	-	464	464
Long term debt issued	462,000	462,000	-
Total other financing sources	562,000	562,464	464
Total revenues and other financing sources	16,076,598	\$ 16,150,113	\$ 73,515
Unreserved fund balance used to reduce tax rate	528,171		
Total revenues, other financing sources and use of fund balance	\$ 16,604,769		

SCHEDULE 2
TOWN OF SEABROOK, NEW HAMPSHIRE
Major General Fund
Schedule of Appropriations, Expenditures and Encumbrances (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2007

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
General government:					
Executive	\$ 11,977	\$ 495,618	\$ 523,875	\$ 11,977	\$ (28,257)
Election and registration	-	345,380	293,581	-	51,799
Financial administration	-	818,751	740,904	-	77,847
Legal	-	175,000	88,006	-	86,994
Planning and zoning	-	63,933	102,739	-	(38,806)
General government buildings	-	102,737	111,453	-	(8,716)
Cemeteries	3,800	115,232	124,030	-	(4,998)
Insurance, not otherwise allocated	-	477,196	479,833	-	(2,637)
Other	-	5	-	-	5
Total general government	<u>15,777</u>	<u>2,593,852</u>	<u>2,464,421</u>	<u>11,977</u>	<u>133,231</u>
Public safety:					
Police	-	3,454,304	3,348,208	-	106,096
Fire	-	3,011,758	3,024,757	-	(12,999)
Building inspection	-	115,187	111,367	-	3,820
Emergency management	-	111,644	109,619	-	2,025
Total public safety	<u>-</u>	<u>6,692,893</u>	<u>6,593,951</u>	<u>-</u>	<u>98,942</u>
Highways and streets:					
Highways and streets	-	1,116,001	1,051,164	-	64,837
Street lighting	-	54,489	64,978	-	(10,489)
Total highways and streets	<u>-</u>	<u>1,170,490</u>	<u>1,116,142</u>	<u>-</u>	<u>54,348</u>
Sanitation:					
Administration	-	127,000	83,510	82,415	(38,925)
Solid waste collection	-	1,315,990	1,307,001	-	8,989
Storm water management	10,273	-	8,672	1,601	-
Total sanitation	<u>10,273</u>	<u>1,442,990</u>	<u>1,399,183</u>	<u>84,016</u>	<u>(29,936)</u>
Health:					
Administration	-	70,723	69,320	-	1,403
Pest control	-	122,778	116,071	-	6,707
Health agencies and hospitals	2,601	136,972	138,149	5,224	(3,800)
Total health	<u>2,601</u>	<u>330,473</u>	<u>323,540</u>	<u>5,224</u>	<u>4,310</u>
Welfare:					
Administration	-	82,827	72,516	-	10,311
Direct assistance	-	177,950	73,271	-	104,679
Total welfare	<u>-</u>	<u>260,777</u>	<u>145,787</u>	<u>-</u>	<u>114,990</u>
Culture and recreation:					
Parks and recreation	-	772,153	731,618	-	40,535
Patriotic purposes	-	27,461	25,679	-	1,782
Total culture and recreation	<u>-</u>	<u>799,614</u>	<u>757,297</u>	<u>-</u>	<u>42,317</u>
Conservation	-	4,343	3,460	-	883
Debt service:					
Interest on tax anticipation notes	-	5,000	-	-	5,000

(continued)

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

Schedule of Appropriations, Expenditures and Encumbrances (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2007

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Capital outlay:					
Water meters	14,328	-	11,570	2,758	-
Water projects - Article 11	2,342,222	-	627,454	-	1,714,768
Capital improvement plan for town roads	-	25,000	25,000	-	-
Restoration for cemetery monuments	-	5,000	2,575	2,425	-
Upgrade wastewater facilities	32,593	-	30,645	1,948	-
Town Hall computer system	16,627	12,500	29,127	-	-
Sanborn School roof replacement	-	11,000	9,330	-	1,670
Old South Meeting House roof replacement	-	18,900	17,665	-	1,235
Water tower and standpipe	237,300	-	235,920	1,380	-
Route 1 water main replacement	76,000	-	76,000	-	-
Police cruisers	-	54,000	42,786	11,214	-
Repairs to police station	-	40,871	40,871	-	-
Ambulance	-	150,000	148,016	-	1,984
Fire protective gear	-	45,000	42,030	-	2,970
Fire department 4-wheel drive pickup	-	35,000	35,000	-	-
Planning arsenic removal	-	462,000	72,613	389,387	-
Water 1-ton 4-wheel drive	-	32,800	32,800	-	-
Water 2-wheel drive truck	-	21,500	20,717	-	783
Recycling truck	-	52,650	47,603	-	5,047
Garbage truck	-	52,650	38,690	-	13,960
DPW - beach rake	-	26,100	24,228	-	1,872
Library materials	-	50,000	32,380	17,620	-
Community Center gym divider	-	12,000	8,042	3,958	-
Community Center multi-purpose room divider	-	8,500	8,420	80	-
Total capital outlay	<u>2,719,070</u>	<u>1,115,471</u>	<u>1,659,482</u>	<u>430,770</u>	<u>1,744,289</u>
Other financing uses:					
Transfers out:					
Nonmajor funds:					
Public library	-	470,366	470,366	-	-
Water department	-	496,285	532,600	-	(36,315)
Sewer department	-	1,222,215	1,222,215	-	-
Total other financing uses	-	<u>2,188,866</u>	<u>2,225,181</u>	-	<u>(36,315)</u>
Total appropriations, expenditures, other financing uses and encumbrances	<u>\$ 2,747,721</u>	<u>\$ 16,604,769</u>	<u>\$ 16,688,444</u>	<u>\$ 531,987</u>	<u>\$ 2,132,059</u>

SCHEDULE 3
TOWN OF SEABROOK, NEW HAMPSHIRE
Major General Fund
Schedule of Changes in Unreserved - Undesignated Fund Balance (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2007

Unreserved, undesignated fund balance, beginning		\$ 4,214,204
Changes:		
Unreserved fund balance used to reduce 2007 tax rate		(528,171)
2007 Budget summary:		
Revenue surplus (Schedule 1)	\$ 73,515	
Unexpended balance of appropriations (Schedule 2)	<u>2,132,059</u>	
2007 Budget surplus		2,205,574
Increase in fund balance reserved for special purposes		(19,802)
Increase in fund balance reserved for tax deeded property		(682)
Increase in fund balance designated for contingency		<u>(50,000)</u>
Unreserved, undesignated fund balance, ending		<u>\$ 5,821,123</u>

SCHEDULE 4
TOWN OF SEABROOK, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2007

	Special Revenue Funds							Permanent Fund	Total
	Public Library	Water Department	Sewer Department	Conservation Commission	Transportation	Economic Development			
ASSETS									
Cash and cash equivalents	\$ 500,829	\$ -	\$ 850,036	\$ 239,464	\$ 170,848	\$ 26,072	\$ 13,531	\$ 1,800,780	
Investments	5,204	-	-	-	-	-	-	5,204	
Accounts receivable	-	71,816	79,783	-	-	-	-	151,599	
Interfund receivable	10,325	216,555	-	-	4,240	-	-	231,120	
Total assets	\$ 516,358	\$ 288,371	\$ 929,819	\$ 239,464	\$ 175,088	\$ 26,072	\$ 13,531	\$ 2,188,703	
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable	\$ 4,046	\$ 124,238	\$ 59,094	\$ 8,472	\$ -	\$ -	\$ -	\$ 195,850	
Accrued salaries and benefits	859	13,566	21,259	-	-	-	-	35,684	
Interfund payable	-	150,473	-	-	-	-	-	150,473	
Deferred revenue	-	94	99	-	-	-	-	193	
Total liabilities	4,905	288,371	80,452	8,472	-	-	-	382,200	
Fund balances:									
Reserved for encumbrances	-	-	358,580	-	-	-	-	358,580	
Reserved for endowments	-	-	-	-	-	-	13,531	13,531	
Unreserved, undesignated	511,453	-	490,787	230,992	175,088	26,072	-	1,434,392	
Total fund balances	511,453	-	849,367	230,992	175,088	26,072	13,531	1,806,503	
Total liabilities and fund balances	\$ 516,358	\$ 288,371	\$ 929,819	\$ 239,464	\$ 175,088	\$ 26,072	\$ 13,531	\$ 2,188,703	

SCHEDULE 5
TOWN OF SEABROOK, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
For the Fiscal Year Ended December 31, 2007

	Special Revenue Funds							Total
	Public Library	Water Department	Sewer Department	Conservation Commission	Transportation	Economic Development	Permanent Fund	
Revenues:								
Charges for services	\$ -	\$ 498,097	\$ 500,723	\$ -	\$ -	\$ -	\$ -	\$ 998,820
Miscellaneous	37,156	11,916	2,801	11,661	66,820	-	464	130,818
Total revenues	37,156	510,013	503,524	11,661	66,820	-	464	1,129,638
Expenditures:								
Current:								
Water distribution and treatment	-	1,093,805	-	-	-	-	-	1,093,805
Sanitation	-	-	1,655,844	-	-	-	-	1,655,844
Culture and recreation	451,578	-	-	-	-	-	-	451,578
Conservation	-	-	-	20,866	-	-	-	20,866
Total expenditures	451,578	1,093,805	1,655,844	20,866	-	-	-	3,222,093
Excess (deficiency) of revenues over (under) expenditures	(414,422)	(583,792)	(1,152,320)	(9,205)	66,820	-	464	(2,092,455)
Other financing sources (uses):								
Transfers in	470,366	532,600	1,222,215	-	-	-	-	2,225,181
Transfers out	-	-	-	-	(25,000)	-	(464)	(25,464)
Total other financing sources and uses	470,366	532,600	1,222,215	-	(25,000)	-	(464)	2,199,717
Net change in fund balances	55,944	(51,192)	69,895	(9,205)	41,820	-	-	107,262
Fund balances, beginning	455,509	51,192	779,472	240,197	133,268	26,072	13,531	1,699,241
Fund balances, ending	\$ 511,453	\$ -	\$ 849,367	\$ 230,992	\$ 175,088	\$ 26,072	\$ 13,531	\$ 1,806,503



PLODZIK & SANDERSON

Professional Association/Accountants & Auditors

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INDEPENDENT AUDITOR'S COMMUNICATION OF CONTROL DEFICIENCIES AND OTHER MATTERS

To the Members of the Board of Selectmen and Town Manager
Town of Seabrook
Seabrook, New Hampshire

In planning and reporting our audit of the financial statements of the Town of Seabrook as of and for the fiscal year ended December 31, 2007, 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Seabrook's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control that we consider to be a significant deficiency and other deficiencies that we consider to be material weaknesses.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Town's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Town's financial statements that is more than inconsequential will not be prevented or detected by the Town's internal control. We consider the following deficiency to be a significant deficiency in internal control.

Financial Statement Preparation

Due to the limited number of personnel available in the Town, the Board of Selectmen and Town Manager have requested that our firm prepare the annual financial statements and footnote disclosures. This does not violate professional independence standards as management takes responsibility for the statements. At present, it is felt that this is the most cost effective option for the Town.

Since there is more than a remote likelihood that a misstatement of the financial statements that is more than inconsequential will not be prevented or detected by management's review of the financial statements, we consider this to be a significant deficiency in internal control. We recommend that the Board of Selectmen and Town Manager consider providing additional training to the Finance Director so that she could prepare the monthly and year-end financial statements and disclosures.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Town's internal control. We believe that the following deficiencies constitute material weaknesses.

Town Policies

The Town's control policies should require that management and employees establish and maintain an environment throughout the Town that sets a positive and supportive attitude toward internal control and conscientious management. The control environment established by the Board of Selectmen and Town Manager sets the tone for how the Town employees and elected officials conduct its business.

Town of Seabrook
Independent Auditor's Communication of Control Deficiencies and Other Matters

As the Board of Selectmen, Town Manager and department heads strive to achieve the goals of the Town and provide accountability for their operations, they need to continually examine internal controls to determine how well they are performing, how they may be improved and the degree to which they help identify and address major risks for fraud, waste, abuse and mismanagement.

We noted that the Town has not yet established any formally adopted policies for code of ethics, anti-fraud, employee evaluations, cell phone usage, credit cards, disaster recovery and accounting procedures, which are essential tools necessary to manage the Town's operations efficiently and effectively.

We strongly recommend that the Board of Selectmen and Town Manager develop and formally adopt the above noted policies in order to clearly communicate the Town's position on these issues. Adopting the various policies is critical in preventing interruptions due to personnel vacancies, facilitating supervision and evaluation, and will also help to minimize the risk of losses.

General Accounting System

The objective of a proper internal control system is to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and are recorded properly to permit preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America. Without adequate procedures for monitoring the overall performance of the accounting system, it is possible that deterioration may occur, which could result in the Town's inability to detect errors or irregularities on a timely basis, as well as a lack of accurate financial reports for the use of both management and external parties.

During 2007, the Finance Director of many years left employment and in July 2007, a replacement was hired who left in May 2008. A substantial amount of reconciliation of the various Town funds and accounts was needed in order to close out 2007. This work was done in April and May of 2008 by the Town's staff in order to have the books ready for audit. Even though the staff was able to reconcile the Town's accounts, numerous items did surface during the audit which needed further investigation and reconciliation. This is primarily why the audit took so long to complete.

We recommend that the Board establish procedures to reconcile all accounts on a monthly basis, and ensure that these policies and procedures are followed. It should be noted that the Town did promote a new Finance Director in September of 2008, and she and her staff have been reconciling the Town accounts monthly.

Capital Assets

We noted that the software used to monitor the capital assets and depreciation was not working properly. Conflicting reports were generated; depreciation expense was not always properly calculated; multiple entries for the same capital asset were reported; the capital assets were sometimes entered into the system piecemeal so that a capital asset was not reflected but its many parts were; and construction-in-progress was left in the capital assets records that dated back many years and could not be readily identified. In addition, we noted that the Town's capital asset threshold was \$1,000 which is very low for this size town and required a lot of additional time to track and monitor the capital assets.

We recommend that the Town contact its computer company so that system errors can be fixed. In addition, the capital assets listing needs to be reviewed in great detail in order to make sure that multiple entries for the same item are eliminated, capital assets are reported intact and not in many pieces, and to clean up the capital asset listing. Finally, we recommend that the Town examine the capital asset policy and look at increasing the threshold to \$5,000 or \$10,000 and make sure that all the useful lives are reasonable for the Town.

We noted that in late 2008, the accounting department was already working to rectify the problems with the capital assets and that the Board voted to increase the capital asset threshold to \$10,000.

***Town of Seabrook
Independent Auditor's Communication of Control Deficiencies and Other Matters***

Manifest Approval

We noted that, in the absence of the Town Manager, his executive assistant would approve the vendor and payroll manifests instead of the Board of Selectmen. RSA 37:7 *Approval of Vouchers*, states that "The town manager may approve vouchers for obligations incurred by any department of which he has supervision, and, except during his absence or disability, the selectmen shall not draw orders for the payment of any such obligations without such approval. The selectmen may themselves approve such vouchers, or authorize their approval..."

We recommend that in the absence of the Town Manager, a majority of the Board of Selectmen should be approving the manifests.

Deputy Treasurer

The assistant finance manager is also the deputy town treasurer. As assistant finance manager, she processes accounts payable, cash receipts and the direct deposit to the bank for payroll. As deputy town treasurer, she signs or stamps the vendor and payroll checks when the Town treasurer is unavailable to do so. This creates a lack of segregation of duties, and while we found no unusual activity, we do believe that this is a material weakness in the internal controls.

We recommend that the Town treasurer find a new deputy treasurer so that the segregation of duties is not compromised.

We also want to discuss the following other issues that we do not consider to be significant deficiencies.

Employee Evaluations

We noted that employees are not being given regular formal evaluations, and there is no formal documentation of each employee's performance. This information is critical in the review process for subsequent employee determinations, to include pay raises, advancement and/or termination.

We recommend that a policy be instituted for an employee evaluation process. Such process should include formal documentation of each employee's review.

Credit Card Purchases

We noted that the Town has a credit card, and that several of the charges made to the credit card did not have any documentation to support the purchase made. Not having supporting documentation makes it difficult to determine whether or not the purchase was appropriate.

We recommend that all disbursements be supported by appropriate documentation to substantiate the charges made. In the case of charges to a restaurant or hotel, the documentation should include a detailed breakdown of the charges made, not just the charge slip reflecting the total charge.

Cell Phone Usage

We noted that Town owned cell phones are being used by some employees "after hours" and the Town is not getting reimbursed for this usage. We also noted that the Town does not have a policy that addresses cell phone usage as noted above under ***Town Policies***.

We recommend that the Town establish a policy for cell phone usage which discourages the personal use of such phones. In addition, if personal calls are made on the phones, this time should be documented, and reported to the accounting department so that when the invoice is received, the charges can be billed to the employee and reimbursed to the Town.

Town of Seabrook
Independent Auditor's Communication of Control Deficiencies and Other Matters

Grants

As noted above, a lot of additional work had to be done in order to reconcile the various Town funds and accounts. Additional items came up during the audit which required further investigation and research. A lot of this had to do with the Town's receipt of various federal, state and local grants, which the accounting office knew very little about, or in some cases that they even existed. The information for these grants was kept in the departments that obtained the grants, and very little information was reported to the accounting office. In addition, these grants were often not budgeted since they were unanticipated, but the activity for them was reported in the general fund.

We recommend that all grants obtained on behalf of the Town be tracked by the accounting department. This means that all grants and supporting documentation need to be filed with the accounting department so that all reporting requirements for the grants are met. In addition, we recommend that all such grant activity be reported in a separate fund so that these unanticipated funds have no impact on the Town's budget or general fund balance.

Investment Policy

We noted that neither the selectmen nor the trustees of trust funds have a formally adopted investment policy.

New Hampshire RSA 41:29; *Town Treasurer*, states in part "At least yearly, the selectmen shall review and adopt an investment policy for the investment of public funds in conformance with the provisions of applicable statutes." Likewise, RSA 31:25; *Trust Funds*, states in part "The trustees shall formally adopt an investment policy for all investments made by them or by their agents for any trust funds in their custody. Such investment policy shall be reviewed and confirmed at least annually."

As well, GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, requires certain disclosures for the various types of risk that may affect a government's investments.

We recommend that the board of selectmen and trustees of trust funds formally adopt investment policies and review them on an annual basis, and that such investment policies address credit risk, custodial credit risk, concentration of credit risk, interest rate risk and foreign currency risk.

Public Library

We noted the following conditions at the Seabrook Public Library.

1. The library has multiple credit cards that it uses to make purchases, however, the library has not adopted a credit card policy.
2. We noted that during 2007, the library trustees transferred all of the funds from Provident Bank to the New Hampshire Public Deposit Investment Pool, but the library bookkeeper did not realize that \$5,000 was left in Provident Bank at year-end, so this was not reported on his financial report.
3. The library has Paychex Payroll Service process the library's payroll every other week. The library director calls Paychex and provides them with the employees' hours worked which she obtains from the timesheets. However, she does not formally approve these timesheets. Once the payroll checks, journals and supporting documentation is sent back to the library for the payroll to be distributed, the payroll journals are not being reviewed for accuracy.
4. Prior to the library treasurer signing the checks for payment, a check manifest is printed in order to get a majority of the library trustees to sign as authorization to release the payments. However, it was noted that sometimes checks were released with only one trustee's signature on the manifest.
5. Deposits for funds received in the library are only being made once a month. Prior to the funds being deposited, they are not being kept in a secure location.

In regard to the above, we recommend the following:

1. As noted in the section under the *Town Policies*, we recommend that the library trustees adopt a credit card policy.
2. The library trustees and treasurer need to make sure that they make the bookkeeper aware of all financial decisions and transactions made so that he may keep accurate records. This could also include the trustees providing him with a copy of the monthly meeting minutes.

*Town of Seabrook
Independent Auditor's Communication of Control Deficiencies and Other Matters*

3. All timesheets should be reviewed and approved by the library director prior to submitting the information to Paychex. In addition, once the payroll is received from Paychex, the payroll journal should be reviewed for accuracy by the bookkeeper and approved by the library director prior to releasing the checks.
4. A majority of the library trustees should be approving the manifests prior to the release of checks for payment. If this is a hardship, then perhaps the trustees could designate the library director to approve the manifests along with one trustee.
5. The bookkeeper should be making deposits more frequently, and until the deposits are made, the money should be kept in a secure location.

Timesheets

We noted that there were several instances where department heads did not formally approve "Timesheet Summary" forms. The department heads should approve these forms in order to verify the accuracy of the hours reported by the employees. We recommend that the "Timesheet Summary" forms be approved by department heads prior to payroll processing.

W-4 and I-9 Forms

Our testing of the payroll records revealed that there were several employees who should have had an I-9 form (Employment Eligibility Verification) and W-4 form on file but did not or that they were incomplete or not approved. We recommend that all appropriate payroll-related forms be completed and retained as prescribed by payroll regulations.

Purchase Orders

Although the Town has a purchase order system in place, some procedures required to achieve proper internal controls were not followed. We noted that purchase orders were not always obtained and completed prior to the invoice date. We recommend that all procedures be adhered to in order to have a properly working purchase order system.

Invoices

When invoices are received, they are forwarded to department heads for approval. We noted that these invoices are not always being returned to the accounting department in a timely fashion. As a result, discounts could be lost, and there are times when finance charges are assessed due to the lateness of the payment.

We recommend that when invoices are received by department heads, they immediately review them and return them to the accounting department for processing so that applicable discounts can be taken and finance charges can be avoided.

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

*Plodzik & Sanderson
Professional Association*

April 7, 2009