

**TOWN OF SEABROOK,
NEW HAMPSHIRE**

ANNUAL FINANCIAL REPORT

**AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2008**

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PLODZIK & SANDERSON

Professional Association/Accountants & Auditors

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INDEPENDENT AUDITOR'S REPORT

To the Members of the Board of Selectmen 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, 2008, 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.

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, 2008, 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.

*Plodzik & Sanderson
Professional Association*

February 15, 2010

BASIC FINANCIAL STATEMENTS

EXHIBIT A
TOWN OF SEABROOK, NEW HAMPSHIRE
Statement of Net Assets
December 31, 2008

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 18,750,515
Investments	4,175,690
Intergovernmental receivable	174,132
Other receivables, net of allowances for uncollectible	1,856,784
Tax deeded property held for resale	3,140
Capital assets, not being depreciated:	
Land	3,796,170
Construction in progress	477,121
Capital assets, net of accumulated depreciation:	
Buildings and building improvements	19,512,680
Improvements other than buildings	12,484
Equipment and vehicles	2,555,294
Infrastructure	11,670,613
Total assets	62,984,623
LIABILITIES	
Accounts payable	348,623
Accrued salaries and benefits	259,178
Intergovernmental payable	7,080,839
Accrued interest payable	128,247
Unearned revenue	20,758
Noncurrent obligations:	
Due within one year:	
Bonds	254,745
Capital leases	114,580
Compensated absences	158,255
Due in more than one year:	
Bonds	6,112,200
Capital leases	17,692
Compensated absences	586,440
Total liabilities	15,081,557
NET ASSETS	
Invested in capital assets, net of related debt	25,492,461
Restricted for perpetual care	13,531
Restricted for capital project	6,018,337
Unrestricted	16,378,737
Total net assets	\$ 47,903,066

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, 2008

	Expenses	Program Revenues		Net (Expense) Revenue and Change in Net Assets
		Charges for Services	Operating Grants and Contributions	
Governmental activities:				
General government	\$ 2,843,517	\$ 34,169	\$ 4,053	\$ (2,805,295)
Public safety	7,277,716	446,833	341,438	(6,489,445)
Highways and streets	1,801,537	-	169,313	(1,632,224)
Sanitation	3,422,502	626,398	69,837	(2,726,267)
Water distribution and treatment	1,946,232	555,774	30,102	(1,360,356)
Health	338,002	7,632	-	(330,370)
Welfare	144,704	-	-	(144,704)
Culture and recreation	1,572,521	55,606	-	(1,516,915)
Conservation	67,289	-	-	(67,289)
Interest on long-term debt	135,079	-	-	(135,079)
Total governmental activities	\$ 19,549,099	\$ 1,726,412	\$ 614,743	(17,207,944)
General revenues:				
Taxes:				
Property				14,552,247
Other				182,111
Motor vehicle permit fees				1,424,787
Licenses and other fees				164,799
Grants and contributions not restricted to specific programs				450,102
Unrestricted investment earnings				241,716
Miscellaneous				545,168
Total general revenues				17,560,930
Change in net assets				352,986
Net assets, beginning, as restated, (see Note 2-H)				47,550,080
Net assets, ending				\$ 47,903,066

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

EXHIBIT C-1
TOWN OF SEABROOK, NEW HAMPSHIRE
Governmental Funds
Balance Sheet
December 31, 2008

	General	Expendable Trust	Water Treatment Plant	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 12,861,751	\$ 1,898,972	\$ 2,002,624	\$ 1,987,169	\$ 18,750,516
Investments	4,902	1,600,000	2,548,416	22,372	4,175,690
Receivables, net of allowance for uncollectible:					
Taxes	1,596,356	-	-	-	1,596,356
Accounts	38,754	115,968	-	105,706	260,428
Intergovernmental	121,155	-	-	52,977	174,132
Interfund receivable	60,241	-	1,467,297	13,045	1,540,583
Tax deeded property subject to resale	3,140	-	-	-	3,140
Total assets	\$ 14,686,299	\$ 3,614,940	\$ 6,018,337	\$ 2,181,269	\$ 26,500,845
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 196,599	\$ 92,547	\$ -	\$ 59,464	\$ 348,610
Accrued salaries and benefits	226,603	-	-	32,576	259,179
Intergovernmental payable	7,080,839	-	-	-	7,080,839
Interfund payable	1,468,183	12,159	-	60,241	1,540,583
Deferred revenue	6,598	-	-	1,070	7,668
Deferred tax revenue	13,090	-	-	-	13,090
Other	13	-	-	-	13
Total liabilities	8,991,925	104,706	-	153,351	9,249,982
Fund balances:					
Reserved for encumbrances	653,670	-	-	293,536	947,206
Reserved for endowments	-	-	-	13,531	13,531
Reserved for tax deeded property	3,140	-	-	-	3,140
Reserved for special purposes	22,057	-	-	-	22,057
Unreserved:					
Designated for contingency	75,000	-	-	-	75,000
Undesignated, reported in:					
General fund	4,940,507	-	-	-	4,940,507
Special revenue funds	-	3,510,234	-	1,720,851	5,231,085
Capital project fund	-	-	6,018,337	-	6,018,337
Total fund balances	5,694,374	3,510,234	6,018,337	2,027,918	17,250,863
Total liabilities and fund balances	\$ 14,686,299	\$ 3,614,940	\$ 6,018,337	\$ 2,181,269	\$ 26,500,845

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, 2008

Total fund balances of governmental funds (Exhibit C-1)		\$ 17,250,863
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	\$ 59,543,946	
Less accumulated depreciation	<u>(21,519,584)</u>	38,024,362
Interfund receivables and payables between governmental funds are eliminated on the statement of net assets.		
Receivables	\$ (1,540,583)	
Payables	<u>1,540,583</u>	
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(128,247)
Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the funds.		
Bonds	\$ 6,366,945	
Capital leases	132,272	
Compensated absences payable	<u>744,695</u>	(7,243,912)
Total net assets of governmental activities (Exhibit A)		<u>\$ 47,903,066</u>

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

EXHIBIT C-3
TOWN OF SEABROOK, NEW HAMPSHIRE
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Fiscal Year Ended December 31, 2008

	General	Expendable Trust	Water Treatment Plant	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 14,713,344	\$ -	\$ -	\$ 21,014	\$ 14,734,358
Licenses and permits	1,589,586	-	-	-	1,589,586
Intergovernmental	1,020,559	-	-	44,286	1,064,845
Charges for services	340,755	394,979	-	1,111,415	1,847,149
Miscellaneous	362,748	35,530	51,040	337,566	786,884
Total revenues	<u>18,026,992</u>	<u>430,509</u>	<u>51,040</u>	<u>1,514,281</u>	<u>20,022,822</u>
Expenditures:					
Current:					
General government	2,799,962	-	-	-	2,799,962
Public safety	6,994,590	-	-	-	6,994,590
Highways and streets	1,225,377	-	-	-	1,225,377
Sanitation	1,427,292	-	-	1,704,137	3,131,429
Water distribution and treatment	111,304	-	32,703	1,179,463	1,323,470
Health	335,399	-	-	-	335,399
Welfare	144,704	-	-	-	144,704
Culture and recreation	802,256	-	-	566,228	1,368,484
Conservation	2,322	-	-	64,764	67,086
Debt service:					
Principal	92,400	-	-	-	92,400
Interest	19,711	-	-	-	19,711
Capital outlay	889,405	595,770	-	-	1,485,175
Total expenditures	<u>14,844,722</u>	<u>595,770</u>	<u>32,703</u>	<u>3,514,592</u>	<u>18,987,787</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,182,270</u>	<u>(165,261)</u>	<u>18,337</u>	<u>(2,000,311)</u>	<u>1,035,035</u>
Other financing sources (uses):					
Transfers in	55,423	1,705,000	-	2,210,633	3,971,056
Transfers out	(3,915,633)	(18,001)	-	(37,422)	(3,971,056)
Bond proceeds	-	-	6,000,000	-	6,000,000
Inception of capital leases	24,255	-	-	-	24,255
Total other financing sources and uses	<u>(3,835,955)</u>	<u>1,686,999</u>	<u>6,000,000</u>	<u>2,173,211</u>	<u>6,024,255</u>
Net change in fund balances	(653,685)	1,521,738	6,018,337	172,900	7,059,290
Fund balances, beginning, as restated (see Note 2-H)	6,348,059	1,988,496	-	1,855,018	10,191,573
Fund balances, ending	<u>\$ 5,694,374</u>	<u>\$ 3,510,234</u>	<u>\$ 6,018,337</u>	<u>\$ 2,027,918</u>	<u>\$ 17,250,863</u>

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

EXHIBIT C-4
TOWN OF SEABROOK, NEW HAMPSHIRE
*Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of
Governmental Funds to the Statement of Activities*
For the Fiscal Year Ended December 31, 2008

Net change in fund balances of governmental funds (Exhibit C-3)		\$ 7,059,290
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	\$ 428,894	
Depreciation expense	<u>(993,407)</u>	(564,513)
The disposal of capital assets decreases net assets.		(141,768)
Transfers in and out between governmental funds are eliminated on the operating statement.		
Transfers in	\$ (3,971,056)	
Transfers out	<u>3,971,056</u>	
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds, but has no effect on net assets.		
Proceeds of bond proceeds	\$ (6,000,000)	
Repayment of bond principal	92,400	
Repayment of capital lease principal	127,325	
Capital lease inception	<u>(24,255)</u>	(5,804,530)
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	\$ (115,368)	
Increase in compensated absences payable	<u>(80,125)</u>	(195,493)
Changes in net assets of governmental activities (Exhibit B)		<u><u>\$ 352,986</u></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, 2008

	Private Purpose Trust	Agency
ASSETS		
Cash and cash equivalents	\$ 191,250	\$ 554,029
Investments	600,000	-
Accrued interest receivable	898	-
Total assets	<u>792,148</u>	<u>554,029</u>
LIABILITIES		
Due to others	<u>-</u>	<u>554,029</u>
NET ASSETS		
Held in trust for specific purposes	<u>\$ 792,148</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, 2008

	Private Purpose Trust
ADDITIONS	
Contributions:	
New scholarship funds	\$ 102,597
Investment earnings:	
Interest	14,583
Total additions	117,180
DEDUCTIONS	
Scholarships	(54,000)
Change in net assets	63,180
Net assets, beginning	728,968
Net assets, ending	\$ 792,148

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, 2008

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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, 2008

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, 2008

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.

Water Treatment Plant Fund - The water treatment plant fund is used to account for the construction of a municipal water treatment plant.

The Town also reports eight 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
DECEMBER 31, 2008

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 types 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
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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 \$10,000 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
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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.

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, 2008, upon which the 2008 property tax levy was based is:

For the New Hampshire education tax	\$ 1,429,645,800
For all other taxes	\$ 3,101,187,400

TOWN OF SEABROOK, NEW HAMPSHIRE
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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, 2008, were as follows:

	Per \$1,000 Assessed of Valuation	Property Taxes Assessed
Municipal portion	\$4.77	\$ 14,776,330
School portion:		
State of New Hampshire	\$2.14	3,065,290
Local	\$3.96	12,265,549
County portion	\$0.71	2,195,147
Total		<u>\$ 32,302,316</u>

During the current fiscal year, the tax collector executed a lien on April 30 for all uncollected 2007 property taxes.

Taxes receivable at December 31, 2008, are as follows:

Property:	
Levy of 2008	\$ 1,243,491
Unredeemed (under tax lien):	
Levy of 2007	278,149
Levy of 2006	105,822
Levy of 2005	19,194
Levy of 2004	2,718
Levy of 2003	1,260
Less: allowance for estimated uncollectible taxes	(54,278)
Net taxes receivable	<u>\$ 1,596,356</u>

2-B Other Receivables

Other receivables at December 31, 2008, 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.

TOWN OF SEABROOK, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
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Amounts receivable at December 31, 2008 are as follows:

	General Fund	Expendable Trust	Nonmajor Fund	Total
Accounts	\$ 38,754	\$ 353,899	\$ 105,706	\$ 498,359
Intergovernmental	121,155	-	52,977	174,132
Less: allowance for uncollectible amounts	-	(237,931)	-	(237,931)
Net receivables	<u>\$ 159,909</u>	<u>\$ 115,968</u>	<u>\$ 158,683</u>	<u>\$ 434,560</u>

2-C Capital Assets

Capital asset activity for the year ended December 31, 2008 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	350,151	477,121
Total capital assets not being depreciated	<u>3,923,140</u>	<u>350,151</u>	<u>4,273,291</u>
Being depreciated:			
Buildings and building improvements	23,288,680	-	23,288,680
Improvements other than buildings	13,260	-	13,260
Equipment and vehicles	5,385,267	78,743	5,464,010
Infrastructure	26,504,705	-	26,504,705
Total capital assets being depreciated	<u>55,191,912</u>	<u>78,743</u>	<u>55,270,655</u>
Total all capital assets	<u>59,115,052</u>	<u>428,894</u>	<u>59,543,946</u>
Less accumulated depreciation:			
Buildings and building improvements	(3,540,956)	(235,044)	(3,776,000)
Improvements other than buildings	(113)	(663)	(776)
Equipment and vehicles	(2,680,081)	(228,635)	(2,908,716)
Infrastructure	(14,305,027)	(529,065)	(14,834,092)
Total accumulated depreciation	<u>(20,526,177)</u>	<u>(993,407)</u>	<u>(21,519,584)</u>
Net book value, capital assets being depreciated	<u>34,665,735</u>	<u>(914,664)</u>	<u>33,751,071</u>
Net book value, all capital assets	<u>\$ 38,588,875</u>	<u>\$ (564,513)</u>	<u>\$ 38,024,362</u>

Depreciation expense was charged to functions of the Town as follows:

General government	\$ 21,308
Public safety	221,012
Highways and streets	484,560
Sanitation	199,359
Water distribution and treatment	10,325
Health	2,603
Conservation	203
Total	<u>\$ 993,407</u>

TOWN OF SEABROOK, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
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2-D Interfund Balances and Transfers

Interfund balances at December 31, 2008 consist of overdrafts in the pooled cash and budgetary transfers not yet made, and are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor	\$ 60,241
Water treatment plant	General	1,467,297
Nonmajor	General	886
Nonmajor	Expendable trust	12,159
		<u>\$ 1,540,583</u>

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

	<u>Transfers in:</u>			<u>Total</u>
	<u>General Fund</u>	<u>Expendable Trust Fund</u>	<u>Nonmajor Funds</u>	
Transfers out:				
General fund	\$ -	\$ 1,705,000	\$ 2,210,633	\$ 3,915,633
Expendable trust fund	18,001	-	-	18,001
Nonmajor funds	37,422	-	-	37,422
Total	<u>\$ 55,423</u>	<u>\$ 1,705,000</u>	<u>\$ 2,210,633</u>	<u>\$ 3,971,056</u>

2-E Intergovernmental Payable

Amounts due to other governments at December 31, 2008 consist of:

General fund:

Balance of the 2008 - 2009 district assessment due to Seabrook School District	\$ 4,803,109
Balance of the 2008 - 2009 district assessment due to the Winnacunnet Cooperative School District	<u>2,277,730</u>
Total	<u>\$ 7,080,839</u>

2-F Deferred/Unearned Revenue

Deferred/unearned revenue at December 31, 2008 of \$20,758 consists of \$13,090 of property taxes collected in advance for the 2009 levy; \$536 of water charges collected in advance; \$534 of sewer charges collected in advance; and \$6,598 for the HCPPP OEP Grant.

2-G Long-Term Liabilities

Changes in the Town's long-term obligations during the year ended December 31, 2008, consisted of the following:

	<u>General Obligation Bonds Payable</u>	<u>Capital Leases Payable</u>	<u>Compensated Absences Payable</u>	<u>Total</u>
Balance, beginning	\$ 462,000	\$ 214,612	\$ 664,270	\$ 1,340,882
Additions	6,000,000	24,255	80,425	6,104,680
Reductions	(95,055)	(106,595)	-	(201,650)
Balance, ending	<u>\$ 6,366,945</u>	<u>\$ 132,272</u>	<u>\$ 744,695</u>	<u>\$ 7,243,912</u>

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

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at December 31, 2008	Current Portion
General obligation bonds payable:						
Arsenic removal	\$ 462,000	2007	2012	4.29	\$ 369,600	\$ 92,400
Water treatment plant	\$ 6,000,000	2008	2037	4.0-4.5	5,997,345	162,345
					<u>6,366,945</u>	<u>254,745</u>
Capital leases payable:						
Police vehicle	\$ 21,017	2006	2009	7.00	12,319	12,319
Recycling trucks (2)	\$ 238,238	2007	2009	5.47	70,878	70,878
Surf rake	\$ 46,683	2007	2009	N/A	11,328	11,328
Police vehicle	\$ 21,587	2007	2010	6.10	12,967	12,967
Acorn recorder	\$ 11,340	2007	2011	10.92	6,804	2,268
Canon Image Runner	\$ 9,024	2008	2011	N/A	6,768	2,256
Police vehicle	\$ 14,439	2008	2012	5.95	11,208	2,564
					<u>132,272</u>	<u>114,580</u>
Compensated absences payable:						
Vested sick leave					292,779	73,164
Accrued vacation leave					451,916	85,091
					<u>744,695</u>	<u>158,255</u>
Total					<u>\$ 7,243,912</u>	<u>\$ 527,580</u>

The annual requirements to amortize the general obligation debt outstanding as of December 31, 2008, including interest payments, are as follows:

Annual Requirements to Amortize General Obligation Bonds Payable

Fiscal Year Ending December 31,	Principal	Interest	Total
2009	\$ 254,745	\$ 314,737	\$ 569,482
2010	262,400	282,711	545,111
2011	267,400	271,947	539,347
2012	272,400	259,233	531,633
2013	185,000	246,269	431,269
2014-2020	1,370,000	1,435,156	2,805,156
2021-2030	1,860,000	1,341,656	3,201,656
2031-2037	1,895,000	354,150	2,249,150
Totals	<u>\$ 6,366,945</u>	<u>\$ 4,505,859</u>	<u>\$ 10,872,804</u>

TOWN OF SEABROOK, NEW HAMPSHIRE
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Annual Requirements to Amortize Capital Leases Payable

Fiscal Year Ending December 31,	Principal	Interest	Total
2009	\$ 114,580	\$ 6,045	\$ 120,625
2010	7,271	852	8,123
2011	7,372	353	7,725
2012	3,049	181	3,230
Totals	<u>\$ 132,272</u>	<u>\$ 7,431</u>	<u>\$ 139,703</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, 2008 was \$121,585, which is part of the fund balance in the expendable trust fund. Funds were disbursed from the expendable retirement fund in 2008 to cover payments to employees leaving employment. This amount totaled \$18,001.

2-H Restatement of Equity

Equity at January 1, 2008 was restated as follows:

	General Fund	Expendable Trust Fund	Nonmajor Funds	Governmental Activities
Adjustments:				
To reclassify prior year grant expenditures	\$ 41,133	\$ -	\$ 38,476	\$ 79,609
To reclassify ambulance receivables net of allowance to expendable trust funds	(120,737)	120,737	-	-
To adjust the bonds payable to actual	-	-	-	2,656
To record revenue not previously reported	-	-	10,039	10,039
To adjust the useful lives on capital assets and the related accumulated depreciation	-	-	-	538,837
Net assets, as previously reported	6,427,663	1,988,496	1,806,503	46,918,939
Net assets, as restated	<u>\$ 6,348,059</u>	<u>\$ 2,109,233</u>	<u>\$ 1,855,018</u>	<u>\$ 47,550,080</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 2008, the Town contributed 11.84% for police and 15.92% for fire. The contribution requirements for the Town of Seabrook for the fiscal years 2006, 2007, and 2008 were \$401,346, \$460,483, and \$496,611, respectively, which were paid in full in each year.

TOWN OF SEABROOK, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
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The State of New Hampshire funds 35% of employer costs for police officers and firefighters employed by the Town. This amount, \$267,269, 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.

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 2008, 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 2008 for fiscal year 2009, ending June 30, 2009, to be recorded as an insurance expenditure totaled \$143,502. There were no unpaid contributions for the year ending June 30, 2009 and due in 2008. 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, 2008 was \$345,385. 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 \$75,000 for the contingency of settlements 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, 2008

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Taxes	\$ 12,980,932	\$ 12,980,932	\$ 14,713,344	\$ 1,732,412
Licenses and permits	1,616,100	1,621,915	1,589,586	(32,329)
Intergovernmental	682,493	698,466	753,290	54,824
Charges for services	376,997	329,745	340,755	11,010
Miscellaneous	521,040	521,040	362,748	(158,292)
Total revenues	<u>16,177,562</u>	<u>16,152,098</u>	<u>17,759,723</u>	<u>1,607,625</u>
Expenditures:				
Current:				
General government	2,779,963	2,797,469	2,787,985	9,484
Public safety	6,631,799	6,636,799	6,727,321	(90,522)
Highways and streets	1,197,475	1,197,475	1,225,377	(27,902)
Sanitation	1,382,400	1,382,400	1,425,691	(43,291)
Water distribution and treatment	127,000	127,000	28,889	98,111
Health	194,772	333,039	337,185	(4,146)
Welfare	399,275	255,784	144,704	111,080
Culture and recreation	1,293,564	823,198	802,256	20,942
Conservation	4,343	4,343	2,322	2,021
Debt service:				
Principal	92,400	92,400	92,400	-
Interest and other	6,920	6,920	19,711	(12,791)
Capital outlay	<u>684,226</u>	<u>1,111,846</u>	<u>1,079,864</u>	<u>31,982</u>
Total expenditures	<u>14,794,137</u>	<u>14,768,673</u>	<u>14,673,705</u>	<u>94,968</u>
Excess of revenues over expenditures	<u>1,383,425</u>	<u>1,383,425</u>	<u>3,086,018</u>	<u>1,702,593</u>
Other financing sources (uses):				
Transfers in	18,001	18,001	55,423	37,422
Transfers out	(3,838,311)	(3,838,311)	(3,916,809)	(78,498)
Total other financing sources and uses	<u>(3,820,310)</u>	<u>(3,820,310)</u>	<u>(3,861,386)</u>	<u>(41,076)</u>
Net change in fund balances	<u>\$ (2,436,885)</u>	<u>\$ (2,436,885)</u>	<u>(775,368)</u>	<u>\$ 1,661,517</u>
Increase in fund balance, reserved for special purposes			(644)	
Unreserved fund balance, beginning, as restated (see Note 2-H)			5,791,519	
Unreserved fund balance, ending			<u>\$ 5,015,507</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, 2008

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, 2008

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 2008, \$2,436,885 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)	\$ 17,815,146
Adjustment:	
Basis difference:	
Inception of capital leases	24,255
On-behalf retirement contributions made by the State of New Hampshire recognized as revenue on the GAAP basis, but not on the budgetary basis	<u>267,269</u>
Per Exhibit C-3 (GAAP basis)	<u><u>\$ 18,106,670</u></u>

Expenditures and other financing uses:

Per Exhibit E (budgetary basis)	\$ 18,590,514
Adjustment:	
Basis differences:	
Encumbrances, beginning	531,987
Encumbrances, ending	(653,670)
Inception of capital leases	24,255
On-behalf retirement contributions made by the State of New Hampshire recognized as expenditures on the GAAP basis, but not on the budgetary basis	<u>267,269</u>
Per Exhibit C-3 (GAAP basis)	<u><u>\$ 18,760,355</u></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, 2008

	Estimated	Actual	Variance Positive (Negative)
Taxes:			
Property	\$ 12,904,432	\$ 14,552,247	\$ 1,647,815
Land use change	-	63,041	63,041
Yield	1,500	4,314	2,814
Interest and penalties on taxes	75,000	93,742	18,742
Total taxes	<u>12,980,932</u>	<u>14,713,344</u>	<u>1,732,412</u>
Licenses, permits and fees:			
Business licenses, permits and fees	44,615	49,522	4,907
Motor vehicle permit fees	1,440,000	1,424,787	(15,213)
Building permits	85,000	51,035	(33,965)
Other	52,300	64,242	11,942
Total licenses, permits and fees	<u>1,621,915</u>	<u>1,589,586</u>	<u>(32,329)</u>
Intergovernmental:			
State:			
Shared revenue block grant	71,086	71,086	-
Meals and rooms distribution	379,016	379,016	-
Highway block grant	129,865	129,421	(444)
State summer food reimbursements	2,500	4,053	1,553
SWR - Pollution control	84,000	-	(84,000)
Federal	31,999	169,714	137,715
Total intergovernmental	<u>698,466</u>	<u>753,290</u>	<u>54,824</u>
Charges for services:			
Income from departments	<u>329,745</u>	<u>340,755</u>	<u>11,010</u>
Miscellaneous:			
Interest on investments	311,192	166,291	(144,901)
Sale of town property	14,500	4,357	(10,143)
Rental income	25	964	939
Welfare reimbursements	15,000	7,937	(7,063)
Insurance dividends and reimbursements	12,000	46,121	34,121
Dog racing permit fees	113,000	113,000	-
Other	55,323	24,078	(31,245)
Total miscellaneous	<u>521,040</u>	<u>362,748</u>	<u>(158,292)</u>
Other financing sources:			
Transfers in:			
Expendable trust fund	18,001	18,001	-
Nonmajor funds:			
Transportation fund	-	37,239	37,239
Permanent fund	-	183	183
Total other financing sources	<u>18,001</u>	<u>55,423</u>	<u>37,422</u>
Total revenues and other financing sources	16,170,099	<u>\$ 17,815,146</u>	<u>\$ 1,645,047</u>
Unreserved fund balance used to reduce tax rate	<u>2,436,885</u>		
Total revenues, other financing sources and use of fund balance	<u>\$ 18,606,984</u>		

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, 2008

	Encumbered From Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
General government:					
Executive	\$ 11,977	\$ 957,121	\$ 885,010	\$ -	\$ 84,088
Election and registration	-	357,271	332,943	-	24,328
Financial administration	-	526,935	573,499	-	(46,564)
Legal	-	175,000	165,965	-	9,035
Planning and zoning	-	63,933	100,930	-	(36,997)
General government buildings	-	112,656	116,806	-	(4,150)
Cemeteries	-	127,352	132,125	-	(4,773)
Insurance, not otherwise allocated	-	477,196	492,684	-	(15,488)
Other	-	5	-	-	5
Total general government	<u>11,977</u>	<u>2,797,469</u>	<u>2,799,962</u>	<u>-</u>	<u>9,484</u>
Public safety:					
Police	-	3,590,761	3,445,715	-	145,046
Fire	-	2,800,737	3,058,499	-	(257,762)
Building inspection	-	114,872	112,561	-	2,311
Emergency management	-	130,429	110,546	-	19,883
Total public safety	<u>-</u>	<u>6,636,799</u>	<u>6,727,321</u>	<u>-</u>	<u>(90,522)</u>
Highways and streets:					
Highways and streets	-	1,110,688	1,132,672	-	(21,984)
Street lighting	-	54,489	65,746	-	(11,257)
Public works building	-	27,298	26,959	-	339
Highway safety grant	-	5,000	-	-	5,000
Total highways and streets	<u>-</u>	<u>1,197,475</u>	<u>1,225,377</u>	<u>-</u>	<u>(27,902)</u>
Sanitation:					
Solid waste collection	-	1,361,675	1,398,458	-	(36,783)
Sanitation building	-	20,725	27,275	-	(6,550)
Storm water management	1,601	-	1,559	-	42
Total sanitation	<u>1,601</u>	<u>1,382,400</u>	<u>1,427,292</u>	<u>-</u>	<u>(43,291)</u>
Water distribution and treatment	82,415	127,000	111,304	-	98,111
Health:					
Pest control	-	123,184	128,569	-	(5,385)
Health agencies and hospitals	5,224	209,855	206,830	7,010	1,239
Total health	<u>5,224</u>	<u>333,039</u>	<u>335,399</u>	<u>7,010</u>	<u>(4,146)</u>
Welfare:					
Administration	-	77,834	75,664	-	2,170
Direct assistance	-	177,950	69,040	-	108,910
Total welfare	<u>-</u>	<u>255,784</u>	<u>144,704</u>	<u>-</u>	<u>111,080</u>
Culture and recreation:					
Parks and recreation	-	815,416	798,693	-	16,723
Patriotic purposes	-	7,782	3,563	-	4,219
Total culture and recreation	<u>-</u>	<u>823,198</u>	<u>802,256</u>	<u>-</u>	<u>20,942</u>
Conservation	-	4,343	2,322	-	2,021
Debt service:					
Principal of long-term debt	-	92,400	92,400	-	-
Interest on long-term debt	-	1,920	19,711	-	(17,791)
Interest on tax anticipation notes	-	5,000	-	-	5,000
Total debt service	<u>-</u>	<u>99,320</u>	<u>112,111</u>	<u>-</u>	<u>(12,791)</u>

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, 2008

	Encumbered From Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Capital outlay:					
Water meters	2,758	-	-	-	2,758
Restoration for cemetery monuments	2,425	5,000	4,726	2,699	-
Upgrade wastewater facilities	1,948	-	-	-	1,948
Water tower and standpipe	1,380	-	-	-	1,380
Police cruisers	11,214	60,000	56,980	14,234	-
Planning arsenic removal	389,387	-	332,965	56,422	-
Community Center gym divider	3,958	-	-	3,958	-
Community Center multi-purpose room divider	80	-	-	-	80
State Grant Project #C-678 Sewer	-	-	42,286	-	(42,286)
Water local source water protection	-	-	13,367	-	(13,367)
Aulson roofing	-	-	3,300	-	(3,300)
Sewer 3/4 ton utility truck	-	-	28,892	-	(28,892)
Earth Tech Engineering	-	-	3,313	-	(3,313)
Leachate holding tank	-	-	46,115	-	(46,115)
Voting machines	-	6,500	6,350	-	150
Library maintenance and improvements	-	40,000	-	-	40,000
Harborside Park	-	31,346	-	15,673	15,673
Recreation mini bus	-	10,000	-	-	10,000
4WD 1 ton dump truck - highway	-	49,000	47,229	1,771	-
Dump truck with plow and sander - highway	-	100,000	99,962	-	38
Town Hall improvements	-	12,000	-	12,000	-
Community Center air conditioning	-	150,000	-	150,000	-
Sanborn School painting	-	16,000	11,806	4,000	194
Planning board - upgrade master plan	-	10,000	893	9,107	-
Capital improvements - town roads	-	160,000	159,862	-	138
Capital improvements - road drainage	-	20,000	7,104	-	12,896
WWTP feasibility study on expansion	-	10,000	-	10,000	-
Sewer feasibility study outfall pipe	-	12,000	-	12,000	-
Sewer Scada communication system	-	420,000	-	336,000	84,000
Total capital outlay	<u>413,150</u>	<u>1,111,846</u>	<u>865,150</u>	<u>627,864</u>	<u>31,982</u>
Other financing uses:					
Transfers out:					
Expendable trust	-	1,705,000	1,705,000	-	-
Nonmajor funds:					
Library operating	17,620	520,366	519,190	18,796	-
Water department	-	473,219	579,268	-	(106,049)
Sewer department	-	1,139,726	1,112,175	-	27,551
Total other financing uses	<u>17,620</u>	<u>3,838,311</u>	<u>3,915,633</u>	<u>18,796</u>	<u>(78,498)</u>
Total appropriations, expenditures, other financing uses and encumbrances	<u>\$ 531,987</u>	<u>\$ 18,606,984</u>	<u>\$ 18,468,831</u>	<u>\$ 653,670</u>	<u>\$ 16,470</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, 2008

Unreserved, undesignated fund balance, beginning, as restated (see Note 2-H)		\$ 5,741,519
Changes:		
Unreserved fund balance used to reduce 2008 tax rate		(2,436,885)
2008 Budget summary:		
Revenue surplus (Schedule 1)	\$ 1,645,047	
Unexpended balance of appropriations (Schedule 2)	16,470	
2008 Budget surplus	1,661,517	1,661,517
Increase in fund balance reserved for special purposes		(644)
Increase in fund balance designated for contingency		(25,000)
Unreserved, undesignated fund balance, ending		\$ 4,940,507

SCHEDULE 4
TOWN OF SEABROOK, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2008

	Special Revenue Funds							Total	
	Public Library	Water Department	Sewer Department	Conservation Commission	Transportation	Economic Development	Recreation Revolving		Permanent Fund
ASSETS									
Cash and cash equivalents	\$ 518,712	\$ -	\$ 833,796	\$ 356,478	\$ 233,214	\$ 26,072	\$ 5,366	\$ 13,531	\$ 1,987,169
Investments	5,332	-	-	-	-	-	17,040	-	22,372
Receivables, net of allowances for uncollectible:									
Accounts	-	52,844	52,862	-	-	-	-	-	105,706
Intergovernmental	-	-	-	52,977	-	-	-	-	52,977
Interfund receivable	-	12,159	886	-	-	-	-	-	13,045
Total assets	\$ 524,044	\$ 65,003	\$ 887,544	\$ 409,455	\$ 233,214	\$ 26,072	\$ 22,406	\$ 13,531	\$ 2,181,269
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable	\$ -	\$ 28,660	\$ 28,794	\$ -	\$ -	\$ -	\$ 2,010	\$ -	\$ 59,464
Accrued salaries and benefits	11,292	8,321	12,963	-	-	-	-	-	32,576
Interfund payable	-	27,486	-	376	32,379	-	-	-	60,241
Deferred revenue	-	536	534	-	-	-	-	-	1,070
Total liabilities	11,292	65,003	42,291	376	32,379	-	2,010	-	153,351
Fund balances:									
Reserved for encumbrances	9,049	-	284,487	-	-	-	-	-	293,536
Reserved for endowments	-	-	-	-	-	-	-	13,531	13,531
Unreserved, undesignated, reported in:									
Special revenue funds	503,703	-	560,766	409,079	200,835	26,072	20,396	-	1,720,851
Total fund balances	512,752	-	845,253	409,079	200,835	26,072	20,396	13,531	2,027,918
Total liabilities and fund balances	\$ 524,044	\$ 65,003	\$ 887,544	\$ 409,455	\$ 233,214	\$ 26,072	\$ 22,406	\$ 13,531	\$ 2,181,269

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, 2008

	Special Revenue Funds										Total	
	Public Library	Water Department	Sewer Department	Conservation Commission	Transportation	Economic Development	Recreation Revolving	Permanent Fund				
Revenues:												
Taxes	\$ -	\$ -	\$ -	\$ 21,014	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21,014
Intergovernmental	-	16,735	27,551	-	-	-	-	-	-	-	-	44,286
Charges for services	-	555,774	555,641	-	-	-	-	-	-	-	-	1,111,415
Miscellaneous	32,351	17,647	4,656	183,361	62,986	-	36,382	-	-	-	183	337,566
Total revenues	32,351	590,156	587,848	204,375	62,986	-	36,382	-	-	-	183	1,514,281
Expenditures:												
Current:												
Sanitation	-	-	1,704,137	-	-	-	-	-	-	-	-	1,704,137
Water distribution and treatment	-	1,179,463	-	-	-	-	-	-	-	-	-	1,179,463
Culture and recreation	550,242	-	-	-	-	-	15,986	-	-	-	-	566,228
Conservation	-	-	-	64,764	-	-	-	-	-	-	-	64,764
Total expenditures	550,242	1,179,463	1,704,137	64,764	-	-	15,986	-	-	-	-	3,514,592
Excess (deficiency) of revenues over (under) expenditures	(517,891)	(589,307)	(1,116,289)	139,611	62,986	-	20,396	-	-	-	183	(2,000,311)
Other financing sources (uses):												
Transfers in	519,190	579,268	1,112,175	-	-	-	-	-	-	-	-	2,210,633
Transfers out	-	-	-	-	(37,239)	-	-	-	-	-	(183)	(37,422)
Total other financing sources and uses	519,190	579,268	1,112,175	-	(37,239)	-	-	-	-	-	(183)	2,173,211
Net change in fund balances	1,299	(10,039)	(4,114)	139,611	25,747	-	20,396	-	-	-	-	172,900
Fund balances, beginning, as restated, (see Note 2-H)	511,453	10,039	849,367	269,468	175,088	-	26,072	-	-	-	13,531	1,855,018
Fund balances, ending	\$ 512,752	\$ -	\$ 845,253	\$ 409,079	\$ 200,835	\$ 26,072	\$ 20,396	\$ 26,072	\$ 20,396	\$ 26,072	\$ 13,531	\$ 2,027,918



PLODZIK & SANDERSON

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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, 2008, 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.

Management's Response: Last year's recommendations are being implemented. During 2009, both the Finance Clerk and Finance Manager attended accounting classes at the NH Local Government Center.

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, library trustees, 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, credit card use, employee evaluations, cell phone usage, 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 help to minimize the risk of loss.

Management's Response: The Town will be drafting policies to address the areas indicated as resources permit.

Water and Sewer Funds

It has been noted for the past several years that the General Fund is subsidizing the Water and Sewer Funds in order to cover significant losses in its operations. This situation must improve if the Water and Sewer Funds are to remain as such and become self-supporting in the future.

We strongly suggest that the Board of Selectmen and Town Manager review the funds' budgeting and billing process more closely, look for areas where cost savings can occur and revenues may be increased, or whether or not it would be feasible to eliminate the funds and make them departments of the Town within the General Fund.

Management's Response: A water and sewer funds rate study is underway by an independent consultant. A draft preliminary report is anticipated for presentation to the Board of Selectmen in March of 2010. The study will provide recommendations for financing water and sewer utilities.

Assessing Department Receipts

Our audit testing in the area of cash receipts revealed that the Assessing department is not making deposits in a timely manner. This practice opens the Town to the threat of loss or theft of cash while it is on the premises.

We recommend that the Assessing department make deposits on a weekly basis.

Management's Response: The Town has implemented this recommendation.

Town Clerk Receipts

Upon examination of the internal control procedures over deposits made in the Town Clerk's office, it was noted that deposits for dog license revenue are being made on a bi-weekly basis during times of heavy cash inflow. In addition, it was noted that deposits for vital revenue are made on a monthly basis, when the Town Clerk receives an invoice for the State's portion of the revenue. Finally, it was noted that receipts obtained throughout the day are not kept in a secure location and the office door is not kept locked.

To strengthen internal controls in this area, we recommend that during times of heavy cash inflow, deposits be made on a daily basis. During periods of less cash inflow, we recommend that the money be deposited on a weekly basis. In addition, at all times, all cash receipts should be kept in a secure location and the office door should remain locked. This practice will firmly strengthen the Town's internal control process over cash receipts and greatly lessen the likelihood that cash could be lost or stolen before it is deposited in the bank.

Management's Response: The Town Clerk has been absent due to a long-term illness. The Deputy Town Clerk has been locking the door. She will be talking to the Town Clerk to set up ways to implement the auditor's suggestions and feels that they will be successful.

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

Ambulance Receivables

Upon review of the internal controls over ambulance billings, it was noted that the Town does not have a policy over the collection and write off of outstanding receivable balances. The current receivable balance is over \$353,000 with 73% of that balance being greater than 120 days old, with some of this balance dating back to 2006.

We recommend that the Town establish a policy for the collection of outstanding balances and for when write offs should occur. The Town may also want to look into a collection agency for some of these old outstanding balances.

Management's Response: The Fire Department will be drafting a policy.

Deed Waivers

Upon examination of the Tax Collector's records, it was noted that the Board of Selectmen issued deed waivers for five properties during 2008. It was noted that only two of the five properties would be a detriment to the Town if they had been deeded. The other three properties were given payment plans to adhere to. According to RSA 80:38 Tax Deed, the Tax Collector shall execute a deed unless there is a potential liability with the property. By not executing tax deeds, the Board is setting a precedent by offering a payment plans.

We recommend that the Board of Selectmen execute deeds on all properties, except those that will be a detriment to the Town, in order to be in compliance with the state statute.

Management's Response: The Town has strived to work with property owners who have outstanding tax obligations through payment plans. Going forward the Town will endeavor to execute deeds unless there are potential liabilities with the properties.

Manifest Approval

We again 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 strongly recommend that in the absence of the Town Manager, a majority of the Board of Selectmen approve the manifests.

Management's Response: In the absence of the Town Manager or in the absence of a designated Acting Town Manager, manifests will be signed by the Board of Selectmen.

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

Employee Evaluations

We again 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, including pay raises, advancement and/or termination.

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

Management's Response: The Town negotiated a performance evaluation system with merit wage increases for the Seabrook Supervisory Employees Union as part of the Union's contract which will be voted on at the 2010 Town Election.

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

Credit Card Purchases

We noted that the Town has a credit card. While supporting documentation is being retained to support the disbursement, this documentation is not being received in a timely fashion, which can cause a delay in processing the invoice for payment.

We recommend that all disbursements be supported by appropriate documentation to substantiate the charges made and that the accounting department receives it in a timely fashion in order to prevent the delay of payment of the invoice.

Management's Response: The Town does have a credit card policy. We will reissue the policy to seek compliance.

Grants

As noted in the previous year, the Town receives various federal, state and local grants, which the accounting office knows very little about, or in some cases that they even exist. The information for these grants is kept in the departments that obtain the grants, and very little information is reported to the accounting office. In addition, these grants often are not budgeted since they are unanticipated, but the activity for them is 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 all reporting requirements for the grants are met. In addition, we recommend that all 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. It was noted that in 2009, a "grant fund" has been established in the accounting system.

Management's Response: The Finance Department has established a Grant Fund and will track all grants.

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."

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, as well.

We noted that in March 2009, formally adopted investment policies were instituted; however, neither policy contains the required language that address credit risk, custodial credit risk, concentration of credit risk, interest rate risk and foreign currency risk. We are now recommending that both policies be revised to include the appropriate GASB Statement No. 40, *Deposit and Investment Risk Disclosures* language.

Management's Response: The Town has a policy which will be reviewed for revision.

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. While performing the cash reconciliation of the Library's checking account, it was noted that the ending cash balance per the Library's check register did not agree with the adjusted bank balance by \$534.29. This was attributed to transactions relating to 2008 were back dated and then posted to the check register though checks had not yet been issued.

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

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. It was noted that in May 2009 a formal policy was adopted.
2. Checks should be dated on the date of issuance. If there are payments in the following year related to the prior year they should be then be recorded as an accounts payable or an encumbrance at year end.

Management's Response: As noted, the Library Trustees adopted a formal credit card policy on May 12, 2009. Going forward, all checks will be dated at time of issuance. When it is known that current year purchases or other committed expenditures will be paid in the subsequent year, an encumbered fund will be created for the purpose of paying those bills.

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 again recommend that all procedures be adhered to in order to have a properly working purchase order system.

Management's Response: We do have a purchase order policy but it needs to be reissued.

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 again 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.

Management's Response: Invoices are not always being returned to the Finance office in a timely fashion. Finance pays bills weekly. There is no reason for the departments to be late with their bills. Training will be conducted by the Finance Department for all Town departments on the process/procedure for handling invoices.

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.

February 15, 2010

*Plodyk & Sanderson
Professional Association*