

**TOWN OF SEABROOK,  
NEW HAMPSHIRE**

**ANNUAL FINANCIAL REPORT**

**AS OF AND FOR THE FISCAL YEAR ENDED  
DECEMBER 31, 2010**

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**BY: .....**

**TOWN OF SEABROOK, NEW HAMPSHIRE**  
**ANNUAL FINANCIAL REPORT**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2010**

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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, 2010, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the 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 the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Seabrook as of December 31, 2010, and the respective changes in financial position for the year then ended and the respective budgetary comparison for the general fund, in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (pages 2 through 10) and the Schedule of Funding Progress for Other Postemployment Benefit Plan (page 37) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 financial schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The combining and individual fund financial schedules and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial schedules themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Sheryl A. Platt, CPA*

PLODZIK & SANDERSON  
Professional Association

December 9, 2011

## **Management's Discussion and Analysis For the Fiscal Year 2010**

The Town of Seabrook's (the Town) discussion and analysis is designed to: (1) assist the reader in focusing on significant financial issues; (2) provide an overview of the Town's financial activity; (3) identify changes in the Town's financial position (its ability to address the next and subsequent year's challenges); and (4) identify any material deviations from the financial plan (the approved budget).

### **Financial Highlights:**

- The assets of the Town exceeded its liabilities at the close of the most recent year-end by \$79,898,728 (*net assets*). Of this amount, \$9,573,708 (*unrestricted net assets*) may be used to meet the Town's ongoing obligations to its citizens.
- The Town's change in net assets was an increase of \$996,633.
- At the close of the current year, the Town's governmental funds reported a combined ending fund balance of \$12,823,145. Approximately 32.63% (\$4,184,712) of this total amount is available for spending at the Town's discretion (*unreserved, undesignated fund balance*).
- At the end of the current year, unreserved fund balance for the General Fund is \$4,184,712, which is a decrease of 13.34% (\$644,274) in relationship to the 2009 year-end balance.

### **Overview of the Financial Statements:**

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements include three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. In addition to the basic financial statements, this report contains other supplementary information.

#### **Government-wide financial statements**

The government-wide financial statements provide a broad view of the Town's finances. These statements (*Statement of Net Assets* and the *Statement of Activities*) provide both short-term and long-term information about the Town's overall financial position. They are prepared using the accrual basis of accounting which recognizes all revenues and expenses connected with the current year, even if cash has not been received or paid.

The *Statement of Net Assets* presents information on all of the Town's non-fiduciary assets and liabilities with the difference between the two being reported as net assets. Overall, increases or decreases in the net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The *Statement of Activities* presents information showing how the Town's net assets changed during the most recent year. All changes in net assets are reported as soon as the underlying event occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future periods (such as uncollected taxes, licenses, and earned but unused vacation leave). This statement also presents a comparison between direct expenses and program revenues for each function of the Town.

The Town participates in governmental activities and does not currently participate in any business type activities. The governmental activities in this section represent most of the Town's basic services and are

generally supported by taxes, grants, and intergovernmental revenues. The governmental activities of the Town include general government, public safety, highway and streets, sanitation, water distribution and treatment, health, welfare, culture and recreation, conservation, and economic development.

The government-wide financial statements can be found on pages 11 and 12 of this report.

### **Fund financial statements**

Unlike government-wide financial statements, the focus of the fund financial statements is directed to specific activities of the Town rather than the Town as a whole. Except for the General Fund, a specific fund is established to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The fund financial statements focus on the individual parts of the Town government and report the Town's operations in more detail than the government-wide statements. The Town's funds are divided into two categories: 1) governmental; and 2) fiduciary.

**Governmental funds:** Most of the basic services provided by the Town are financed through governmental funds. Unlike the government-wide financial statements, the governmental fund financial statements focus on near-term inflows and outflows of spendable resources as well as on balances of spendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented here with similar information presented in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund *Balance Sheet* and the governmental fund *Statement of Revenues, Expenditures and Changes in Fund Balances* provide reconciliation to the government-wide statements in order to facilitate this comparison between governmental funds and governmental activities.

The Town maintains fifteen individual governmental funds. Information is presented separately in the *Governmental Fund Balance Sheet* and in the *Statement of Revenues, Expenditures and Changes in Fund Balances* for the General Fund, the Expendable Trust Fund, and the Water Treatment Plant Fund, each of which is considered to be a major fund. The General Fund accounts for governmental services provided to the Town's residents. The Town voted to establish an Expendable Trust Fund which includes four capital reserves funds. The other major fund in 2010 is the Water Treatment Plant Fund which the Town voted to establish in order to build the Town's water treatment facility. Data from the other twelve governmental funds are combined into a single, aggregated presentation termed Other Governmental Funds.

The Town's governmental fund financial statements can be found on pages 13 through 16.

**Fiduciary Funds:** These funds are used to account for resources held for the benefit of parties outside the government. While these funds represent trust responsibilities of the Town, these assets are restricted in purpose and do not represent discretionary assets of the government. Therefore, these assets are not presented as part of the Government Wide Financial Statements.

- **Private-Purpose Trust Funds:** These funds account for the activity of trust arrangements under which principal and income benefit individuals, private organizations, or other governments. The Town uses these types to account for scholarship donations.

- **Agency Funds:** These funds account for the resources held in a purely custodial capacity. This fund reports information on developers' performance bonds held by the Town's Treasurer and also two funds that are held by the Trustee of the Trust Funds, which are for School Maintenance and School Special Education Needs.

The Town's fiduciary funds statements can be found on pages 18 and 19 of this report.

**Notes to the financial statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and the fund financial statements and are required by generally accepted accounting principles (GAAP) in the United States.

The notes to the financial statements begin on page 20.

**Required supplementary information:** The basic financial statements and accompanying notes are followed by a section of required supplementary information. This section includes a Schedule of Funding Progress for Other Postemployment Benefit Plan.

**Other supplementary information:** Other supplementary information includes combining financial statements for other (non-major) governmental funds.

**Government-wide Financial Analysis:**

The following table reflects a condensed summary of Net Assets compared to the prior year. More detailed information can be found on page 11 of this report.

<b>Town of Seabrook</b>		
<b>Net Assets as of December 31, 2010 and 2009</b>		
	Governmental Activities	
	<u>2010</u>	<u>2009</u>
Current and other assets	\$ 21,152,663	\$ 25,401,518
Capital assets, net of accumulated depreciation	<u>74,386,248</u>	<u>68,773,437</u>
<b>Total assets</b>	<b><u>95,538,911</u></b>	<b><u>94,174,955</u></b>
Current liabilities	9,138,295	8,624,313
Long-term liabilities	<u>6,501,888</u>	<u>6,547,236</u>
<b>Total liabilities</b>	<b><u>15,640,183</u></b>	<b><u>15,171,549</u></b>
Net assets:		
Invested in capital assets, net of related debt	68,497,025	62,602,940
Restricted	1,827,995	5,671,226
Unrestricted	<u>9,573,708</u>	<u>10,729,240</u>
<b>Total net assets</b>	<b><u>\$ 79,898,728</u></b>	<b><u>\$ 79,003,406</u></b>

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities by \$79,898,728 as of December 31, 2010.

The Town's capital assets, net of related debt, at the end of 2010 were \$68,497,025. Capital assets are items such as land, buildings, equipment, and infrastructure (roads and bridges). The largest increases in this line

were due to construction in progress at the Town's new water treatment facility and building improvements to the Town Hall because of the mold remediation project. This portion of the Town's net assets (85.73%) reflects its investment in capital assets, less any related debt used to acquire those assets. The Town uses these capital assets to provide services to its citizens. Consequently, these assets are not available for future spending.

Long-term liabilities decreased by \$197,071. This was due to the following factors: a decrease in bond debt of \$262,400; a decrease in capital leases of \$18,874; and an increase in compensated absences (vested sick leave and accrued vacation leave) of \$84,203.

The Town reported \$13,531 in net assets restricted for perpetual care. These represent the permanent funds for which the principal cannot be spent and the income is used for Town purposes. And the Town also reported \$1,814,464 which is restricted for the construction of the new water treatment facility.

The balance of unrestricted net assets totaling \$9,573,708 may be used to meet the government's ongoing obligations to its citizens and creditors. The unrestricted net assets represent 11.98% of the Town's total net assets.

### **Net assets**

*Invested in Capital Assets:* The largest portion of the Town's net assets (85.73%) reflects its investment in capital assets.

*Restricted Net Assets:* Only 2.29% of the Town's net assets represent resources that are subject to external restrictions on how they may be used.

*Unrestricted Net Assets:* The remaining 11.98% of the Town's total net assets falls into this category. Internally imposed designations of resources are not presented as restricted net assets. At the end of the year, the Town was able to report positive balances in all three categories of net assets.

The following is a summary of the information presented in the Statement of Activities found on page 12.

<b>Town of Seabrook</b>		
<b>Changes in Net Assets for years ended December 31, 2010 and 2009</b>		
	Governmental Activities	
<b>Revenues</b>	<b>2010</b>	<b>2009</b>
Program revenues:		
Charges for services	\$ 1,658,447	\$ 1,673,364
Operating grants and contributions	458,703	634,152
Capital grants and contributions	3,528,855	2,271,145
General revenues:		
Property and other taxes	15,159,297	14,397,461
Motor vehicle permit fees	1,312,559	1,365,044
Licenses, permits and other fees	307,766	423,958
Grants and contributions not restricted to specific programs	428,948	373,920
Unrestricted investment earnings	14,834	
Miscellaneous	191,471	263,285
<b>Total revenues</b>	<b>\$ 23,060,880</b>	<b>\$ 21,402,329</b>
Expenses		
General governmental	3,758,189	3,216,922
Public safety	7,647,383	7,361,618
Highways and streets	2,086,407	1,893,810
Sanitation	4,310,343	4,779,679
Water distributions and treatments	1,628,002	1,571,299
Health	195,540	197,469
Welfare	291,554	270,779
Culture and recreation	1,573,239	1,378,756
Conservation	294,996	103,817
Capital outlay	0	258,122
Interest on long-term debt	278,594	293,261
<b>Total expenses</b>	<b>\$ 22,064,247</b>	<b>\$ 21,325,532</b>
Increase in net assets	996,633	76,797
Net assets, beginning of year as restated*	78,902,095	78,926,609
<b>Net assets, end of year</b>	<b>\$ 79,898,728</b>	<b>\$ 79,003,406</b>

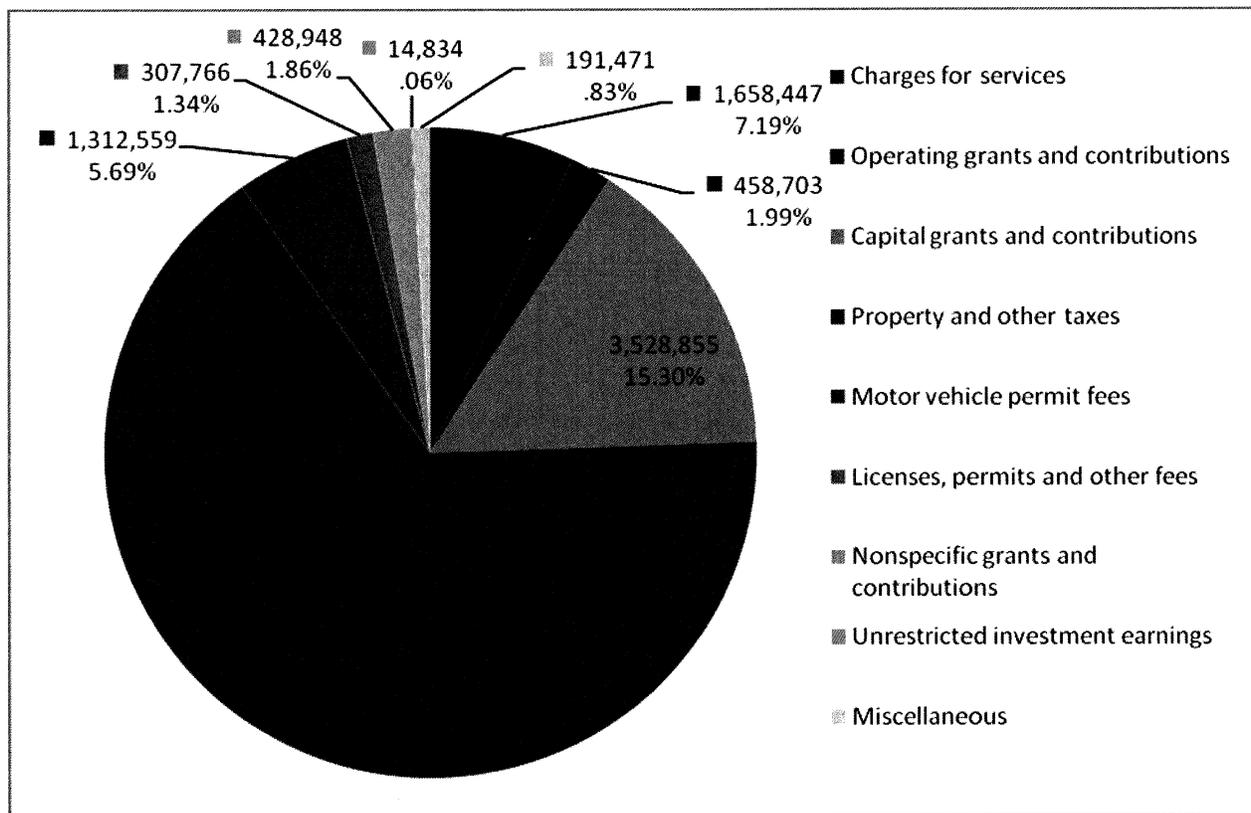
\*Beginning net assets were adjusted due to retroactively restating capital assets to reflect the proper year-end balance.

**Governmental Activities**

Net assets increased in 2010 by \$996,633. This increase was due mainly to the NHDES Revolving Loan program monies which were used to help build the Town’s new water treatment facility. This project was financed with a bond from the NH Municipal Bond Bank for \$6,000,000 which was received by the Town in 2008 and another \$5,000,000 which was received during 2009 and 2010. The \$5,000,000 was received from the NHDES Revolving Loan program and was part of the federal government’s stimulus program, the American Recovery and Reinvestment Act (ARRA).

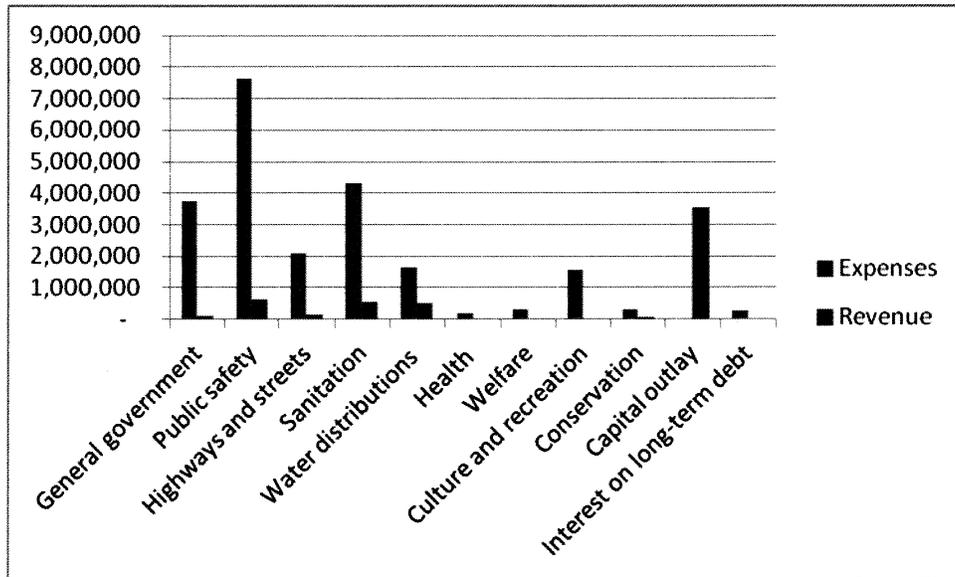
The total cost of Governmental activities this year was \$22,053,727. However, as shown in the Statement of Activities, the amount that our taxpayers ultimately financed for these activities through Town property taxes was only \$15,042,183. The overall tax rate in 2010 increased by \$.32/\$1000 (from \$12.95/\$1000 in 2009 to \$13.27/\$1000 in 2010). Those who directly benefited from the programs paid \$1,658,447, and other governments and organizations subsidized certain programs in the amount of \$3,977,038. The Town paid for the remaining governmental activities with \$2,372,692 in revenues not specifically targeted for specific programs. These revenues are known as general revenues, such as: other taxes, interest, miscellaneous, motor vehicle permit fees, and other licenses and permits.

Revenue by Source - Governmental Activities



The Town’s expenses cover a range of services. The largest expenses were for Public Safety, which accounts for 34.63% of total expenses. Public safety is made up of police, fire, building inspections, and emergency services.

**Expense and Program Revenues – Governmental Activities**



**Financial Analysis of the Town’s Funds:**

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds**

The governmental fund financial statements for the Town are provided on pages 13 through 16. The focus of the Town’s governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town’s financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government’s net resources available for spending at the end of the year.

At the end of the current year, the Town’s governmental funds reported a combined ending fund balance of \$12,823,145, which decreased \$4,713,177 from the prior year. The decrease is mainly due to the use of funds in the construction of the water treatment facility and the use of some of the General Fund’s fund balance to offset the tax rate and to increase the contingency designation. Of the \$12,823,145 in combined ending fund balance, \$3,132,329 has been designated for specific use and \$475,558 has been designated for contingency. The remaining fund balance of \$9,215,258 is considered unreserved-undesignated and is available for spending at the Town’s discretion subject to budgetary controls.

The General Fund is the primary operating fund of the Town. At the end of the current year the unreserved fund balance of the General Fund was \$4,184,712. As a measure of the General Fund’s liquidity, it may be useful to compare both unreserved fund balance and total fund expenditures. Unreserved fund balance

represents 25.83% of total General Fund expenditures, while total fund balance represents 36.16% of that same amount.

The unreserved-undesignated fund balance of the Town’s General Fund decreased by \$644,274, or 13.34%, from the prior year. Key factors in this change are as follows:

Amount voted from “surplus” (Ambulance Revolving Fund)	\$ (393,107)
Amount used for RSA 32:11 emergency (Town Hall mold)	(500,000)
Use of fund balance to reduce the 2010 tax rate	(500,000)
Excess of revenues over budget estimates	608,740
Unexpended balance of appropriations not spent by departments	76,898
Decrease in fund balance reserved for special purposes	395,820
Increase in fund balance reserved for tax deeded property	(7,067)
Increase in fund balance designated for contingency	(325,558)
<b>Total</b>	<b>\$ (644,274)</b>

The Expendable Trust Fund qualified as a major fund in the current year. This fund is comprised of the Tax Stabilization, Water Resources Capital Reserve, Vacation and Sick Leave Payable upon Termination of Employment, and the Cemetery Maintenance funds that were established at Town meeting. The Water Treatment Plant capital fund was also considered a major fund in the current year.

**Budgetary Highlights:**

During the 2010 year the original budget was increased by \$500,000. This permissible use of fund balance was allowed by the DRA (NH Department of Revenue Administration) for the mold remediation project at the Town Hall.

The General Fund operating budget returned \$76,898 to fund balance. Please see Schedule 2 of the audit report found on pages 40 and 41 to see the break-down by category.

**Capital Assets and Long-Term Liabilities:**

**Capital assets**

The Town’s capital assets for its governmental activities as of December 31, 2010 are \$74,386,248 net of accumulated depreciation. This investment in capital assets includes land, construction in progress, buildings and building improvements, improvements other than buildings, equipment and vehicles, and infrastructure.

	<b>Capital Assets</b>	
	<b>2010</b>	<b>Restated 2009</b>
Land	\$ 3,811,948	\$ 3,537,616
Buildings and improvements	28,862,666	28,062,690
Improvements other than buildings	993,373	706,545
Equipment and vehicles	6,552,416	6,144,276
Construction in progress	9,310,068	2,783,992
Infrastructure	71,291,145	70,876,621
<b>Total</b>	<b>120,821,616</b>	<b>112,111,740</b>
Accumulated Depreciation	(46,435,368)	(43,901,184)
<b>Total Capital Assets</b>	<b>\$ 74,386,248</b>	<b>\$ 68,210,556</b>

## **Debt administration and Long-Term Liabilities**

Additional information on the debt can be found in Note 12 in the Notes to the Basic Financial Statements.

### **Debt Payable as of December 31, 2010**

Payable as of 2009	\$ 6,170,497
Less: Capital Lease payments	(18,874)
Less: Debt payments	<u>( 262,400)</u>
<b>Payable as of December 31, 2010</b>	<b><u><u>\$ 5,889,223</u></u></b>

### **Economic Factors and the Future:**

New Hampshire Employment Security reports Seabrook's unemployment rate for August, 2011 at 6.8%, the State's unemployment rate at 5.2%. The National unemployment rate is at 9.1%. These same rates for August, 2010 were 7.6%, 5.8%, and 9.6% respectively.

In terms of the future, while Seabrook's General Fund fund balance is holding steady, the operating budget is under great pressure. The Town is working with a default operating budget for 2011, which means the 2010 budget was adjusted only for contractual items to give us the 2011 default budget. This has placed pressure on Management to reallocate services and responsibility on each department to best fit the needs of the residents.

Seabrook is facing major challenges with the maintenance of equipment and buildings. Many of the Town's buildings were constructed over two decades ago and are in need of maintenance, as well as the operating systems within the buildings need to be updated. Some vehicles and equipment in all departments have outlived their life expectancy. For many communities, capital reserves have been the solution to this challenge.

On the revenue side of the equation, Seabrook has found itself in a position of providing benefits to its residents without regard to the costs. In short, Seabrook's spending has outpaced its revenues. There has been an effort made by management to review fees over the last few years, and in 2006 a committee was established to review all fees for each department and make recommendations to the Board of Selectmen.

To that end it is especially important that the Board of Selectmen maintains and regularly updates its comprehensive plan, goals and strategies, based upon guidance from management and significant citizen involvement. By putting citizens and local government officials into the decision-making loop, the Town will be shifting to a more open and inclusive process of governance.

### **Requests for Information:**

This financial report is designed to provide a general overview of the Town of Seabrook's finances for all of the citizens, taxpayers, customers, investors, and creditors. This financial report seeks to demonstrate the Town's accountability for the money it receives. Questions concerning any of the information provided in this report, or requests for additional information should be addressed to: Town of Seabrook, Finance Department, PO Box 456, Seabrook, NH 03034-0456 or telephone (603) 474-8027.

***BASIC FINANCIAL STATEMENTS***

**EXHIBIT A**  
**TOWN OF SEABROOK, NEW HAMPSHIRE**  
**Statement of Net Assets**  
**December 31, 2010**

	Governmental Activities
<b>ASSETS</b>	
Cash and cash equivalents	\$ 7,909,571
Investments	10,289
Intergovernmental receivable	160,912
Other receivables, net of allowances for uncollectible	13,061,334
Prepaid items	350
Tax deeded property held for resale	10,207
Capital assets, not being depreciated:	
Land	3,811,948
Construction in progress	9,310,068
Capital assets, net of accumulated depreciation:	
Buildings and building improvements	16,743,336
Improvements other than buildings	493,727
Equipment and vehicles	2,649,234
Infrastructure	41,377,935
Total assets	95,538,911
<b>LIABILITIES</b>	
Accounts payable	741,427
Accrued salaries and benefits	211,905
Intergovernmental payable	7,370,686
Accrued interest payable	102,654
Unearned revenue	5,500
Noncurrent obligations:	
Due within one year:	
Bonds	267,400
Capital leases	20,085
Compensated absences	418,638
Due in more than one year:	
Bonds	5,582,400
Capital leases	19,338
Compensated absences	500,523
Other postemployment benefits payable	399,627
Total liabilities	15,640,183
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	68,497,025
Restricted for:	
Perpetual care	13,531
Library purposes	1,814,464
Unrestricted	9,573,708
Total net assets	\$ 79,898,728

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, 2010**

	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General government	\$ 3,758,189	\$ 117,969	\$ 5,025	\$ -	\$ (3,635,195)
Public safety	7,647,383	430,452	226,303	-	(6,990,628)
Highways and streets	2,086,407	-	151,432	-	(1,934,975)
Sanitation	4,310,343	570,249	600	-	(3,739,494)
Water distribution and treatment	1,628,002	516,860	610	-	(1,110,532)
Health	195,540	-	-	-	(195,540)
Welfare	291,554	-	-	-	(291,554)
Culture and recreation	1,573,239	22,917	1,389	-	(1,548,933)
Conservation	294,996	-	62,465	-	(232,531)
Interest on long-term debt	278,594	-	-	-	(278,594)
Capital outlay	-	-	10,879	3,528,855	3,539,734
Total governmental activities	<u>\$ 22,064,247</u>	<u>\$ 1,658,447</u>	<u>\$ 458,703</u>	<u>\$ 3,528,855</u>	<u>(16,418,242)</u>

General revenues:

Taxes:	
Property	15,042,183
Other	117,114
Motor vehicle permit fees	1,312,559
Licenses and other fees	307,766
Grants and contributions not restricted to specific programs	428,948
Unrestricted investment earnings	14,834
Miscellaneous	191,471
Total general revenues	<u>17,414,875</u>
Change in net assets	996,633
Net assets, beginning, as restated (see Note 15)	78,902,095
Net assets, ending	<u>\$ 79,898,728</u>

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, 2010**

	General	Expendable Trust	Water Treatment Plant	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 887,116	\$ 2,857,843	\$ 2,186,158	\$ 1,978,454	\$ 7,909,571
Investments	4,928	-	-	5,361	10,289
Receivables, net of allowance for uncollectible:					
Taxes	12,711,210	-	-	-	12,711,210
Accounts	2,337	-	-	347,787	350,124
Intergovernmental	614	-	-	160,298	160,912
Interfund receivable	59,984	-	-	4,260	64,244
Prepaid items	350	-	-	-	350
Tax deeded property (subject to resale)	10,207	-	-	-	10,207
<b>Total assets</b>	<b>\$ 13,676,746</b>	<b>\$ 2,857,843</b>	<b>\$ 2,186,158</b>	<b>\$ 2,496,160</b>	<b>\$ 21,216,907</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 253,748	\$ -	\$ 371,694	\$ 115,985	\$ 741,427
Accrued salaries and benefits	184,027	-	-	27,878	211,905
Intergovernmental payable	7,370,686	-	-	-	7,370,686
Interfund payable	4,260	-	-	59,984	64,244
Deferred revenue	4,421	-	-	1,079	5,500
<b>Total liabilities</b>	<b>7,817,142</b>	<b>-</b>	<b>371,694</b>	<b>204,926</b>	<b>8,393,762</b>
<b>Fund balances:</b>					
Reserved for encumbrances	379,728	-	-	-	379,728
Reserved for endowments	-	-	-	13,531	13,531
Reserved for tax deeded property	10,207	-	-	-	10,207
Reserved for special purposes	809,399	-	1,814,464	105,000	2,728,863
Unreserved, designated for contingency	475,558	-	-	-	475,558
Unreserved, undesignated, reported in:					
General fund	4,184,712	-	-	-	4,184,712
Special revenue funds	-	2,857,843	-	2,172,703	5,030,546
<b>Total fund balances</b>	<b>5,859,604</b>	<b>2,857,843</b>	<b>1,814,464</b>	<b>2,291,234</b>	<b>12,823,145</b>
<b>Total liabilities and fund balances</b>	<b>\$ 13,676,746</b>	<b>\$ 2,857,843</b>	<b>\$ 2,186,158</b>	<b>\$ 2,496,160</b>	<b>\$ 21,216,907</b>

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, 2010*

Total fund balances of governmental funds (Exhibit C-1)		\$ 12,823,145
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	\$ 120,821,616	
Less accumulated depreciation	<u>(46,435,368)</u>	
		74,386,248
Interfund receivables and payables between governmental funds are eliminated on the statement of net assets.		
Receivables	\$ (64,244)	
Payables	<u>64,244</u>	
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(102,654)
Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the funds.		
General obligation bonds payable	\$ 5,849,800	
Capital leases payable	39,423	
Compensated absences payable	919,161	
Other postemployment benefits payable	<u>399,627</u>	
		<u>(7,208,011)</u>
Total net assets of governmental activities (Exhibit A)		<u><u>\$ 79,898,728</u></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, 2010**

	General	Expendable Trust	Water Treatment Plant	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Taxes	\$ 15,159,297	\$ -	\$ -	\$ -	\$ 15,159,297
Licenses and permits	1,620,325	-	-	-	1,620,325
Intergovernmental	793,819	-	3,528,855	74,107	4,396,781
Charges for services	154,349	-	-	1,504,098	1,658,447
Miscellaneous	54,260	5,001	10,879	155,890	226,030
<b>Total revenues</b>	<b>17,782,050</b>	<b>5,001</b>	<b>3,539,734</b>	<b>1,734,095</b>	<b>23,060,880</b>
<b>Expenditures:</b>					
<b>Current:</b>					
General government	3,449,474	-	-	-	3,449,474
Public safety	7,001,324	-	-	361,455	7,362,779
Highways and streets	1,397,622	-	-	-	1,397,622
Water distribution and treatment	146,269	-	-	1,170,832	1,317,101
Sanitation	1,304,457	-	-	1,741,988	3,046,445
Health	195,540	-	-	-	195,540
Welfare	291,554	-	-	-	291,554
Culture and recreation	850,726	-	-	608,713	1,459,439
Conservation	1,884	-	-	293,112	294,996
<b>Debt service:</b>					
Principal	262,400	-	-	-	262,400
Interest	282,711	-	-	-	282,711
Capital outlay	1,030,031	1,000	7,382,965	-	8,413,996
<b>Total expenditures</b>	<b>16,213,992</b>	<b>1,000</b>	<b>7,382,965</b>	<b>4,176,100</b>	<b>27,774,057</b>
Excess (deficiency) of revenues over (under) expenditures	1,568,058	4,001	(3,843,231)	(2,442,005)	(4,713,177)
<b>Other financing sources (uses):</b>					
Transfers in	142,799	-	-	2,931,043	3,073,842
Transfers out	(2,931,043)	-	-	(142,799)	(3,073,842)
<b>Total other financing sources and uses</b>	<b>(2,788,244)</b>	<b>-</b>	<b>-</b>	<b>2,788,244</b>	<b>-</b>
Net change in fund balances	(1,220,186)	4,001	(3,843,231)	346,239	(4,713,177)
Fund balances, beginning	7,079,790	2,853,842	5,657,695	1,944,995	17,536,322
Fund balances, ending	<b>\$ 5,859,604</b>	<b>\$ 2,857,843</b>	<b>\$ 1,814,464</b>	<b>\$ 2,291,234</b>	<b>\$ 12,823,145</b>

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, 2010*

Net change in fund balances of governmental funds (Exhibit C-3)		\$ (4,713,177)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capitalized capital outlay exceeded depreciation expense in the current period.		
Capitalized capital outlay (net of disposals)	\$ 8,709,876	
Depreciation expense (net of disposals)	<u>(2,995,754)</u>	5,714,122
Transfers in and out between governmental funds are eliminated on the operating statement.		
Transfers in	\$ (3,073,842)	
Transfers out	<u>3,073,842</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.		
Repayment of bond principal	\$ 262,400	
Repayment of capital lease principal	<u>18,874</u>	281,274
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.		
Decrease in accrued interest expense	\$ 4,117	
Increase in compensated absences payable	(84,203)	
Increase in other postemployment benefits payable	<u>(205,500)</u>	(285,586)
Changes in net assets of governmental activities (Exhibit B)		<u><u>\$ 996,633</u></u>

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

**EXHIBIT D**  
**TOWN OF SEABROOK, NEW HAMPSHIRE**  
*Statement of Revenues, Expenditures, and Changes in Fund Balance*  
*Budget and Actual (Non-GAAP Budgetary Basis)*  
**General Fund**  
*For the Fiscal Year Ended December 31, 2010*

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>				
Taxes	\$ 14,686,622	\$ 14,686,622	\$ 15,159,297	\$ 472,675
Licenses and permits	1,560,736	1,560,736	1,620,325	59,589
Intergovernmental	574,643	574,643	580,380	5,737
Charges for services	146,294	146,294	154,349	8,055
Miscellaneous	47,831	47,831	54,260	6,429
Total revenues	<u>17,016,126</u>	<u>17,016,126</u>	<u>17,568,611</u>	<u>552,485</u>
<b>Expenditures:</b>				
Current:				
General government	3,064,299	3,564,299	3,500,066	64,233
Public safety	6,720,114	6,720,114	6,884,885	(164,771)
Highways and streets	1,334,030	1,334,030	1,397,622	(63,592)
Water distribution and treatment	166,036	166,036	18,028	148,008
Sanitation	1,325,672	1,325,672	1,304,457	21,215
Health	210,927	210,927	195,540	15,387
Welfare	395,168	395,168	292,237	102,931
Culture and recreation	881,464	881,464	850,726	30,738
Conservation	5,845	5,845	1,884	3,961
Debt service:				
Principal	262,400	262,400	262,400	-
Interest	282,711	282,711	282,711	-
Capital outlay	416,200	416,200	497,412	(81,212)
Total expenditures	<u>15,064,866</u>	<u>15,564,866</u>	<u>15,487,968</u>	<u>76,898</u>
Excess of revenues over expenditures	<u>1,951,260</u>	<u>1,451,260</u>	<u>2,080,643</u>	<u>629,383</u>
<b>Other financing sources (uses):</b>				
Transfers in	86,544	86,544	142,799	56,255
Transfers out	(2,930,911)	(2,930,911)	(2,930,911)	-
Total other financing sources and uses	<u>(2,844,367)</u>	<u>(2,844,367)</u>	<u>(2,788,112)</u>	<u>56,255</u>
Net change in fund balances	<u>\$ (893,107)</u>	<u>\$ (1,393,107)</u>	(707,469)	<u>\$ 685,638</u>
Increase in fund balance reserved for tax deeded property			(7,067)	
Increase in fund balance designated for contingency			(325,558)	
Decrease in fund balance reserved for special purposes			395,820	
Unreserved fund balance, beginning			4,828,986	
Unreserved fund balance, ending			<u>\$ 4,184,712</u>	

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

**EXHIBIT E-1**  
**TOWN OF SEABROOK, NEW HAMPSHIRE**  
**Fiduciary Funds**  
**Statement of Fiduciary Net Assets**  
**December 31, 2010**

	Private Purpose Trust	Agency
<b>ASSETS</b>		
Cash and cash equivalents	\$ 849,246	\$ 959,037
<b>LIABILITIES</b>		
Due to other governmental units	-	105,835
Due to others	-	853,202
Total liabilities	-	959,037
<b>NET ASSETS</b>		
Held in trust for special purposes	\$ 849,246	\$ -

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

*EXHIBIT E-2*  
*TOWN OF SEABROOK, NEW HAMPSHIRE*  
*Fiduciary Funds*  
*Statement of Changes in Fiduciary Net Assets*  
*For the Fiscal Year Ended December 31, 2010*

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	Private Purpose Trust
<b>ADDITIONS</b>	
Contributions:	
New scholarship funds	\$ 90,012
Interest	1,501
Total additions	91,513
<b>DEDUCTIONS</b>	
Trust income distributions	(50,500)
Change in net assets	41,013
Net assets, beginning	808,233
Net assets, ending	\$ 849,246

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, 2010**

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**TOWN OF SEABROOK, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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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, 2010**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying financial statements of the Town of Seabrook, New Hampshire (the Town), are presented in conformity with accounting principles generally accepted in the United States of America for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources.

The more significant of the Town’s accounting policies are described below.

**1-A Reporting Entity**

The Town of 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 (*component units*) that are included to ensure that the financial statements are not misleading.

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

**1-B Basis of Presentation**

**Government-wide financial statements** – The government-wide financial statements display information about the Town as a whole. These statements are presented on an “economic resources” measurement focus and the accrual basis of accounting. The effect of interfund activity has been eliminated from these statements.

The statement of net assets presents information on all of the entity’s assets and liabilities, with the difference between the two presented as net assets. Net assets are reported as one of three categories; invested in capital assets, net of related debt; restricted; or unrestricted.

The statement of activities presents a comparison between direct expenses and program revenues for the different functions of the Town’s governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Vehicle maintenance; pension benefit; property and liability insurance; claims and judgments; and state assessments and charges have been allocated to major functions in order to present a more accurate and complete picture of the cost of Town services. Program revenues include (1) charges to customers or applicants for goods received, services rendered or privileges provided, and (2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

**Fund financial statements** – The Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Financial statements of the Town are organized into funds, each of which is considered to be a separate accounting entity. Each fund has a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures. Funds are organized as major funds or nonmajor funds within the governmental statements. An emphasis is placed on major funds within the governmental categories. A fund is considered major if it is the primary operating fund of the Town or meets the following criteria:

- (a) Total assets, liabilities, revenues or expenditures of that individual governmental fund are at least 10% of the corresponding total for all funds of that category or type;
- (b) Total assets, liabilities, revenues or expenditures of the individual governmental fund are at least 5% of the corresponding total for all governmental fund combined; and
- (c) In addition, any other governmental fund that the Town believes is particularly important to the financial statement users may be reported as a major fund.

**TOWN OF SEABROOK, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2010**

**Governmental activities** – Governmental funds are identified as general, special revenue, capital projects, and permanent funds, based upon the following guidelines:

**General Fund** – is the primary operating fund of the Town and is always classified as a major fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**Special Revenue Funds** – are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

**Capital Projects Funds** – are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

**Permanent Funds** – are used to account for resources legally held in trust. All resources of the fund, including earnings on invested resources, may be used to support the Town.

**Fiduciary fund types** – These funds account for assets held by the Town as a trustee or agent for individuals, private organizations, and other units of governments. Fiduciary fund types are not part of the reporting entity in the government-wide financial statements, but are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. These funds are as follows:

**Private Purpose Trust Funds** – are used to account for trust arrangements under which principal and income benefit individuals, private organizations, or other governments.

**Agency Funds** – are used to account for resources held by the Town in a purely custodial capacity, for individuals, private organizations, and/or governmental units.

**Major funds** – The Town reports the following major governmental funds:

**General Fund** – All general revenues and other receipts that are not allocated by law or contracted agreement to another fund are accounted for in this fund. This fund accounts for general operating expenditures, fixed charges, and the capital improvement costs that are not reported in other funds.

**Expendable Trust Funds** – This special revenue fund accounts for the legally established funds for future costs.

**Water Treatment Plant** – The capital project fund accounts for the activity pertaining to the construction of a municipal water treatment plant.

**Nonmajor Funds** – The Town also reports twelve nonmajor governmental funds.

***1-C Measurement Focus***

**Government-wide and fiduciary fund financial statements** – The government-wide and fiduciary fund financial statements, except for agency funds which have no measurement focus, are reported using the economic resources measurement focus. Under this concept, revenues and expenses are matched using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**Governmental fund financial statements** – Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are susceptible to accrual, that is, when they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current period. Property taxes, grants and contracts, and interest associated with the current period are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the Town. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources. When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

**TOWN OF SEABROOK, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2010**

**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 in the fiscal year in which the resources are measurable and become available.

**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.

***1-D Cash and Cash Equivalents***

The Town considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, and savings accounts. A cash pool is maintained that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption "cash and cash equivalents."

New Hampshire statutes require that the Town Treasurer have custody of all money 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.

***1-E Investments***

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

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

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

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

Investments are stated at fair value based on quoted market prices.

***1-F Receivables***

Receivables in the government-wide and governmental fund financial statements represent amounts due to the Town at December 31, recorded as revenue, which will be collected in the future and consist primarily of taxes, accounts, and intergovernmental receivables.

Tax revenue is recorded when a warrant for collection is committed to the tax collector. 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 two year redemption period, the property is tax deeded to the Town.

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

**1-G Interfund Balances**

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as “interfund receivables and payables.” Interfund receivables and payables between funds are eliminated in the statement of net assets.

**1-H Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements and expensed as the items are used.

**1-I Capital Assets**

General capital assets are those assets of a capital nature which the Town owns. All capital assets are capitalized at cost (or estimated at 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 five years of estimated useful 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.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. 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	20-100
Improvements other than buildings	5
Equipment and vehicles	5-100
Infrastructure	20-50

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets are not capitalized and related depreciation is not reported in the fund financial statements.

**1-J Allowances for Uncollectible Accounts**

Allowances for uncollectible accounts have been recorded for the following purposes:

**Taxes** – an allowance has been established by management where collectability is in doubt.

**Ambulance** – an allowance has been established for all receivables that are older than 120 days, and where collectability is in doubt.

**1-K Deferred/Unearned Revenue**

In the government-wide financial statements, deferred revenue is recognized when cash, receivables or other assets are recorded prior to their being earned. In the governmental fund financial statements deferred revenue represents monies received or revenues accrued which have not been earned or do not meet the “available” criterion for revenue recognition under the modified accrual basis of accounting. On the government-wide statements of net assets, deferred revenue is classified as unearned revenue.

**1-L Compensated Absences**

The Town’s policy allows certain employees to earn varying amounts of vacation and sick pay based on the employee’s length of employment. Upon retirement or termination of employment, employees are paid for any accrued leave earned as set forth by the Town’s collective bargaining agreements.

Vested amounts of both vacation and sick pay are reported as long-term liabilities in the statement of net assets.

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***1-M Long-Term Obligations***

Long-term debt and other long-term obligations are reported as liabilities in the government-wide statements.

***1-N Claims and Judgments***

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments that would normally be liquidated with expendable available financial resources are recorded during the year as expenditures in the governmental funds. Claims and judgments are recorded in the government-wide financial statements as expense when the related liabilities are incurred. There were no significant claims or judgments at year-end.

***1-O Equity Classifications***

***Government-wide statements*** – Equity is classified as net assets and displayed in three components:

- a) *Invested in capital assets, net of related debt* – Consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested capital assets, net of related debt.
- b) *Restricted net assets* – Consists of net assets with constraints placed on use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c) *Unrestricted net assets* – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

***Fund statements*** – Governmental fund equity is classified as fund balance. Fund balance is classified as reserved and unreserved, with unreserved further split between designated and undesignated. Reserved fund balances represent amounts not available for appropriation, or are legally restricted by outside parties for use for a specific purpose. Designated fund balances represent tentative management plans that are subject to change. Undesignated fund balance amounts represent amounts available for use in future periods.

***1-P Interfund Activities***

Interfund activities are reported as follows:

***Interfund receivables and payables*** – Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds.” Interfund receivables and payables between funds are eliminated in the statement of net assets.

***Interfund transfers*** – Interfund transfers represent flows of assets without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making the transfers and other financing sources in the funds receiving the transfers. In the government-wide financial statements, all interfund transfers between individual governmental funds have been eliminated.

***1-Q Use of Estimates***

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates and the differences could be material.

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

**2-A 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, and nonmajor (water and sewer department) funds. Except as reconciled below, the budget was adopted on a basis consistent with accounting principles generally accepted in the US.

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 2010, \$1,393,107 of the beginning general fund fund balance was applied for this purpose.

**2-B Budgetary Reconciliation**

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

Revenues and other financing sources:	
Per Exhibit D (budgetary basis)	\$ 17,711,410
Adjustment:	
Basis difference:	
On-behalf retirement contributions made by the State of New Hampshire recognized as revenue on the GAAP basis, but not on the budgetary basis	213,439
Per Exhibit C-3 (GAAP basis)	<u>\$ 17,924,849</u>
Expenditures and other financing uses:	
Per Exhibit D (budgetary basis)	\$ 18,418,879
Adjustment:	
Basis differences:	
Encumbrances, beginning	892,445
Encumbrances, ending	(379,728)
On-behalf retirement contributions made by the State of New Hampshire recognized as an expenditure on the GAAP basis, but not on the budgetary basis	213,439
Per Exhibit C-3 (GAAP basis)	<u>\$ 19,145,035</u>

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**DETAILED NOTES ON ALL FUNDS**

**NOTE 3 – CASH AND CASH EQUIVALENTS**

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of December 31, 2010, none of the Town's bank balances of \$9,803,723 was exposed to custodial credit risk as uninsured and uncollateralized.

Cash and cash equivalents reconciliation:

Cash per statement of net assets (Exhibit A)	\$ 7,909,571
Cash per statement of fiduciary net assets (Exhibit E-1)	<u>1,808,283</u>
Total cash and cash equivalents	<u><u>\$ 9,717,854</u></u>

**NOTE 4 – INVESTMENTS**

As of December 31, 2010, the Town had an investment balance of \$10,289 in New Hampshire Public Deposit Investment Pool.

**NOTE 5 – 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, 2010, upon which the 2010 property tax levy was based is:

For the New Hampshire education tax	\$ 1,345,680,250
For all other taxes	\$ 2,864,624,050

The Town subscribes to the semi-annual method of tax collection as provided for by RSA 76:15-a. Taxes were levied on May 26, 2010 and December 8, 2010, with payments due on July 1, 2010 and January 13, 2011. Interest accrues at a rate of 12% on bills outstanding after the due dates. 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 allowance 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, 2010 were as follows:

	Per \$1,000 of Assessed Valuation	Property Taxes Assessed
Municipal portion	<u>\$5.42</u>	\$ 15,503,670
School portion:		
State of New Hampshire	\$2.51	3,381,425
Local	\$4.43	12,694,959
County portion	\$0.91	<u>2,620,958</u>
Total		<u><u>\$ 34,201,012</u></u>

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During the current fiscal year, the tax collector executed a lien on May 4, 2010 for all uncollected 2009 property taxes. Taxes receivable at December 31, 2010, are as follows:

Property:	
Levy of 2010	\$ 12,248,689
Unredeemed (under tax lien):	
Levy of 2009	305,795
Levy of 2008	189,231
Levies of 2007 and prior	50,007
Less: allowance for estimated uncollectible taxes	<u>(82,512)</u>
Net taxes receivable	<u><u>\$ 12,711,210</u></u>

**NOTE 6 – OTHER RECEIVABLES**

Receivables at December 31, 2010, 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 collectability.

Receivables as of December 31, 2010 for the Town’s individual major funds and nonmajor funds in the aggregate including applicable allowances for uncollectible accounts are as follows:

	<u>General Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Receivables:			
Accounts	\$ 2,337	\$ 938,038	\$ 940,375
Intergovernmental	614	160,298	160,912
Gross receivables	<u>2,951</u>	<u>1,098,336</u>	<u>1,101,287</u>
Less: allowance for uncollectible	-	(590,251)	(590,251)
Net total receivables	<u><u>\$ 2,951</u></u>	<u><u>\$ 508,085</u></u>	<u><u>\$ 511,036</u></u>

**NOTE 7 – PREPAID ITEMS**

Prepaid items at December 31, 2010 consisted \$350 for prepaid postage.

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**NOTE 8 – CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2010 consisted of the following:

	Balance, beginning (as restated)	Additions	Disposals	Balance, ending
At cost:				
Not being depreciated:				
Land	\$ 3,537,616	\$ 925,545	\$ (651,213)	\$ 3,811,948
Construction in progress	2,783,992	9,310,068	(2,783,992)	9,310,068
Total capital assets not being depreciated	<u>6,321,608</u>	<u>10,235,613</u>	<u>(3,435,205)</u>	<u>13,122,016</u>
Being depreciated:				
Buildings and building improvements	28,062,690	1,758,512	(958,536)	28,862,666
Improvements other than buildings	706,545	286,828	-	993,373
Equipment and vehicles	6,144,276	619,939	(211,799)	6,552,416
Infrastructure	70,876,621	414,524	-	71,291,145
Total capital assets being depreciated	<u>105,790,132</u>	<u>3,079,803</u>	<u>(1,170,335)</u>	<u>107,699,600</u>
Total all capital assets	<u>112,111,740</u>	<u>13,315,416</u>	<u>(4,605,540)</u>	<u>120,821,616</u>
Less accumulated depreciation:				
Buildings and building improvements	(11,436,100)	(697,462)	14,232	(12,119,330)
Improvements other than buildings	(461,570)	(38,076)	-	(499,646)
Equipment and vehicles	(3,620,074)	(464,274)	181,166	(3,903,182)
Infrastructure	(28,383,440)	(1,529,770)	-	(29,913,210)
Total accumulated depreciation	<u>(43,901,184)</u>	<u>(2,729,582)</u>	<u>195,398</u>	<u>(46,435,368)</u>
Net book value, capital assets being depreciated	<u>61,888,948</u>	<u>350,221</u>	<u>(974,937)</u>	<u>61,264,232</u>
Net book value, all governmental activities capital assets	<u>\$ 68,210,556</u>	<u>\$ 10,585,834</u>	<u>\$ (4,410,142)</u>	<u>\$ 74,386,248</u>

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

General government	\$ 29,084
Public safety	317,029
Highways and streets	688,785
Sanitation	1,263,899
Water distribution and treatment	310,902
Culture and recreation	119,883
Total depreciation expense	<u>\$ 2,729,582</u>

**NOTE 9 – INTERFUND BALANCES AND TRANSFERS**

Interfund receivable and payable balances consisting of overdrafts in pooled cash and budgetary transfers at December 31, 2010, are as follows:

Receivable Fund	Payable Fund	Amount
General	Nonmajor	\$ 59,984
Nonmajor	General	4,260
		<u>\$ 64,244</u>

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Interfund transfers during the year ended December 31, 2010 are as follows:

	Transfers In:		
	General Fund	Nonmajor Funds	Total
Transfers out:			
General fund	\$ -	\$ 2,931,043	\$ 2,931,043
Nonmajor funds	142,799	-	142,799
Total	<u>\$ 142,799</u>	<u>\$ 2,931,043</u>	<u>\$ 3,073,842</u>

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; and (2) use unrestricted revenue collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**NOTE 10 – INTERGOVERNMENTAL PAYABLES**

Amounts due to other governments at December 31, 2010 consist of the following:

General fund:		
Balance of 2010-2011 district assessment due to the Seabrook School District		\$ 4,619,738
Balance of 2010-2011 district assessment due to the Winnacunnet Cooperative School District		2,631,646
Retirement fees due to the New Hampshire Retirement System		117,798
Treasurer, State of New Hampshire		513
United States Treasury		124
Other miscellaneous obligations due to other governments		867
Total intergovernmental payables due from the general fund		<u>\$ 7,370,686</u>

**NOTE 11 – DEFERRED/UNEARNED REVENUE**

Deferred/unearned revenue at December 31, 2010 consists of the following:

General fund:		
Property tax revenue collected in advance of the 2011 property tax warrant being issued		<u>\$ 4,421</u>
Water fund:		
Water billing revenue collected in advance of the 2011 water billing warrant being issued		<u>\$ 486</u>
Sewer fund:		
Sewer billing revenue collected in advance of the 2011 sewer billing warrant being issued		<u>\$ 593</u>

**NOTE 12 – LONG-TERM LIABILITIES**

Changes in the Town's long-term obligations consisted of the following for the year ended December 31, 2010:

	General Obligation Bonds Payable	Capital Leases Payable	Compensated Absences Payable	Total
Balance, beginning	\$ 6,112,200	\$ 58,297	\$ 834,958	\$ 7,005,455
Additions	-	-	84,203	84,203
Reductions	(262,400)	(18,874)	-	(281,274)
Balance, ending	<u>\$ 5,849,800</u>	<u>\$ 39,423</u>	<u>\$ 919,161</u>	<u>\$ 6,808,384</u>

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Long-term liabilities payable are comprised of the following:

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at December 31, 2010	Current Portion
General obligation bonds payable:						
Arsenic removal	\$ 462,000	2007	2012	4.29	\$ 184,800	\$ 92,400
Water treatment plant	\$ 6,000,000	2008	2037	4.0-4.5	5,665,000	175,000
					<u>5,849,800</u>	<u>267,400</u>
Capital leases payable:						
Acorn recorder	\$ 11,340	2007	2011	10.92	1,822	1,822
Canon Image Runner	\$ 9,024	2008	2011	N/A	2,672	2,672
Police vehicle	\$ 14,439	2008	2012	5.95	5,927	2,878
Recreation vehicle	\$ 33,900	2009	2013	4.13	20,302	6,413
Toshiba copier	\$ 9,600	2009	2012	N/A	4,800	2,400
Canon Image Runner	\$ 9,360	2009	2011	N/A	3,900	3,900
					<u>39,423</u>	<u>20,085</u>
Compensated absences payable:						
Vested sick leave					368,164	190,590
Accrued vacation leave					550,997	228,048
					<u>919,161</u>	<u>418,638</u>
<b>Total</b>					<u>\$ 6,808,384</u>	<u>\$ 706,123</u>

The annual requirements to amortize all general obligation bonds outstanding as of December 31, 2010, including interest payments, are as follows:

Fiscal Year Ending December 31,	Principal	Interest	Total
2011	\$ 267,400	\$ 267,572	\$ 534,972
2012	272,400	254,733	527,133
2013	185,000	241,413	426,413
2014	195,000	231,438	426,438
2015	200,000	221,069	421,069
2016-2020	975,000	947,750	1,922,750
2021-2025	810,000	752,035	1,562,035
2026-2030	1,050,000	548,881	1,598,881
2031-2035	1,295,000	284,064	1,579,064
2036-2037	600,000	27,450	627,450
Totals	<u>\$ 5,849,800</u>	<u>\$ 3,776,405</u>	<u>\$ 9,626,205</u>

The annual requirements to amortize the capital leases payable as of December 31, 2010, including interest payments, are as follows:

Fiscal Year Ending December 31,	Principal	Interest	Total
2011	\$ 20,085	\$ 1,455	\$ 21,540
2012	12,210	935	13,145
2013	7,128	387	7,515
Totals	<u>\$ 39,423</u>	<u>\$ 2,777</u>	<u>\$ 42,200</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.

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**NOTE 13 – GOVERNMENTAL ACTIVITIES NET ASSETS**

Governmental activities net assets reported on the government-wide statement of net assets at December 31, 2010 include the following:

Invested in capital assets, net of related debt:	
Capital assets, net of accumulated depreciation	\$ 74,386,248
Less:	
General obligation bonds payable	(5,849,800)
Capital leases payable	(39,423)
Total invested in capital assets, net of related debt	<u>68,497,025</u>
Restricted for special purposes:	
Perpetual care	13,531
Capital projects	1,814,464
Unrestricted	<u>9,573,708</u>
Total net assets	<u>\$ 79,898,728</u>

**NOTE 14 – GOVERNMENTAL FUND BALANCES**

Governmental fund balances reported on the fund financial statements at December 31, 2010 include the following:

Reserved:	
Major funds:	
General	\$ 1,199,334
Capital project	1,814,464
Nonmajor funds:	
Permanent	13,531
Special revenue	105,000
Total reserved fund balance	<u>3,132,329</u>
Unreserved, designated:	
Major fund:	
General	<u>475,558</u>
Unreserved, undesignated:	
Major funds:	
General	4,184,712
Expendable trust	2,857,843
Nonmajor funds:	
Special revenue	<u>2,172,703</u>
Total unreserved, undesignated fund balance	<u>9,690,816</u>
Total governmental fund balances	<u>\$ 12,823,145</u>

**NOTE 15 – PRIOR PERIOD ADJUSTMENT**

Fund equity at January 1, 2010 was restated to record the value of the capital assets, net of accumulated depreciation, not previously reported, as follows:

	Government-wide
	Statements
Adjustment	\$ (101,311)
Net assets, as previously reported	79,003,406
Net assets, as restated	<u>\$ 78,902,095</u>

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**NOTE 16 – EMPLOYEE RETIREMENT PLAN**

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

The System is financed by contributions from both the employees and the Town. Member contribution rates are established and may be amended by the State legislature while employer contribution rates are set by the System trustees based on an actuarial valuation. Police officers and firefighters are required to contribute 9.3% of gross earnings. For the first six months, the Town contributed 13.66% for police and 17.28% for fire. For the remaining six months, the Town contributed 14.63% for police and 18.52% for fire. The contribution requirements for the Town of Seabrook for the fiscal years 2008, 2009, and 2010 were \$496,611, \$535,142, and \$588,372, respectively, which were paid in full in each year.

For the first six months of 2010, the State of New Hampshire funded 30% of the total employer normal contribution rate for police officers and firefighters employed by the Town. As of July 1, the funding rate decreased to 25% of the total employer normal contribution rate. This amount \$213,439, is reported as an “on-behalf payment” as an expenditure and revenue on the governmental fund operating statement, and as an expense and revenue on the government-wide statements of activities.

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

In addition to pension benefits described in Note 16, the Town provides postemployment benefit options for health care, to eligible retirees, terminated employees, and their dependents. The benefits are provided in accordance with the Town’s agreements, collective bargaining agreements, and the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA). The Town funds the benefits on a pay-as-you-go basis. Eligible New Hampshire Retirement System (NHRS) employees are required to pay set premiums for a portion of the cost with the NHRS subsidizing the remaining costs.

The Governmental Accounting Standards Board (GASB) issued Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. GASB Statement 45, was implemented by the Town during fiscal year 2009, and requires that the long-term cost of retirement health care and obligations for other postemployment benefits (OPEB) be determined on an actuarial basis and reported similar to pension plans. GASB Statement 45 does not mandate the pre-funding of postemployment benefit liabilities. However, any pre-funding of these benefits will help minimize or eliminate the postemployment benefit obligation that will be required to be reported on the financial statements.

The Town has only partially funded (on a pay-as-you-go basis) the annual required contribution (ARC), an actuarially determined rate in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty-years. The following table presents the OPEB cost for the year, the amount contributed and changes in the OPEB plan for fiscal year 2010:

Annual required contribution/OPEB cost	\$	257,178
Contributions made (pay-as-you-go)		<u>(51,678)</u>
Increase in net OPEB obligation		205,500
Net OPEB obligation, beginning		<u>194,127</u>
Net OPEB obligation, ending	\$	<u><u>399,627</u></u>

The Town’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2010 was as follows:

Fiscal Year Ended	Annual Required Contribution (ARC)	Actual Contributions (pay-as-you-go)	Percentage Contributed	Net OPEB Obligation
12/31/2010	\$ 257,178	\$ 51,678	20.1%	\$ 399,627

**TOWN OF SEABROOK, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2010**

As of January 1, 2009, the date of the most recent actuarial valuation, the actuarial accrued liability (AAL) for benefits was \$2,177,109, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,177,109. The covered payroll (annual payroll of active employees covered by the plan) was \$6,089,429 during fiscal year 2010, and the ratio of the UAAL to the covered payroll was 35.8%.

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

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

In the January 1, 2009 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 4% investment rate of return per annum. The projected annual healthcare cost trend is 10% initially, reduced by decrements to an ultimate rate of 5% after four years. The UAAL is being amortized as a level dollar amount over an open basis. The remaining amortization period at December 31, 2010 was 28 years.

**NOTE 18 – RISK MANAGEMENT**

The Town is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. During fiscal year 2010, the Town was a member of the Local Government Center Property-Liability Trust, LLC, and the New Hampshire Public Risk Management Exchange (Primex<sup>3</sup>) Workers' Compensation 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 fiscal year ending December 31, 2010, to be recorded as an insurance expenditure totaled \$157,629. There were no unpaid contributions for the year ended December 31, 2010. 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 New Hampshire Public Risk Management Exchange (Primex<sup>3</sup>) Workers' Compensation Program is a pooled risk management program under RSAs 5-B and 281-A. A coverage summary of Workers' Compensation Program provided from January 1, 2010 to December 31, 2010 by Primex<sup>3</sup>, which retained \$1,000,000 of each workers' compensation loss. The Board has decided to self-insure the aggregate exposure and has allocated funds based on actuarial analysis for that purpose. The estimated net contribution from the Town of Seabrook billed and paid for the year ended December 31, 2010 was \$471,058 for workers'. The workers' compensation section of the self-insurance membership agreement permits Primex<sup>3</sup> 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. GASB Statement No. 10 requires members of a pool with a sharing risk to disclose if such an assessment is probable, and a reasonable estimate of the amount, if any. At this time, Primex<sup>3</sup> foresees no likelihood of any additional assessment for this or any prior year.

**TOWN OF SEABROOK, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2010**

**NOTE 19 – CONTINGENT LIABILITIES**

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.

There are various legal claims and suits pending against the Town which arose in the normal course of the Town's activities. In the opinion of management, the ultimate disposition of these various claims and suits will not have a material effect on the financial position of the Town.

**NOTE 20 – DONATION**

The Town received an \$800,000 donation during 2007 from a commercial entity in support of road construction and highway improvements. This amount has been reserved for special purposes until such time as work is begun on the project.

**NOTE 21 – RELATED PARTY TRANSACTIONS**

Financial reporting standards require disclosure of significant related-party transactions, including the nature of the relationship, a description of the transactions, dollar amounts of the transaction. The Town's Fire Department received training courses from Seabrook Emergency Training Association; this organization is a nonprofit organization which is operated by the Town's Fire Chief. Payments made to Seabrook Emergency Training Association totaled \$94,810, for the year ended December 31, 2010.

In order to enhance accountability and to simplify the budget and audit process, the Seabrook Emergency Training Association will no longer submit invoices to the Town of Seabrook for training activities.

Future training costs will be billed by the individual training instructors, associations, or individual instructors. For the remainder of 2011, there may be invoices from NH Fire Standards and Training, Seacoast Medical Training, or the Interstate Emergency Unit (IEU).

**NOTE 22 – SUBSEQUENT EVENTS**

Subsequent events are events or transactions that occur after the balance sheet date, but before the financial statements are issued. Recognized subsequent events are events or transactions that provided additional evidence about conditions that existed at the balance sheet date, including the estimates inherent in the process of preparing the financial statements. Nonrecognized subsequent events are events that provide evidence about conditions that did not exist at the balance sheet date, but arose after the date. Management has evaluated subsequent events through December 9, 2011, the date the December 31, 2010 financial statements were issued, and no events occurred requiring recognition or disclosure.

**NOTE 23 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS**

In March 2009 the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The requirements of Statement No. 54 are not mandatory for the Town until fiscal year ended December 31, 2011.

***REQUIRED SUPPLEMENTARY INFORMATION***

**EXHIBIT F**  
**TOWN OF SEABROOK**  
*Schedule of Funding Progress for Other Postemployment Benefit Plan*  
*For the Fiscal Year Ended December 31, 2010*

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
January 1, 2009	\$ -	\$ 2,177,109	\$ 2,177,109	0.00%	\$ 6,089,429	35.8%

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

***TOWN OF SEABROOK, NEW HAMPSHIRE  
NOTE TO THE BASIC FINANCIAL STATEMENTS  
AS OF AND FOR THE FISCAL YEAR ENDED  
DECEMBER 31, 2010***

***Schedule of Funding Progress for Other Postemployment Benefits (OPEB)***

As required by GASB Statement No. 45, Exhibit F represents the actuarial determined costs associated with the Town of Seabrook's other postemployment benefits for the fiscal year ended December 31, 2010.

***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, 2010*

	Estimated	Actual	Variance Positive (Negative)
<b>Taxes:</b>			
Property	\$ 14,587,014	\$ 15,042,183	\$ 455,169
Timber	1,608	1,608	-
Interest and penalties on taxes	98,000	115,506	17,506
<b>Total from taxes</b>	<u>14,686,622</u>	<u>15,159,297</u>	<u>472,675</u>
<b>Licenses, permits and fees:</b>			
Business licenses, permits, and fees	46,320	48,373	2,053
Motor vehicle permit fees	1,302,000	1,312,559	10,559
Building permits	62,310	76,939	14,629
Other	150,106	182,454	32,348
<b>Total from licenses, permits, and fees</b>	<u>1,560,736</u>	<u>1,620,325</u>	<u>59,589</u>
<b>Intergovernmental:</b>			
State:			
Meals and rooms distribution	371,661	371,661	-
Highway block grant	151,432	151,432	-
Other	51,550	57,287	5,737
<b>Total from intergovernmental</b>	<u>574,643</u>	<u>580,380</u>	<u>5,737</u>
<b>Charges for services:</b>			
Income from departments	146,294	154,349	8,055
<b>Miscellaneous:</b>			
Sale of municipal property	17,000	1,164	(15,836)
Interest on investments	17,000	14,478	(2,522)
Insurance dividends and reimbursements	-	356	356
Other	13,831	38,262	24,431
<b>Total from miscellaneous</b>	<u>47,831</u>	<u>54,260</u>	<u>6,429</u>
<b>Other financing sources:</b>			
Transfers in	86,544	142,799	56,255
<b>Total revenues and other financing sources</b>	<u>17,102,670</u>	<u>\$ 17,711,410</u>	<u>\$ 608,740</u>
Unreserved fund balance used to reduce tax rate	1,393,107		
<b>Total revenues, other financing sources and use of fund balance</b>	<u>\$ 18,495,777</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, 2010**

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
<b>Current:</b>					
<b>General government:</b>					
Executive	\$ -	\$ 524,015	\$ 523,651	\$ -	\$ 364
Election and registration	-	350,622	331,176	-	19,446
Financial administration	7,200	1,038,433	939,101	58,411	48,121
Legal	-	175,000	231,297	-	(56,297)
Planning and zoning	-	86,305	99,782	-	(13,477)
General government buildings	-	627,068	580,305	-	46,763
Cemeteries	4,209	127,992	111,984	3,590	16,627
Insurance, not otherwise allocated	-	634,864	632,178	-	2,686
<b>Total general government</b>	<b>11,409</b>	<b>3,564,299</b>	<b>3,449,474</b>	<b>62,001</b>	<b>64,233</b>
<b>Public safety:</b>					
Police	-	3,586,050	3,496,746	97,000	(7,696)
Fire	-	2,891,479	3,057,567	-	(166,088)
Building inspection	-	119,958	115,785	-	4,173
Emergency management	-	122,627	117,787	-	4,840
<b>Total public safety</b>	<b>-</b>	<b>6,720,114</b>	<b>6,787,885</b>	<b>97,000</b>	<b>(164,771)</b>
<b>Highways and streets:</b>					
Highways and streets	-	1,266,848	1,332,555	-	(65,707)
Street lighting	-	67,182	65,067	-	2,115
<b>Total highways and streets</b>	<b>-</b>	<b>1,334,030</b>	<b>1,397,622</b>	<b>-</b>	<b>(63,592)</b>
<b>Water distribution and treatment</b>	<b>147,506</b>	<b>166,036</b>	<b>146,269</b>	<b>19,265</b>	<b>148,008</b>
<b>Sanitation:</b>					
Administration	-	27,315	26,035	-	1,280
Solid waste collection	-	1,298,357	1,278,422	-	19,935
<b>Total sanitation</b>	<b>-</b>	<b>1,325,672</b>	<b>1,304,457</b>	<b>-</b>	<b>21,215</b>
<b>Health:</b>					
Administration	-	72,567	68,994	-	3,573
Pest control	-	138,360	126,546	-	11,814
<b>Total health</b>	<b>-</b>	<b>210,927</b>	<b>195,540</b>	<b>-</b>	<b>15,387</b>
<b>Welfare:</b>					
Administration	-	86,408	84,083	-	2,325
Vendor payments	2,500	308,760	205,654	5,000	100,606
Other welfare	3,572	-	1,817	1,755	-
<b>Total welfare</b>	<b>6,072</b>	<b>395,168</b>	<b>291,554</b>	<b>6,755</b>	<b>102,931</b>
<b>Culture and recreation:</b>					
Parks and recreation	-	850,283	818,728	-	31,555
Patriotic purposes	-	31,181	31,998	-	(817)
<b>Total culture and recreation</b>	<b>-</b>	<b>881,464</b>	<b>850,726</b>	<b>-</b>	<b>30,738</b>
<b>Conservation</b>	<b>-</b>	<b>5,845</b>	<b>1,884</b>	<b>-</b>	<b>3,961</b>

*(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, 2010*

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Debt service:					
Principal of long-term debt	-	262,400	\$ 262,400	-	-
Interest on long-term debt	-	282,711	282,711	-	-
Total debt service	-	545,111	545,111	-	-
Capital outlay:					
Land and improvements	205,000	-	205,000	-	-
Equipment and vehicles	-	91,000	91,000	-	-
Buildings	134,743	32,000	160,763	5,980	-
Improvements other than buildings	367,889	293,200	573,268	169,033	(81,212)
Total capital outlay	707,632	416,200	1,030,031	175,013	(81,212)
Other financing uses:					
Transfers out	19,826	2,930,911	2,931,043	19,694	-
Total appropriations, expenditures, other financing uses, and encumbrances	\$ 892,445	\$ 18,495,777	\$ 18,931,596	\$ 379,728	\$ 76,898

**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, 2010*

Unreserved, undesignated fund balance, beginning		\$ 4,828,986
Changes:		
Unreserved fund balance used to reduce 2010 tax rate		(500,000)
Unreserved fund balance used for RSA 32:11 Emergency Appropriation		(500,000)
Unreserved fund balance voted from surplus for Ambulance Revolving fund		(393,107)
2010 Budget summary:		
Revenue surplus (Schedule 1)	\$ 608,740	
Unexpended balance of appropriations (Schedule 2)	<u>76,898</u>	
2010 Budget surplus		685,638
Decrease in fund balance reserved for special purposes		395,820
Increase in fund balance reserved for tax deeded property		(7,067)
Increase in fund balance designated for contingency		<u>(325,558)</u>
Unreserved, undesignated fund balance, ending		<u><u>\$ 4,184,712</u></u>

**SCHEDULE 4**  
**TOWN OF SEABROOK, NEW HAMPSHIRE**  
**Nonmajor Governmental Funds**  
**Combining Balance Sheet**  
**December 31, 2010**

	Special Revenue Funds				
	Public Library	Conservation Commission	Water Department	Sewer Department	Transportation
<b>ASSETS</b>					
Cash and cash equivalents	\$ 552,121	\$ 17,360	\$ 127,048	\$ 470,007	\$ 165,169
Investments	5,361	-	-	-	-
Receivables, net of allowance:					
Accounts	-	-	79,037	78,017	-
Intergovernmental	-	160,040	-	-	-
Interfund receivable	-	-	-	-	4,260
<b>Total assets</b>	<b>\$ 557,482</b>	<b>\$ 177,400</b>	<b>\$ 206,085</b>	<b>\$ 548,024</b>	<b>\$ 169,429</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable	\$ -	\$ 7,722	\$ 23,990	\$ 82,765	\$ -
Accrued salaries and benefits	-	-	13,784	13,920	-
Interfund payable	-	-	-	-	52,351
Deferred revenue	-	-	486	593	-
<b>Total liabilities</b>	<b>-</b>	<b>7,722</b>	<b>38,260</b>	<b>97,278</b>	<b>52,351</b>
<b>Fund balances:</b>					
Reserved for endowments	-	-	-	-	-
Reserved for special purposes	-	-	-	-	-
Unreserved, undesignated	557,482	169,678	167,825	450,746	117,078
<b>Total fund balances</b>	<b>557,482</b>	<b>169,678</b>	<b>167,825</b>	<b>450,746</b>	<b>117,078</b>
<b>Total liabilities and fund balances</b>	<b>\$ 557,482</b>	<b>\$ 177,400</b>	<b>\$ 206,085</b>	<b>\$ 548,024</b>	<b>\$ 169,429</b>

Special Revenue Funds							
Economic Development	Recreation Revolving	Police Outside Detail	Grants	Ambulance Revolving	Recycling Revolving	Permanent Fund	Total
\$ 26,072	\$ 40,059	\$ -	\$ -	\$ 552,873	\$ 14,214	\$ 13,531	\$ 1,978,454
-	-	-	-	-	-	-	5,361
-	-	18,625	-	172,108	-	-	347,787
-	-	-	258	-	-	-	160,298
-	-	-	-	-	-	-	4,260
<u>\$ 26,072</u>	<u>\$ 40,059</u>	<u>\$ 18,625</u>	<u>\$ 258</u>	<u>\$ 724,981</u>	<u>\$ 14,214</u>	<u>\$ 13,531</u>	<u>\$ 2,496,160</u>
\$ -	\$ 353	\$ -	\$ -	\$ 1,155	\$ -	\$ -	\$ 115,985
-	-	174	-	-	-	-	27,878
-	-	7,375	258	-	-	-	59,984
-	-	-	-	-	-	-	1,079
-	353	7,549	258	1,155	-	-	204,926
-	-	-	-	-	-	13,531	13,531
-	-	-	-	105,000	-	-	105,000
26,072	39,706	11,076	-	618,826	14,214	-	2,172,703
26,072	39,706	11,076	-	723,826	14,214	13,531	2,291,234
<u>\$ 26,072</u>	<u>\$ 40,059</u>	<u>\$ 18,625</u>	<u>\$ 258</u>	<u>\$ 724,981</u>	<u>\$ 14,214</u>	<u>\$ 13,531</u>	<u>\$ 2,496,160</u>

**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, 2010**

	Special Revenue Funds				
	Public Library	Conservation Commission	Water Department	Sewer Department	Transportation
Revenues:					
Intergovernmental	\$ -	\$ 57,908	\$ -	\$ -	\$ -
Charges for services	-	-	516,860	524,919	-
Miscellaneous	9,793	411	37,492	24,415	55,836
Total revenues	<u>9,793</u>	<u>58,319</u>	<u>554,352</u>	<u>549,334</u>	<u>55,836</u>
Expenditures:					
Current:					
Public safety	-	-	-	-	-
Water distribution and treatment	-	-	1,170,832	-	-
Sanitation	-	-	-	1,741,988	-
Culture and recreation	569,074	-	-	-	-
Conservation	-	288,966	-	-	-
Total expenditures	<u>569,074</u>	<u>288,966</u>	<u>1,170,832</u>	<u>1,741,988</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(559,281)</u>	<u>(230,647)</u>	<u>(616,480)</u>	<u>(1,192,654)</u>	<u>55,836</u>
Other financing sources (uses):					
Transfers in	563,876	15,000	751,703	1,207,357	-
Transfers out	-	-	-	-	(138,875)
Total other financing sources and uses	<u>563,876</u>	<u>15,000</u>	<u>751,703</u>	<u>1,207,357</u>	<u>(138,875)</u>
Net change in fund balances	4,595	(215,647)	135,223	14,703	(83,039)
Fund balances, beginning	552,887	385,325	32,602	436,043	200,117
Fund balances, ending	<u>\$ 557,482</u>	<u>\$ 169,678</u>	<u>\$ 167,825</u>	<u>\$ 450,746</u>	<u>\$ 117,078</u>

Special Revenue Funds							
Economic Development	Recreation Revolving	Police Outside Detail	Grants	Ambulance Revolving	Recycling Revolving	Permanent Fund	Total
\$ -	\$ -	\$ -	\$ 16,199	\$ -	\$ -	\$ -	\$ 74,107
-	22,917	142,685	-	282,508	14,209	-	1,504,098
-	27,103	-	-	811	5	24	155,890
-	50,020	142,685	16,199	283,319	14,214	24	1,734,095
-	-	128,555	12,053	220,847	-	-	361,455
-	-	-	-	-	-	-	1,170,832
-	-	-	-	-	-	-	1,741,988
-	39,639	-	-	-	-	-	608,713
-	-	-	4,146	-	-	-	293,112
-	39,639	128,555	16,199	220,847	-	-	4,176,100
-	10,381	14,130	-	62,472	14,214	24	(2,442,005)
-	-	-	-	393,107	-	-	2,931,043
-	-	(3,900)	-	-	-	(24)	(142,799)
-	-	(3,900)	-	393,107	-	(24)	2,788,244
-	10,381	10,230	-	455,579	14,214	-	346,239
26,072	29,325	846	-	268,247	-	13,531	1,944,995
<u>\$ 26,072</u>	<u>\$ 39,706</u>	<u>\$ 11,076</u>	<u>\$ -</u>	<u>\$ 723,826</u>	<u>\$ 14,214</u>	<u>\$ 13,531</u>	<u>\$ 2,291,234</u>

***SINGLE AUDIT ACT SCHEDULES  
AND INDEPENDENT AUDITOR'S REPORTS***



## PLODZIK & SANDERSON

*Professional Association/Accountants & Auditors*

193 North Main Street • Concord • New Hampshire • 03301-5063 • 603-225-6996 • FAX-224-1380

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

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

We have audited the 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 year ended December 31, 2010, which collectively comprise the Town of Seabrook's basic financial statements and have issued our report thereon dated December 9, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### ***Internal Control over Financial Reporting***

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

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

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

#### ***Compliance and other Matters***

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

This report is intended solely for the information and use of management, the board of selectmen, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

December 9, 2011

*Sheryl A. Pratt, CPA*  
PLODZIK & SANDERSON  
Professional Association



# PLODZIK & SANDERSON

*Professional Association/Accountants & Auditors*

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## ***REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133***

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

### ***Compliance***

We have audited the Town of Seabrook's compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on the Town of Seabrook's major federal program for the year ended December 31, 2010. The Town of Seabrook's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the Town of Seabrook's management. Our responsibility is to express an opinion on the Town of Seabrook's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Seabrook's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Town of Seabrook's compliance with those requirements.

In our opinion, the Town of Seabrook complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2010. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 10-01.

### ***Internal Control over Compliance***

Management of the Town of Seabrook is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Town of Seabrook's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Seabrook's internal control over compliance.

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

*Town of Seabrook  
Report on Compliance with Requirements that Could have a Direct and Material Effect on Each Major Program  
and on Internal Control over Compliance in Accordance with OMB Circular A-133*

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

The Town of Seabrook's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Town of Seabrook's response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of management, the board of selectmen, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

December 9, 2011

*Sheryl A. Piatt, CPA*  
PLODZIK & SANDERSON  
Professional Association

*SCHEDULE I  
TOWN OF SEABROOK, NEW HAMPSHIRE  
Schedule of Findings and Questioned Costs  
For the Year Ended December 31, 2010*

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**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

**A. Financial Statements**

1. The auditor's report expresses an unqualified opinion on the financial statements.
2. There were no material weaknesses identified relating to the internal control over financial reporting.
3. There were no significant deficiencies identified that were not considered material weaknesses relating to the internal control over financial reporting.
4. There were no instances of noncompliance material to the financial statements identified.

**B. Federal Awards**

1. There were no material weaknesses identified relating to the internal control over major programs.
2. There were no significant deficiencies identified that were not considered material weaknesses relating to the internal control over major programs.
3. The auditor's report on compliance for major programs expresses an unqualified opinion.
4. There is one audit finding required to be reported in accordance with section 510(a) of OMB Circular A-133.
5. The program tested as a major program is CFDA No. 66.802: Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreement.
6. The threshold for distinguishing between Types A and B programs was \$300,000.
7. The Town of Seabrook was determined not to be a low-risk auditee.

**SECTION II - FINANCIAL STATEMENT FINDINGS**

**NONE**

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**Auditor  
Reference  
Number**

- 10-01 U.S. Environmental Protection Agency passed through the State of New Hampshire Department of Environmental Services: CFDA No. 66.802: Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements**

**Criteria:** According to the program's agreement, monthly jobs reports are to be prepared and submitted to the pass-through agency by the seventh day of the following month that is being reported on.

**Condition:** While testing the monthly jobs reports, it was noted that the January 2010 through November 2010 reports were not completed and submitted to the pass-through agency until the seventh day of the second following month.

**Cause:** The Town contracted with the project engineering firm (AECOM) to prepare and file all Buy-American, Davis-Bacon Wage and ARRA Federal Funding requirements for the project. The monthly reports were filed by the project engineering firm, but were filed late.

*SCHEDULE I (Continued)*  
*TOWN OF SEABROOK, NEW HAMPSHIRE*  
*Schedule of Findings and Questioned Costs*  
*For the Year Ended December 31, 2010*

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**Effect:** The Town is not in compliance with reporting requirements.

**Recommendation:** We recommend that in the future the Town make sure that Federal grant related reports be submitted to the appropriate pass-through agency by the stated deadline.

**Management Response:** Since the project has been completed no further action is necessary by the Town.

**SCHEDULE II**  
**TOWN OF SEABROOK, NEW HAMPSHIRE**  
*Schedule of Expenditures of Federal Awards*  
*For the Year Ended December 31, 2010*

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Passed Through the State of New Hampshire Department of Education			
Summer Food Service Program for Children	10.559	N/A	<u>\$ 1,550</u>
Passed Through the State of New Hampshire Department of Environmental Services			
Watershed Restoration and Enhancement Agreement Authority	10.693	VC #21232	<u>84,294</u>
<b>U.S. ENVIRONMENTAL PROTECTION AGENCY</b>			
Passed Through the State of New Hampshire Department of Environmental Services			
Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements ( <i>note 3</i> )	66.802	2111010-01	<u>3,528,855</u>
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>			
Passed Through the State of New Hampshire Department of Safety			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-1892-DR-NH	<u>1,500</u>
<b>DIRECT FUNDING</b>			
<b>U.S. DEPARTMENT OF JUSTICE</b>			
Bullet Proof Vest Partnership Program	16.607	N/A	<u>1,987</u>
<b>Total Expenditures of Federal Awards</b>			<u><u>\$ 3,618,186</u></u>

The accompanying notes are an integral part of this schedule.

**TOWN OF SEABROOK, NEW HAMPSHIRE**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

**Note 1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the "schedule") includes the federal grant activity of the Town of Seabrook under programs of the federal government for the year ended December 31, 2010. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the Town of Seabrook, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Town of Seabrook.

**Note 2. Summary of Significant Accounting Policies**

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A- 87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

**Note 3. Loan Outstanding**

The Town of Seabrook had the following loan balance outstanding at December 31, 2010. The loan made during the year is included in the federal expenditures presented in the Schedule.

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Outstanding</u>
Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreement	66.802	\$5,000,000.00