

**TOWN OF SEABROOK,
NEW HAMPSHIRE**

ANNUAL FINANCIAL REPORT

**AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2013**

TOWN OF SEABROOK, NEW HAMPSHIRE
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TABLE OF CONTENTS

		<u>PAGES</u>
<i>INDEPENDENT AUDITOR'S REPORT</i>		1 - 2
<i>MANAGEMENT'S DISCUSSION AND ANALYSIS</i>		3 - 11
 BASIC FINANCIAL STATEMENTS		
Government-wide Financial Statements		
A	Statement of Net Position	12
B	Statement of Activities	13
Fund Financial Statements		
<i>Governmental Funds</i>		
C-1	Balance Sheet	14
C-2	Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position.....	15
C-3	Statement of Revenues, Expenditures, and Changes in Fund Balances.....	16
C-4	Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
<i>Budgetary Comparison Information</i>		
D	Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) – General Fund	18
<i>Fiduciary Funds</i>		
E-1	Statement of Fiduciary Net Position	19
E-2	Statement of Changes in Fiduciary Net Position	20
NOTES TO THE BASIC FINANCIAL STATEMENTS		21 - 39
 REQUIRED SUPPLEMENTARY INFORMATION		
F	Schedule of Funding Progress for Other Postemployment Benefit Plan	40
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION		41
 COMBINING AND INDIVIDUAL FUND SCHEDULES		
Governmental Funds		
<i>Major General Fund</i>		
1	Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis).....	42
2	Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis)	43 - 44
3	Schedule of Changes in Unassigned Fund Balance.....	45
<i>Nonmajor Governmental Funds</i>		
4	Combining Balance Sheet	46
5	Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances.....	47
INDEPENDENT AUDITOR'S COMMUNICATION		
OF MATERIAL WEAKNESSES		48



PLODZIK & SANDERSON

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, major general fund, and aggregate remaining fund information of the Town of Seabrook as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, major general fund, and aggregate remaining fund information of the Town of Seabrook as of December 31, 2013, and the respective changes in financial position, and the respective budgetary comparison for the major general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information - Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (pages 3 through 11) and the Schedule of Funding Progress for Other Postemployment Benefit Plan (page 40) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers them to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or

*Town of Seabrook
Independent Auditor's Report*

historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information - Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of 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 combining and individual fund financial schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

October 17, 2014

*Plodzik & Sanderson
Professional Association*

Management's Discussion and Analysis For the Fiscal Year 2013

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 \$71,554,311 (*net position*). Of this amount, \$9,037,170 (*unrestricted net position*) may be used to meet the Town's ongoing obligations to its citizens.
- The Town's change in net position was a decrease of \$822,732.
- At the close of the current year, the Town's governmental funds reported a combined ending fund balance of \$11,700,582. Approximately 30% (\$3,510,274) of this total amount is available for spending at the Town's discretion (*unassigned fund balance*).
- At the end of the current year, unassigned fund balance for the General Fund is \$3,510,274, which is an increase of 56.39% (\$1,265,724) in relationship to the 2012 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 Position* 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 Position* presents information on all of the Town's non-fiduciary assets and liabilities with the difference between the two being reported as net position. Overall, increases or decreases in the net position 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 position changed during the most recent year. All changes in net position 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 12 - 13 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 ten 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 General Fund accounts for governmental services provided to the Town's residents. Data from the other 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 14 - 17.

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 19 - 20 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 21.

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 Position compared to the prior year. More detailed information can be found on page 12 of this report.

Town of Seabrook		
Net Assets as of December 31, 2013 and 2012		
	Governmental Activities	
	<u>2013</u>	<u>2012</u>
Current and other assets	\$ 21,235,334	\$ 20,248,507
Capital assets, net	<u>69,274,860</u>	<u>71,389,975</u>
Total assets	<u>90,510,194</u>	<u>91,638,482</u>
Current liabilities	8,681,064	9,170,796
Long-term liabilities	<u>10,266,955</u>	<u>10,157,398</u>
Total liabilities	<u>18,948,019</u>	<u>19,328,194</u>
Unavailable Revenue-property tax	6,029	10,527
Unavailable Revenue - grants	<u>1,835</u>	<u>208</u>
Total Deferred outflow or resources	<u>7,864</u>	<u>10,735</u>
Net position:		
Net Investment in capital assets	60,803,150	63,587,250
Restricted	1,713,991	691,078
Unrestricted	<u>9,037,170</u>	<u>8,021,225</u>
Total net position	<u>\$ 71,554,311</u>	<u>\$ 72,299,553</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities by \$71,554,311 as of December 31, 2013.

The Town's capital assets, net of related debt, at the end of 2013 were \$60,803,150. Capital assets are items such as land, buildings, equipment, and infrastructure (roads and bridges). This portion of the Town's net position (84.97%) 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 \$256,212. This was due to the following factors: a decrease in bond debt of \$338,290; a decrease in capital leases of \$12,959; and an increase in compensated absences (vested sick leave and accrued vacation leave) of \$14,208 and an increase in other post employment benefits of \$80,829.

The Town reported \$14,250 in net position restricted for perpetual care. These represent the permanent funds for which the principal cannot be spent and the income is used for Town purposes. The Town also reported \$1,699,741 which is restricted for the road improvements, donations, library, and water treatment facility.

The balance of unrestricted net position totaling \$9,073,170 may be used to meet the government's ongoing obligations to its citizens and creditors. The unrestricted net position represents 12.62% of the Town's total net position.

Net position

Net investment in Capital Assets: The largest portion of the Town's net position (84.97%) reflects its investment in capital assets.

Restricted Net Position: Only 2.39% of the Town's net position represent resources that are subject to external restrictions on how they may be used.

Unrestricted Net Position: The remaining 12.64% of the Town's total net position falls into this category. Internally imposed designations of resources are not presented as restricted net position. At the end of the year, the Town was able to report positive balances in all three categories of net position.

The following is a summary of the information presented in the Statement of Activities found on page 13.

Town of Seabrook		
Changes in Net Position for year ended December 31, 2013 and 2012		
	Governmental Activities	
Revenues	2013	2012
Program revenues:		
Charges for services	\$ 2,551,657	\$ 2,119,162
Operating grants and contributions	290,274	228,355
Capital grants and contributions	-	3,066,738
General revenues:		
Property and other taxes	16,331,547	14,181,870
Motor vehicle permit fees	1,460,238	1,397,458
Licenses, permits and other fees	547,793	394,514
Grants and contributions not restricted to specific programs	388,646	387,971
Unrestricted investment earnings	18,224	68,212
Miscellaneous	613,296	564,912
Total revenues	\$ 22,201,675	\$ 22,409,192
Expenses		
General governmental	\$ 3,123,142	\$ 3,545,985
Public safety	8,057,210	8,038,447
Highways and streets	1,936,752	2,355,024
Sanitation	3,807,360	4,243,537
Water distributions and treatments	2,879,928	2,097,427
Health	372,823	366,938
Welfare	143,440	148,257
Culture and recreation	1,570,600	1,724,395
Conservation	7,003	2,423
Economic development	-	5,420
Capital Outlay	824,544	-
Interest on long-term debt	301,605	429,927
Total expenses	\$ 23,024,407	\$ 22,957,780
Decrease in net position	(822,732)	(548,588)
Net position, beginning of year as restated	72,377,043	72,848,141
Net position, end of year	\$ 71,554,311	\$ 72,299,553

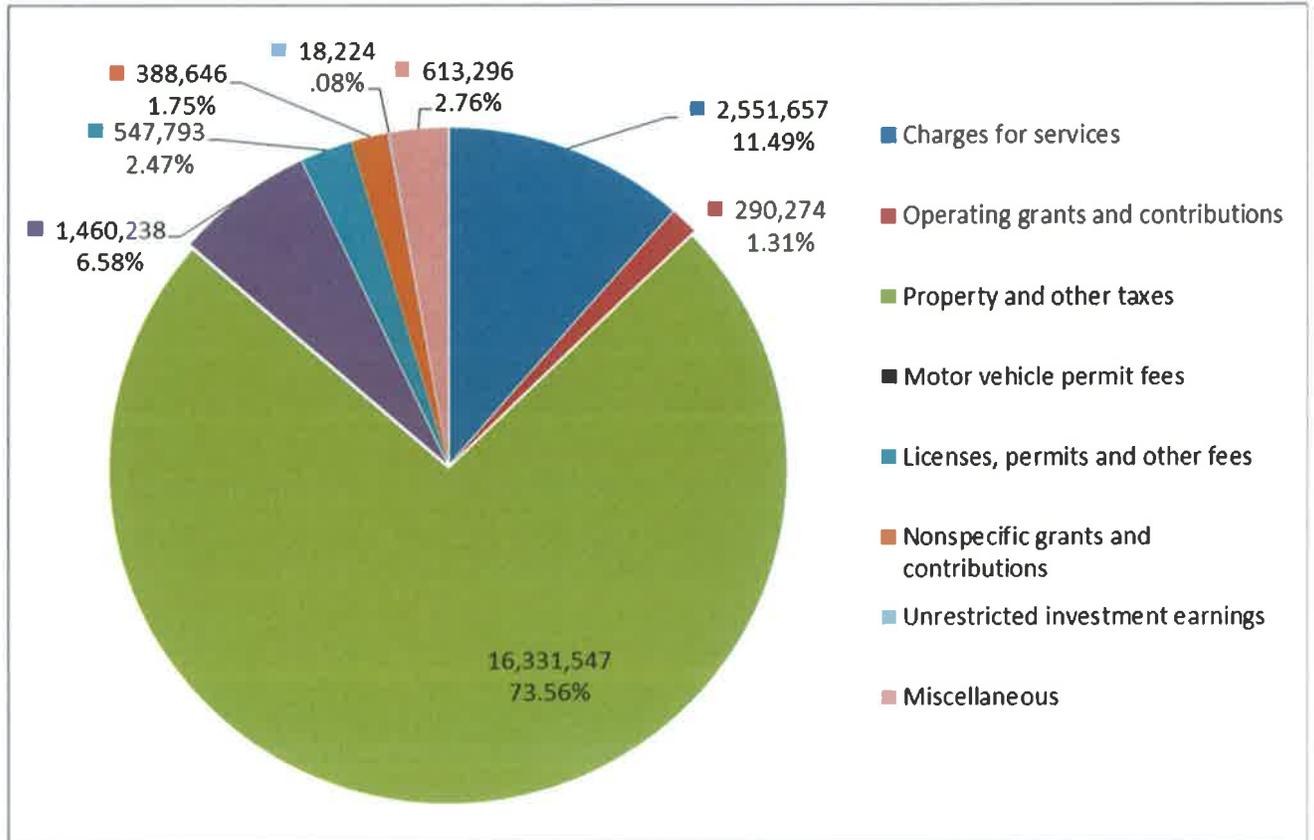
*Beginning net position was adjusted due to retroactively restating capital assets to reflect the proper year-end balance.

Governmental Activities

Net position decreased in 2013 by \$822,732. This decrease was due mainly to capital asset reduction.

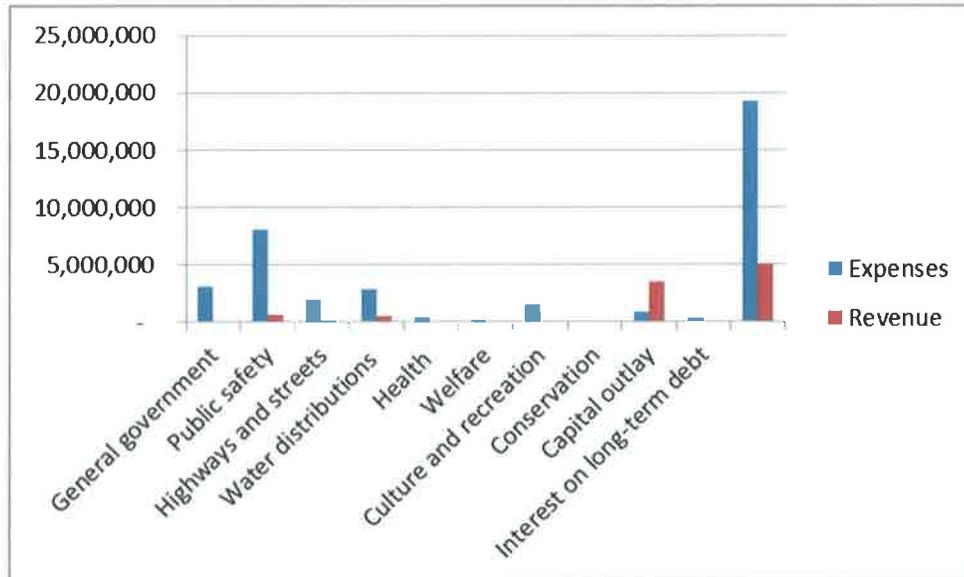
The total cost of Governmental activities this year was \$23,024,407. However, as shown in the Statement of Activities, the amount that our taxpayers ultimately financed for these activities through Town property taxes was only \$16,221,329. The overall tax rate in 2013 increased by \$.76/\$1000 (from \$14.51/\$1000 in 2012 to \$15.27/\$1000 in 2013). Those who directly benefited from the programs paid \$2,551,657, and other governments and organizations subsidized certain programs in the amount of \$290,274. The Town paid for the remaining governmental activities with \$3,138,415 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 34.99% 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 14 - 17. 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, unassigned 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 \$11,700,582, which increased \$994,619 from the prior year. Of the \$11,700,582 in combined ending fund balance, \$8,190,308 has been designated for specific uses. The remaining fund balance of \$3,510,724 is considered unassigned 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 unassigned fund balance of the General Fund was \$3,510,274. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund expenditures. Unassigned fund balance represents 18.48% of total General Fund expenditures, while total fund balance represents 54.07% of that same amount.

The unassigned fund balance of the Town's General Fund increased by \$286,095, or 8.87%, from the prior year. Key factors in this change are as follows:

Use of fund balance to reduce the 2013 tax rate	\$	(875,000)
Excess of revenues over budget estimates		674,529
Unexpended balance of appropriations not spent by departments		2,046,130
Increase in fund balance non-spendable		(6,025)
Increase in fund balance restricted		(4,162)
Increase in fund balance committed		(583,974)
Deferred property taxes not collected		(1,105,403)
Remove allowance for uncollectible which are deferred		140,000
Total		<u>\$ 286,095</u>

Budgetary Highlights:

The Finance Dept saw the finance manager leaving at the end of 2013. CPA, Rita Donaldson, was hired to assist with the closing of year-end.

The General Fund operating budget returned \$2,046,130 to fund balance. Please see Schedule 2 of the audit report found on pages 43 - 44 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, 2013 are \$69,274,860 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.

Capital Assets

	<u>2013</u>	<u>Restated 2012</u>
Land	\$ 3,811,948	\$ 3,811,948
Buildings and improvements	38,408,542	38,386,542
Improvements other than buildings	1,056,573	1,038,573
Equipment and vehicles	7,891,443	7,547,592
Construction in progress	712,622	12,312
Infrastructure	72,583,413	72,583,413
Total	<u>124,464,541</u>	<u>123,380,380</u>
Accumulated Depreciation	<u>(55,189,681)</u>	<u>(51,965,200)</u>
Total Capital Assets	<u><u>\$ 69,274,860</u></u>	<u><u>\$ 71,415,180</u></u>

Debt administration and Long-Term Liabilities

Additional information on the debt can be found in Note 14 in the Notes to the Basic Financial Statements.

Debt Payable as of December 31, 2013

Debt Payable as of 2012	\$	8,822,959
Debt retired		-338,290
Capital leases retired		-12,959
Debt Payable as of 2013	\$	8,471,710

Economic Factors and the Future:

New Hampshire Employment Security reports Seabrook's unemployment rate for July 2014 at 6.5%, the State's unemployment rate at 4.4%. The National unemployment rate is at 6.5%. These same rates for July, 2013 were 7.2%, 5.1%, and 7.3% respectively.

In looking to the future the Town of Seabrook faces the challenge of escalating employee health care costs along with the expiration of a multi-year property tax agreement with its largest property tax payer. These two factors present the Seabrook Board of Selectmen with great challenges in the short term and the longer term.

As noted in a past report Seabrook faces major challenges with the maintenance of equipment and buildings. A comprehensive review of buildings and equipment with a goal of basing future capital requests on data derived from such study, with the funding of a capital reserve account, may assist the Town in dealing with these issues.

As noted in prior reports Seabrook has provided services to its residents without regard to costs. The Board of Selectmen have instituted a fee structure at the Transfer Station to recoup some of the costs of that service. The effort to match costs with revenues is an important effort for Seabrook moving forward. Managing capital assets is another area where additional tools could produce positive results for the Town of Seabrook. Updating and reviewing the capital asset list annually in conjunction with the annual audit would provide a more accurate picture of Seabrook's financial position.

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 Position
December 31, 2013

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 13,073,407
Investments	19,037
Taxes receivables (net)	1,552,416
Account receivables (net)	690,879
Intergovernmental receivable	67,708
Prepaid items	6,269
Tax deeded property, subject to resale	26,944
Restricted assets:	
Cash and cash equivalents	3,046,480
Investments	2,752,194
Capital assets:	
Land and construction in progress	4,524,570
Other capital assets, net of depreciation	64,750,290
Total assets	90,510,194
LIABILITIES	
Accounts payable	276,428
Accrued salaries and benefits	341,761
Accrued interest payable	119,579
Intergovernmental payable	7,943,296
Long-term liabilities:	
Due within one year	770,754
Due in more than one year	9,496,201
Total liabilities	18,948,019
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue - property taxes	6,029
Unavailable revenue - grants	1,835
Total deferred outflows of resources	7,864
NET POSITION	
Net investment in capital assets	60,803,150
Restricted	1,713,991
Unrestricted	9,037,170
Total net position	\$ 71,554,311

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, 2013

	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Change In Net Position
General government	\$ 3,123,142	\$ 98,614	\$ 14,136	\$ (3,010,392)
Public safety	8,057,210	837,466	68,636	(7,151,108)
Highways and streets	1,936,752	-	207,502	(1,729,250)
Sanitation	3,807,360	566,496	-	(3,240,864)
Water distribution and treatment	2,879,928	968,251	-	(1,911,677)
Health	372,823	-	-	(372,823)
Welfare	143,440	-	-	(143,440)
Culture and recreation	1,570,600	80,830	-	(1,489,770)
Conservation	7,003	-	-	(7,003)
Interest on long-term debt	301,605	-	-	(301,605)
Capital outlay	824,544	-	-	(824,544)
Total governmental activities	<u>\$ 23,024,407</u>	<u>\$ 2,551,657</u>	<u>\$ 290,274</u>	<u>(20,182,476)</u>
General revenues:				
Taxes:				
Property				16,221,329
Other				110,218
Motor vehicle permit fees				1,460,238
Licenses and other fees				547,793
Grants and contributions not restricted to specific programs				388,646
Unrestricted investment earnings				18,224
Miscellaneous				613,296
Total general revenues				<u>19,359,744</u>
Change in net position				(822,732)
Net position, beginning, as restated (see Note 18)				72,377,043
Net position, ending				<u>\$ 71,554,311</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, 2013

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 11,766,595	\$ 1,306,812	\$ 13,073,407
Investments	4,939	14,098	19,037
Accounts receivable	455,938	234,941	690,879
Taxes	1,692,416	-	1,692,416
Due from other governments	-	67,708	67,708
Interfund receivable	157,878	-	157,878
Prepaid items	6,269	-	6,269
Tax dedeed property, subject to resale	26,944	-	26,944
Restricted assets:			
Cash and cash equivalents	3,046,480	-	3,046,480
Investments	2,752,194	-	2,752,194
Total assets	<u>\$ 19,909,653</u>	<u>\$ 1,623,559</u>	<u>\$ 21,533,212</u>
LIABILITIES			
Accounts payable	\$ 256,438	\$ 19,990	\$ 276,428
Accrued salaries and benefits	329,189	12,572	341,761
Due to other governments	7,943,296	-	7,943,296
Interfund payable	-	157,878	157,878
Total liabilities	<u>8,528,923</u>	<u>190,440</u>	<u>8,719,363</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - Property taxes	1,111,432	-	1,111,432
Unavailable revenue - Grants	-	1,835	1,835
Total deferred inflows of resources	<u>1,111,432</u>	<u>1,835</u>	<u>1,113,267</u>
FUND BALANCES			
Nonspendable	33,105	13,961	47,066
Restricted	1,263,307	436,723	1,700,030
Committed	5,451,412	980,600	6,432,012
Assigned	11,200	-	11,200
Unassigned	3,510,274	-	3,510,274
Total fund balances	<u>10,269,298</u>	<u>1,431,284</u>	<u>11,700,582</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 19,909,653</u>	<u>\$ 1,623,559</u>	<u>\$ 21,533,212</u>

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

EXHIBIT C-2
TOWN OF SEABROOK, NEW HAMPSHIRE
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
December 31, 2013

Total fund balances of governmental funds (Exhibit C-1)		\$ 11,700,582
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources, therefore, are not reported in the funds.		
Cost	\$ 124,464,541	
Less accumulated depreciation	<u>(55,189,681)</u>	69,274,860
Interfund receivables and payables between governmental funds are eliminated on the Statement of Net Position.		
Receivables	\$ (157,878)	
Payables	<u>157,878</u>	-
Long term revenue (taxes) is not available to pay current-period expenditures and therefore, are reported as deferred inflows in the governmental funds.		1,105,403
Allowance for uncollectible property taxes that is recognized on a full accrual basis, but not on the modified accrual basis.		(140,000)
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(119,579)
Long-term liabilities are not due and payable in the current period, therefore, are not reported in the funds.		
Bonds	\$ 8,444,160	
Unamortized bond premium	27,550	
Compensated absences	1,045,891	
Other postemployment benefits	<u>749,354</u>	<u>(10,266,955)</u>
Net position of governmental activities (Exhibit A)		<u><u>\$ 71,554,311</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, 2013

	General	Other Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	\$ 16,320,432	\$ -	\$ 16,320,432
Licenses and permits	2,008,031	-	2,008,031
Intergovernmental	649,790	78,965	728,755
Charges for services	1,624,321	927,336	2,551,657
Investment earnings	12,360	1,941	14,301
Miscellaneous	289,757	277,627	567,384
Total revenues	<u>20,904,691</u>	<u>1,285,869</u>	<u>22,190,560</u>
EXPENDITURES			
Current:			
General government	3,006,241	14,136	3,020,377
Public safety	6,902,798	1,002,239	7,905,037
Highways and streets	1,536,193	60,314	1,596,507
Water distribution and treatment	1,552,007	-	1,552,007
Sanitation	2,888,147	28,597	2,916,744
Health	372,823	-	372,823
Welfare	143,440	-	143,440
Culture and recreation	1,438,098	29,181	1,467,279
Conservation	1,336	-	1,336
Debt service:			
Principal	336,840	-	336,840
Interest	358,697	-	358,697
Capital outlay	456,571	1,068,283	1,524,854
Total expenditures	<u>18,993,191</u>	<u>2,202,750</u>	<u>21,195,941</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,911,500</u>	<u>(916,881)</u>	<u>994,619</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	94,038	-	94,038
Transfers out	-	(94,038)	(94,038)
Total other financing sources (uses)	<u>94,038</u>	<u>(94,038)</u>	<u>-</u>
Net change in fund balances	2,005,538	(1,010,919)	994,619
Fund balances, beginning, as restated (see Note 18)	8,263,760	2,442,203	10,705,963
Fund balances, ending	<u>\$ 10,269,298</u>	<u>\$ 1,431,284</u>	<u>\$ 11,700,582</u>

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

EXHIBIT C-4
TOWN OF SEABROOK, NEW HAMPSHIRE
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended December 31, 2013

Net change in fund balances of governmental funds (Exhibit C-3)		\$ 994,619
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. In the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capitalized capital outlay in the current period.		
Capitalized capital outlay	\$ 1,122,161	
Depreciation expense	<u>(3,262,481)</u>	(2,140,320)
Transfers in and out between governmental funds are eliminated on the Statement of Activities.		
Transfers in	\$ (94,038)	
Transfers out	<u>94,038</u>	
Revenue in the Statement of Activities that does not provide current financial resources is not reported as revenue in the governmental funds.		
Change in deferred tax revenue	\$ 151,115	
Change in allowance for uncollectible property taxes	<u>(140,000)</u>	11,115
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums and when debt is first issued, whichever these amounts are deferred and amortized in the Statement of Activities.		
Repayment of bond principal	\$ 336,840	
Repayment of capital leases	12,959	
Amortization of bond premium	<u>1,450</u>	351,249
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	\$ 55,642	
Increase in compensated absences payable	(14,208)	
Increase in postemployment benefits payable	<u>(80,829)</u>	(39,395)
Changes in net position of governmental activities (Exhibit B)		<u><u>\$ (822,732)</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, 2013

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Taxes	\$ 16,218,840	\$ 16,331,547	\$ 112,707
Licenses and permits	1,605,021	2,008,031	403,010
Intergovernmental	667,570	649,790	(17,780)
Charges for services	101,767	137,812	36,045
Investment earnings	15,813	12,360	(3,453)
Miscellaneous	72,344	216,299	143,955
Total revenues	<u>18,681,355</u>	<u>19,355,839</u>	<u>674,484</u>
EXPENDITURES			
Current:			
General government	3,186,460	3,001,896	184,564
Public safety	7,251,865	6,902,798	349,067
Highways and streets	1,629,462	1,536,193	93,269
Water distribution and treatment	55,500	103,442	(47,942)
Sanitation	1,367,751	1,331,687	36,064
Health	384,366	372,823	11,543
Welfare	189,683	143,440	46,243
Culture and recreation	921,190	891,458	29,732
Conservation	4,574	1,336	3,238
Debt service:			
Principal	236,000	336,840	(100,840)
Interest	303,766	358,697	(54,931)
Capital outlay	954,900	431,463	523,437
Total expenditures	<u>16,485,517</u>	<u>15,412,073</u>	<u>1,073,444</u>
Excess of revenues over expenditures	<u>2,195,838</u>	<u>3,943,766</u>	<u>1,747,928</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	93,993	94,038	45
Transfers out	(3,164,831)	(2,192,145)	(972,686)
Total other financing sources (uses)	<u>(3,070,838)</u>	<u>(2,098,107)</u>	<u>(972,641)</u>
Net change in fund balances	<u>\$ (875,000)</u>	1,845,659	<u>\$ 775,287</u>
Increase in nonspendable fund balance		(6,025)	
Increase in restricted fund balance		(4,162)	
Increase in committed fund balance		(583,974)	
Unassigned fund balance, beginning, as restated (see Note 18)		<u>3,224,179</u>	
Unassigned fund balance, ending		<u>\$ 4,475,677</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 Position
December 31, 2013

	Private Purpose Trust	Agency	Total
ASSETS			
Cash and cash equivalents	\$ 98,966	\$ 2,497,299	\$ 2,596,265
Investments	1,061,867	181,892	1,243,759
Total assets	<u>1,160,833</u>	<u>2,679,191</u>	<u>3,840,024</u>
LIABILITIES			
Due to other governmental units	-	184,019	184,019
Due to others	-	2,495,172	2,495,172
Total liabilities	<u>-</u>	<u>2,679,191</u>	<u>2,679,191</u>
NET POSITION			
Held in trust for specific purposes	<u>\$ 1,160,833</u>	<u>\$ -</u>	<u>\$ 1,160,833</u>

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 Position
For the Fiscal Year Ended December 31, 2013

	Private Purpose Trust
ADDITIONS	
New funds	\$ 96,106
Interest	31,049
Change in fair market value	105,782
Total revenue	232,937
DEDUCTIONS	
Scholarships	62,500
Change in net position	170,437
Net position, beginning	990,396
Net position, ending	\$ 1,160,833

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, 2013

	<u>NOTE</u>
Summary of Significant Accounting Policies	1
Reporting Entity	1-A
Government-wide and Fund Financial Statements	1-B
Measurement Focus, Basis of Accounting, and Financial Statement Presentation.....	1-C
Cash and Cash Equivalents.....	1-D
Restricted Assets.....	1-E
Investments.....	1-F
Receivables.....	1-G
Interfund Balances.....	1-H
Prepaid Items.....	1-I
Capital Assets.....	1-J
Deferred Inflows of Resources.....	1-K
Property Taxes.....	1-L
Compensated Absences.....	1-M
Long-Term Obligations.....	1-N
Claims and Judgments.....	1-O
Interfund Activities.....	1-P
Net Position/Fund Balance Reporting.....	1-Q
 Stewardship, Compliance, and Accountability.....	 2
Budgetary Information.....	2-A
Budgetary Reconciliation to GAAP Basis.....	2-B

DETAILED NOTES ON ALL FUNDS

Cash and Cash Equivalents	3
Investments	4
Restricted Cash and Investments.....	5
Taxes Receivable	6
Receivables.....	7
Capital Assets.....	8
Interfund Balances and Transfers	9
Accrued Liabilities	10
Intergovernmental Payables.....	11
Deferred Inflows of Resources	12
Short-Term Debt	13
Long-Term Liabilities	14
Encumbrances	15
Governmental Activities Net Position.....	16
Governmental Fund Balances	17
Prior Period Adjustments.....	18
Employee Retirement Plan	19
Other Postemployment Benefits (OPEB).....	20

TOWN OF SEABROOK, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2013

Risk Management.....	21
Contingencies.....	22
Implementation of New GASB Pronouncements.....	23
Subsequent Events.....	24

TOWN OF SEABROOK, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Seabrook, New Hampshire (the Town), have been prepared in conformity with 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 Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

1-C Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements, except for agency funds which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, except for State shared revenue, reimbursement-based grants and interest which use one year.

TOWN OF SEABROOK, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2013

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Property taxes, licenses and permits, intergovernmental revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available.

Non-exchange transactions, in which the Town receives value without directly giving equal value in return, include property taxes, grants, entitlement, and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the tax is levied. Revenue from grants, entitlements, and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the Town must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the Town on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

The Town reports the following major governmental fund:

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

All the governmental funds not meeting the criteria established for major funds are presented in the other governmental column of the fund financial statements.

Additionally, the Town reports the following fund types:

Special Revenue Funds - are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Capital Projects Funds - are used to account for the financial resources and activities relating to specific construction projects.

Permanent Fund - is used to record activity of legal trusts for which the interest on the corpus provides funds for the Town's cemetery operations.

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

1-D Cash and Cash Equivalents

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

The treasurer is required to deposit such moneys in solvent banks in state or the Public Deposit Investment Pool pursuant to New Hampshire RSA 383:22. Funds may be deposited in banks outside of the state if such banks pledge and deliver to a third party custodial bank or the Federal Reserve Bank, collateral security for such deposits, United States government or government agency obligations or obligations to the State of New Hampshire in value at least equal to the amount of the deposit in each case.

TOWN OF SEABROOK, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2013

1-E Restricted Assets

Certain cash and investments are classified as restricted assets on the balance sheet because their use is designated for a specific purpose and therefore not available for immediate and general use by the Town.

1-F Investments

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

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

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

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

Investments for the Town are reported at fair value generally based on quoted market prices.

1-G Receivables

Receivables recorded in the financial statements represent amounts due to the Town at December 31. They are aggregated into a single accounts receivable (net of allowance for uncollectibles) line for certain funds and aggregated columns. They consist primarily of taxes, accounts (billing for charges, and other user fees) and intergovernmental amounts arising from primarily grants.

1-H Interfund Balances

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Short-term Interfund loans are reported as "Interfund receivables and payables." Interfund receivables and payables between funds are eliminated in the Statement of Net Position.

1-I Prepaid Items

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

1-J Capital Assets

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

Capital assets are defined by the Town as assets with an initial, individual cost of more than \$10,000 and an estimated minimum useful life in excess of one year. As the Town constructs or acquires additional capital assets each year, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated fair value at the date of donation.

TOWN OF SEABROOK, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2013

Land and construction in progress are not depreciated. The other property, plant, and equipment of the Town are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Capital Asset Classes:	
Buildings and building improvements	20-50
Improvements other than buildings	20-50
Equipment and vehicles	3-20
Infrastructure	20-100

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

1-K Deferred Inflows of Resources

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has two types of items, which arises only under the modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, these items, unavailable tax revenue, and grant revenue are reported only in the governmental funds balance sheet. The amounts are deferred and recognized as inflows of resources in the period that the amounts becomes available.

1-L Property Taxes

Property tax billings occur semi-annually and are based on the assessed inventory values as of April 1 of each year. Billings for the year were on May 15, 2013 and November 25, 2013. Interest accrues at a rate of 12% on bills outstanding after the due date and 18% on tax liens outstanding.

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

The Town net assessed valuation as of April 1, 2013 utilized in the setting of the tax rate was as follows:

For the New Hampshire education tax	\$ 1,308,232,650
For all other taxes	\$ 2,601,910,850

The tax rates and amounts assessed for the year ended December 31, 2013 were as follows:

	<u>Per \$1,000 of Assessed Valuation</u>	<u>Property Taxes Assessed</u>
Municipal portion	\$6.32	\$ 16,456,646
School portion:		
State of New Hampshire	\$2.57	3,358,225
Local	\$5.40	14,037,968
County portion	\$0.98	2,553,588
Total		<u>\$ 36,406,427</u>

TOWN OF SEABROOK, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2013

1-M 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 separation from service, employees are paid in full for any accrued leave earned as set forth by personnel policy. The liability for such leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements.

1-N Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium.

In the fund financial statements, governmental fund types recognize bond premiums, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

1-O Claims and Judgments

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

1-P 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” (i.e. the current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Interfund receivables and payables between funds are eliminated in the Statement of Net Position.

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 Net Position/Fund Balance Reporting

Government-wide Statements – Equity is classified as net position and displayed in three components:

- a) ***Net investment in capital assets*** – Consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, notes, 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 net investment in capital assets.
- b) ***Restricted net position*** – Consists of net position with constraints placed on use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c) ***Unrestricted net position*** – All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

TOWN OF SEABROOK, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2013

Fund Balance Classifications - The fund balance of governmental funds is reported in five categories based on the nature of any limitations requiring the use of resources for specific programs. The Town itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance). The classifications used in the Town's governmental fund financial statements are as follows:

Nonspendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form; or (b) are legally or contractually required to be maintained intact.

Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the legislative body (Town Meeting). These amounts cannot be used for any other purpose unless the legislative body removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

Assigned – This classification includes amounts that are constrained by the Town's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Selectmen through the budgetary process.

Unassigned – This classification includes the residual fund balance for the general fund.

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

The Town's fund balance policy indicates that the Town will strive to maintain a level of fund balance between 5% and 17% of the total annual budget plus school and county appropriations. This level of fund balance is also in accordance with the recommendations of the NH Department of Revenue Administration and generally accepted accounting practices as recommended by the Government Finance Officers Association.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

2-A Budgetary Information

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

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

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

State statutes require balanced budgets, but provide for the use of beginning unassigned fund balance to achieve that end. For the fiscal year 2013, \$875,000 of the beginning general fund unassigned fund balance was applied for this purpose.

TOWN OF SEABROOK, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2013

2-B Budgetary Reconciliation to GAAP Basis

The Town employs certain accounting principles for budgetary reporting purposes that differ from a GAAP basis. The Statement of Revenues, Expenditures, and Changes in Fund Balance – Budgetary Basis, presents the actual results to provide a comparison with the budget. The major difference between the budgetary basis and GAAP basis is as follows:

Encumbrances outstanding at year-end do not represent GAAP expenditures or liabilities, but represent budgetary accounting controls. Governmental fund budgets are maintained on the modified accrual basis of accounting except that budgetary basis expenditures include purchase orders and commitments (encumbrances) for goods or services not received at year-end. Encumbrances are recorded to reserve a portion of fund balance in the governmental fund types for commitments for which no liability exists.

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

Revenues and other financing sources:	
Per Exhibit D (budgetary basis)	\$ 19,449,877
Adjustment:	
Basis difference:	
GASB Statement No. 54:	
To record income of the blended funds	1,559,967
Change in deferred tax revenue relating to 60-day revenue recognition	(151,115)
Change in allowance for uncollectible property taxes	140,000
Per Exhibit C-3 (GAAP basis)	<u>\$ 20,998,729</u>
Expenditures and other financing uses:	
Per Exhibit D (budgetary basis)	\$ 17,604,218
Adjustment:	
Basis differences:	
Encumbrances, beginning	39,613
Encumbrances, ending	(11,200)
GASB Statement No. 54:	
To record blended fund expenditures during the year	3,552,705
To eliminate transfers between general and blended funds	(2,192,145)
Per Exhibit C-3 (GAAP basis)	<u>\$ 18,993,191</u>

DETAILED NOTES ON ALL FUNDS

NOTE 3 – CASH AND CASH EQUIVALENTS

The Town's deposits are entirely covered by federal depository insurance (FDIC) or by collateral held by the Town's agent in the Town's name. The FDIC currently insures the first \$250,000 of the Town's deposits at each financial institution, per case custodian. Deposit balances over \$250,000 are insured by the collateral. As of year-end, the carrying amount of the Town's deposits was \$18,716,152.

At December 31, 2013, the cash reconciliation:

Cash per Statement of Net Position (Exhibit A)	\$ 16,119,887
Cash per Statement of Fiduciary Net Position (Exhibit E-1)	2,596,265
Total cash and cash equivalents	<u>\$ 18,716,152</u>

NOTE 4 – INVESTMENTS

Note 1-F describes statutory requirements covering the investment of the Town funds. The Town also maintains a portfolio of intermediate maturity investments that are reported at fair value, based on quoted market prices. The Town's fiscal agent or custodian provides the fair value of all intermediate maturity investments.

TOWN OF SEABROOK, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2013

At December 31, 2013, this Town had the following investments:

	Fair Value
Investments type:	
Bonds	\$ 3,090,565
New Hampshire Public Deposit Investment Pool	4,939
Mutual funds	919,486
Total fair value	\$ 4,014,990

Interest Rate Risk – This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates.

Investment reconciliation:

Investments per Statement of Net Position (Exhibit A)	\$ 2,771,231
Investments per Statement of Fiduciary Net Position (Exhibit E-1)	1,243,759
Total investments	\$ 4,014,990

NOTE 5 – RESTRICTED CASH AND INVESTMENTS

Certain cash and investment accounts in the general fund belong to funds which have been blended with the general fund in accordance with the requirements of GASB Statement No. 54, as follows:

Cash and cash equivalents:	
Library fund	\$ 615,564
Expendable trusts	32,187
Water fund	655,412
Sewer fund	1,091,962
Economic development	16,112
Road improvements	635,243
Total cash and cash equivalents	3,046,480
Investments:	
Expendable trusts	2,752,194
Total restricted assets	\$ 5,798,674

NOTE 6 – TAXES RECEIVABLE

Taxes receivable represent the amount of current and prior year taxes which have not been collected as of December 31, 2013. Taxes receivable by year are as follows:

	As reported on:	
	Exhibit A	Exhibit C-1
Property:		
Levy of 2013	\$ 1,280,713	\$ 1,280,713
Unredeemed (under tax lien):		
Levy of 2012	220,723	220,723
Levy of 2011	97,298	97,298
Levies of 2010 and prior	93,682	93,682
Less: allowance for estimated uncollectible taxes	(140,000)	-
Net taxes receivable	\$ 1,552,416	\$ 1,692,416

TOWN OF SEABROOK, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2013

NOTE 7 – RECEIVABLES

Receivables at December 31, 2013, consisted of accounts (billings for police details, water, sewer, ambulance, 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, 2013 for the Town’s individual major fund and nonmajor funds in the aggregate including applicable allowances for uncollectible accounts are as follows:

	General Fund	Nonmajor Funds	Total
Receivables:			
Accounts	\$ 455,938	\$ 1,376,097	\$ 1,832,035
Intergovernmental	-	67,708	67,708
Gross receivables	455,938	1,443,805	1,899,743
Less: allowance for uncollectibles	-	(1,141,156)	1,141,156
Net total receivables	<u>\$ 455,938</u>	<u>\$ 302,649</u>	<u>\$ 3,040,899</u>

NOTE 8 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2013 consisted of the following:

	Balance, beginning (as restated)	Additions	Disposals	Balance, ending
At cost:				
Not being depreciated:				
Land	\$ 3,811,948	\$ -	\$ -	\$ 3,811,948
Construction in progress	12,312	700,310	-	712,622
Total capital assets not being depreciated	<u>3,824,260</u>	<u>700,310</u>	<u>-</u>	<u>4,524,570</u>
Being depreciated:				
Land improvements	1,038,573	18,000	-	1,056,573
Buildings and building improvements	38,386,542	22,000	-	38,408,542
Equipment and vehicles	7,547,592	381,851	(38,000)	7,891,443
Infrastructure	72,583,413	-	-	72,583,413
Total capital assets being depreciated	<u>119,556,120</u>	<u>421,851</u>	<u>(38,000)</u>	<u>119,939,971</u>
Total all capital assets	<u>123,380,380</u>	<u>1,122,161</u>	<u>(38,000)</u>	<u>124,464,541</u>
Less accumulated depreciation:				
Land improvements	(574,066)	(36,794)	-	(610,860)
Buildings and building improvements	(13,722,374)	(938,529)	-	(14,660,903)
Equipment and vehicles	(4,671,503)	(739,251)	38,000	(5,372,754)
Infrastructure	(32,997,257)	(1,547,907)	-	(34,545,164)
Total accumulated depreciation	<u>(51,965,200)</u>	<u>(3,262,481)</u>	<u>38,000</u>	<u>(55,189,681)</u>
Net book value, capital assets being depreciated	<u>67,590,920</u>	<u>(2,840,630)</u>	<u>-</u>	<u>64,750,290</u>
Net book value, all capital assets	<u>\$ 71,415,180</u>	<u>\$ (2,140,320)</u>	<u>\$ -</u>	<u>\$ 69,274,860</u>

TOWN OF SEABROOK, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2013

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	\$ 49,269
Public safety	519,446
Highways and streets	358,245
Sanitation	1,327,921
Water distribution and treatment	890,616
Culture and recreation	111,317
Conservation	5,667
Total depreciation expense	\$ 3,262,481

NOTE 9 – INTERFUND BALANCES AND TRANSFERS

Interfund Balances - The composition of interfund balances as of December 31, 2013 is as follows:

Receivable Fund	Payable Fund	Amount
General	Nonmajor	\$ 157,878

The outstanding balances among funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund Transfers - The composition of interfund transfers for the year ended December 31, 2013 is as follows:

	Transfers In:
	General
	Fund
Transfers out:	
Nonmajor funds	\$ 94,038

During the year, transfers are used to (1) move revenues from the fund with collection authority to the fund responsible for expenditure and (2) move general fund resources to provide an annual subsidy.

NOTE 10 - ACCRUED LIABILITIES

Accrued liabilities reported by governmental funds at December 31, 2013, were as follows:

	General Fund	Nonmajor Governmental Funds	Government-wide
Salary and employee benefits	\$ 329,189	\$ 12,572	\$ 341,761

NOTE 11 – INTERGOVERNMENTAL PAYABLES

Amounts due to other governments at December 31, 2013 consist of the following:

General fund:	
Balance of the FY 2013-14 district assessment due to the Seabrook School District	\$ 5,319,638
Balance of the FY 2013-14 district assessment due to the Winnacunnet Cooperative School District	2,476,555
December portion of retirement due to the New Hampshire Retirement System	145,262
Miscellaneous fees due to the State of Massachusetts	1,841
Total general fund	\$ 7,943,296
Agency funds:	
Balance of capital reserve fund due to the Seabrook School District	\$ 184,019

TOWN OF SEABROOK, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2013

NOTE 12 – DEFERRED INFLOW OF RESOURCES

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. Deferred inflows of resources reported in the governmental funds for unavailable revenues are as follows:

	General Fund	Nonmajor Governmental Funds	Total
Fiscal year 2014 property tax payments received in advance	\$ 6,029	\$ -	\$ 6,029
Property taxes not collected within 60 days of the fiscal year-end	1,105,403	-	1,105,403
Local grant revenue collected in advance of eligible expenditure being made	-	1,835	1,835
Total deferred inflows of resources	<u>\$ 1,111,432</u>	<u>\$ 1,835</u>	<u>\$ 1,113,267</u>

NOTE 13 – SHORT-TERM DEBT

Changes in the Town's short-term borrowings during the year ended December 31, 2013 consisted of the following:

Governmental Activities	Original Issue	Interest Rate	Balance January 1, 2013	Issues	Redemptions	Balance December 31, 2013
Tax anticipation notes	<u>\$ 1,100,000</u>		<u>\$ -</u>	<u>\$ 1,100,000</u>	<u>\$ (1,100,000)</u>	<u>\$ -</u>

The purpose of the short-time borrowings was to provide for interim financing of general fund operations.

NOTE 14 – LONG-TERM LIABILITIES

Changes in the Town's long-term liabilities consisted of the following for the year ended December 31, 2013:

	Balance January 1, 2013	Additions	Reductions	Balance December 31, 2013	Due Within One Year
Bonds payable:					
General obligation bonds	\$ 8,781,000	\$ -	\$ (336,840)	\$ 8,444,160	\$ 348,728
Premium	29,000	-	(1,450)	27,550	1,450
Total bonds payable	<u>8,810,000</u>	<u>-</u>	<u>(338,290)</u>	<u>8,471,710</u>	<u>350,178</u>
Capital leases	12,959	-	(12,959)	-	-
Compensated absences	1,031,683	14,208	-	1,045,891	420,576
Net other postemployment benefits	668,525	80,829	-	749,354	-
Total long-term liabilities	<u>\$ 10,523,167</u>	<u>\$ 95,037</u>	<u>\$ (351,249)</u>	<u>\$ 10,266,955</u>	<u>\$ 770,754</u>

TOWN OF SEABROOK, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2013

Long term bonds and compensated absences are comprised of the following:

	Issue Date	Maturity Date	Interest Rate %	Outstanding at December 31, 2013	Current Portion
General obligation bonds payable:					
Water treatment facility	2008	2037	4.00-5.25%	\$ 5,125,000	\$ 195,000
Drinking water state revolving loan	2011	2031	2.86%	2,399,160	103,728
Water treatment facility	2012	2032	2.75-4.00%	920,000	50,000
				<u>8,444,160</u>	<u>348,728</u>
Bond premium				27,550	1,450
				<u>8,471,710</u>	<u>350,178</u>
Compensated absences payable:					
Vested sick leave				367,320	159,033
Accrued vacation leave				678,571	261,543
				<u>1,045,891</u>	<u>420,576</u>
Total				<u>\$ 9,517,601</u>	<u>\$ 770,754</u>

The annual requirements to amortize all general obligation bonds outstanding as of December 31, 2013, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2014	\$ 348,728	\$ 289,514	\$ 638,242
2015	356,699	276,380	633,079
2016	354,755	263,458	618,213
2017	367,898	250,772	618,670
2018	381,132	238,034	619,166
2019-2023	1,702,495	1,010,722	2,713,217
2024-2028	1,918,408	754,512	2,672,920
2029-2033	1,879,045	447,719	2,326,764
2034-2037	1,135,000	131,400	1,266,400
Totals	<u>\$ 8,444,160</u>	<u>\$ 3,662,511</u>	<u>\$ 12,106,671</u>

Bond premiums are being amortized on a straight-line basis over the life of the bonds.

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.

NOTE 15 – ENCUMBRANCES

Encumbrances outstanding in the general fund at December 31, 2013 consist of the \$11,200 for general government.

NOTE 16 – GOVERNMENTAL ACTIVITIES NET POSITION

Governmental activities net position reported on the government-wide Statement of Net Position at December 31, 2013 include the following:

Invested in capital assets, net of related debt:	
Net property, buildings, and equipment	\$ 69,274,860
Less:	
General obligation bonds payable	(8,444,160)
Unamortized bond premiums	(27,550)
Total invested in capital assets, net of related debt	<u>60,803,150</u>

(Continued)

TOWN OF SEABROOK, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2013

Governmental activities net position continued:

Restricted net position:	
Road improvement funds	635,243
Donations	12,500
Library	615,564
Perpetual care	14,250
Capital project	436,434
Total restricted net position	1,713,991
Unrestricted	9,037,170
Total net position	\$ 71,554,311

NOTE 17 – GOVERNMENTAL FUND BALANCES

Governmental fund balances reported on the fund financial statements at December 31, 2013 include the following:

	General Fund	Nonmajor Funds	Total Governmental Funds
Nonspendable:			
Prepaid items	\$ 6,161	\$ -	\$ 6,161
Tax dedeed property	26,944	-	26,944
Permanent funds - principle portion	-	13,961	13,961
Total nonspendable fund balances	33,105	13,961	47,066
Restricted:			
Road improvement funds	635,243	-	635,243
Donations	12,500	-	12,500
Library	615,564	-	615,564
Permanent funds - income portion	-	289	289
Water treatment plant	-	436,434	436,434
Total restricted fund balances	1,263,307	436,723	1,700,030
Committed:			
Non-lapsing appropriations	699,320	-	699,320
Water	818,482	-	818,482
Sewer	1,133,117	-	1,133,117
Expendable trust funds	2,784,381	-	2,784,381
Economic development	16,112	-	16,112
Conservation commission	-	217,726	217,726
Transportation	-	10,865	10,865
Recreation revolving	-	77,552	77,552
Police outside detail	-	87,395	87,395
Ambulance revolving	-	405,509	405,509
Recycling revolving	-	149,957	149,957
D'Alessandro Trust	-	31,596	31,596
Total committed fund balance	5,451,412	980,600	6,432,012
Assigned:			
Encumbrances	11,200	-	11,200
Unassigned	3,510,274	-	3,510,274
Total fund balances	\$ 10,269,298	\$ 1,431,284	\$ 11,700,582

TOWN OF SEABROOK, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2013

NOTE 18 – PRIOR PERIOD ADJUSTMENTS

Net position/fund balance at January 1, 2013 was restated to give retroactive effect to the following prior period adjustments:

	<u>Government-wide Statements</u>	<u>General Fund (GAAP Basis)</u>	<u>General Fund (Budgetary)</u>	<u>Other Governmental Funds</u>
To adjust for escrow funds previously recorded as a separate fund and should be in the general fund	\$ -	\$ 636,283	\$ -	\$ (636,283)
To record planning board receivables not previously recorded	25,341	25,341	25,341	-
To record infrastructure capital assets not previously recorded	52,149	-	-	-
Net position/fund balance, as previously reported	72,299,553	7,602,136	3,198,838	3,078,486
Net position/fund balance, as restated	<u>\$ 72,377,043</u>	<u>\$ 8,263,760</u>	<u>\$ 3,224,179</u>	<u>\$ 2,442,203</u>

NOTE 19 – 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. For fiscal year 2013, all employees except police officers and firefighters were required to contribute 7% of earnable compensation. The contribution rates were 11.55% for police officers and 11.80% for firefighters. The Town's contribution rates for 2013 for pension and medical subsidy were as follows:

<u>Period</u>	<u>Police</u>	<u>Fire</u>	<u>All Other Employees</u>
January 1, 2013 thru June 30, 2013	19.95%	22.89%	8.80%
July 1, 2013 thru December 31, 2013	25.30%	27.74%	10.77%

The contribution requirements for the Town of Seabrook for the fiscal years 2011, 2012, and 2013 were \$732,786, \$811,486, and \$979,446, respectively, which were paid in full in each year.

NOTE 20 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

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

The Governmental Accounting Standards Board (GASB) issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. GASB Statement No. 45, was implemented by the Town during fiscal year 2013, and requires that the long-term cost of retirement health care and obligations for other postemployment benefits (OPEB) be determined on an actuarial basis and reported similar to pension plans. GASB Statement No. 45 does not mandate the pre-funding of postemployment benefit liabilities. However, any pre-funding of these benefits will help minimize or eliminate the postemployment benefit obligation that will be required to be reported on the financial statements.

TOWN OF SEABROOK, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2013

The Town has only partially funded (on a pay-as-you-go basis) the annual required contribution (ARC), an actuarially determined rate in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table presents the OPEB cost for the year, the amount contributed and changes in the OPEB plan for fiscal year 2013:

Annual required contribution/OPEB cost	\$ 103,232
Interest on net OPEB obligation	26,741
Adjustment to annual required contribution	(27,834)
Contributions made (pay-as-you-go)	<u>(21,310)</u>
Increase in net OPEB obligation	80,829
Net OPEB obligation, beginning	<u>668,525</u>
Net OPEB obligation, ending	<u>\$ 749,354</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 2013 was as follows:

Fiscal Year Ended	Annual Required Contribution (ARC)	Actual Contributions (pay-as-you-go)	Percentage Contributed	Net OPEB Obligation
December 31, 2009	\$ 234,241	\$ -	20.20%	\$ 194,127
December 31, 2010	\$ 257,539	\$ 8,126	20.10%	\$ 399,627
December 31, 2011	\$ 266,817	\$ 17,206	28.10%	\$ 590,652
December 31, 2012	\$ 97,204	\$ 24,592	19.10%	\$ 688,525
December 31, 2013	\$ 103,232	\$ 27,834	20.90%	\$ 749,354

As of January 1, 2013, the date of the most recent actuarial valuation, the actuarial accrued liability (AAL) for benefits was \$1,075,706, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,075,706. The covered payroll (annual payroll of active employees covered by the plan) was \$6,850,924 during fiscal year 2013, and the ratio of the UAAL to the covered payroll was 15.70%.

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

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

In the January 1, 2013 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 4.00% investment rate of return per annum. The projected annual healthcare cost trend is 10% initially, reduced by decrements to an ultimate rate of 2.5% after 30 years. The UAAL is being amortized as a level dollar amount over an open basis. The remaining amortization period at December 31, 2013 was 29 years.

TOWN OF SEABROOK, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2013

NOTE 21 – 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 2013, the Town was a member of the Local Government Center Property-Liability Trust, LLC, and the New Hampshire Public Risk Management Exchange (Primex³) Workers' Compensation and Property/Liability Programs. These entities are considered a public entity risk pools, currently operating as common risk management and insurance programs for member Towns and cities.

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

Contributions paid in fiscal year ending June 30, 2013, to be recorded as an insurance expenditure totaled \$168,445. There were no unpaid contributions for the year ended June 30, 2013.

The New Hampshire Public Risk Management Exchange (Primex³) Workers' Compensation Programs is a pooled risk management program under RSAs 5-B and 281-A. Coverage was provided from January 1, 2013 to December 31, 2013 by Primex³, which retained \$1,000,000 of each workers' compensation loss, \$500,000 of each liability loss, and \$200,000 of each property loss. The Board has decided to self-insure the aggregate exposure and has allocated funds based on actuarial analysis for that purpose. The estimated net contribution from the Town of Seabrook billed and paid for the year ended December 31, 2013 was \$466,963 for workers' compensation.

NOTE 22 – CONTINGENCIES

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

The Town participates in various federal grant programs, the principal of which are subject to program compliance audits pursuant to the Single Audit Act as amended. Accordingly, the government's compliance with applicable grant requirements will be established at a future date. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the government anticipates such amounts, if any, will be immaterial.

NOTE 23 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

The following GASB pronouncements were implemented by the Town for the fiscal year ended December 31, 2013. Only GASB Statement No. 65 impacted these financial statements:

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus and Amendments of GASB Statements No. 14 and No. 34*, issued November 2010. This Statement is intended to improve financial reporting for a governmental financial reporting entity by improving guidance for including, presenting, and disclosing information about component units and equity interest transactions of a financial reporting entity.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, issued March 2012. This Statement is intended to improve financial reporting by clarifying the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting.

GASB Statement No. 66, *Technical Corrections – 2012 – An Amendment of GASB Statements No. 10 and No. 62*, issued March 2012. This Statement is intended to resolve conflicting accounting and financial report and guidance that emerged from two recent standards, Statement No. 54 and Statement No. 62. These standards conflicted with existing guidance in Statements No. 10, 13, and 48.

TOWN OF SEABROOK, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2013

The Governmental Accounting Standards Board (GASB) has issued several pronouncements that have effective dates that may impact future financial presentations. Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements:

GASB Statement No. 67, *Financial Reporting for Pension Plans*, issued in June 2012, will be effective for the Town beginning with its fiscal year ending December 31, 2014. The guidance contained in this Statement will change how governments calculate and report the costs and obligations associated with pensions in important ways. They replace the requirements of Statements No. 27 and 50.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, issued in June 2012, will be effective for the Town beginning with its fiscal year ending December 31, 2015. The guidance contained in this statement will change how governments calculate and report the costs and obligations associated with pensions in important ways. This replaces the requirements of Statements No. 27 and 50.

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, issued in January 2013, will be effective for the Town beginning with its fiscal year ending December 31, 2014. This statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations that have been transferred or sold.

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, issued in April 2013, will be effective for the Town beginning with the fiscal year ending December 31, 2014. The objective of this statement is to improve accounting and financial reporting by governments that extend and receive nonexchange financial guarantees.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*, issued in November 2013, will be effective for the Town beginning with its fiscal year ending December 31, 2015. The objective of this statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*, and is required to be applied simultaneously with the provisions of that Statement.

NOTE 24 – 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 October 17, 2014, the date the December 31, 2013 financial statements were available to be issued, and no events occurred that require recognition or disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT F
TOWN OF SEABROOK, NEW HAMPSHIRE
Schedule of Funding Progress for Other Postemployment Benefit Plan
For the Fiscal Year Ended December 31, 2013

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%	\$ 6,241,665	34.90%
January 1, 2013	\$ -	\$ 1,075,706	\$ 1,075,706	0.00%	\$ 6,850,924	15.70%

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

TOWN OF SEABROOK, NEW HAMPSHIRE
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2013

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's other postemployment benefits for the fiscal year ended December 31, 2013.

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, 2013

	Estimated	Actual	Variance Positive (Negative)
Taxes:			
Property	\$ 16,083,840	\$ 16,221,329	\$ 137,489
Yield	-	491	491
Excavation	-	1,404	1,404
Interest and penalties on taxes	135,000	108,323	(26,677)
Total from taxes	<u>16,218,840</u>	<u>16,331,547</u>	<u>112,707</u>
Licenses, permits, and fees:			
Business licenses, permits, and fees	57,000	54,908	(2,092)
Motor vehicle permit fees	1,300,000	1,460,238	160,238
Building permits	81,671	200,598	118,927
Other	166,350	292,287	125,937
Total from licenses, permits, and fees	<u>1,605,021</u>	<u>2,008,031</u>	<u>403,010</u>
Intergovernmental:			
State:			
Meals and rooms distribution	388,646	388,646	-
Highway block grant	147,562	147,188	(374)
Other	67,406	50,000	(17,406)
Federal:			
FEMA	63,956	63,956	-
Total from intergovernmental	<u>667,570</u>	<u>649,790</u>	<u>(17,780)</u>
Charges for services:			
Income from departments	<u>101,767</u>	<u>137,812</u>	<u>36,045</u>
Miscellaneous:			
Sale of municipal property	2,000	19,991	17,991
Interest on investments	15,813	12,360	(3,453)
Fines and forfeits	9,100	14,158	5,058
Insurance dividends and reimbursements	-	7,359	7,359
Contributions and donations	-	1,550	1,550
Other	61,244	173,241	111,997
Total from miscellaneous	<u>88,157</u>	<u>228,659</u>	<u>140,502</u>
Other financing sources:			
Transfers in	<u>93,993</u>	<u>94,038</u>	<u>45</u>
Total revenues and other financing sources	18,775,348	<u>\$ 19,449,877</u>	<u>\$ 674,529</u>
Unassigned fund balance used to reduce tax rate	875,000		
Total revenues, other financing sources, and use of fund balance	<u>\$ 19,650,348</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, 2013

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
General government:					
Executive	\$ -	\$ 615,769	\$ 635,520	\$ -	\$ (19,751)
Election and registration	-	360,474	306,379	-	54,095
Financial administration	4,830	960,389	848,548	-	116,671
Legal	-	175,000	267,963	-	(92,963)
Planning and zoning	-	91,208	141,422	-	(50,214)
General government buildings	9,675	123,047	116,885	11,200	4,637
Cemeteries	-	207,118	142,880	-	64,238
Insurance, not otherwise allocated	-	653,455	545,604	-	107,851
Total general government	<u>14,505</u>	<u>3,186,460</u>	<u>3,005,201</u>	<u>11,200</u>	<u>184,564</u>
Public safety:					
Police	-	3,852,516	3,501,468	-	351,048
Fire	-	3,097,806	3,159,166	-	(61,360)
Building inspection	-	154,124	113,461	-	40,663
Emergency management	-	147,419	128,703	-	18,716
Total public safety	<u>-</u>	<u>7,251,865</u>	<u>6,902,798</u>	<u>-</u>	<u>349,067</u>
Highways and streets:					
Administration	-	1,313,462	1,233,812	-	79,650
Highways and streets	-	241,000	221,431	-	19,569
Street lighting	-	75,000	80,950	-	(5,950)
Total highways and streets	<u>-</u>	<u>1,629,462</u>	<u>1,536,193</u>	<u>-</u>	<u>93,269</u>
Water distribution and treatment	<u>-</u>	<u>55,500</u>	<u>103,442</u>	<u>-</u>	<u>(47,942)</u>
Sanitation:					
Administration	-	27,315	32,308	-	(4,993)
Solid waste collection	-	1,340,436	1,299,379	-	41,057
Total sanitation	<u>-</u>	<u>1,367,751</u>	<u>1,331,687</u>	<u>-</u>	<u>36,064</u>
Health:					
Administration	-	76,412	77,732	-	(1,320)
Pest control	-	137,075	130,212	-	6,863
Health agencies	-	170,879	164,879	-	6,000
Total health	<u>-</u>	<u>384,366</u>	<u>372,823</u>	<u>-</u>	<u>11,543</u>
Welfare:					
Administration	-	86,733	81,019	-	5,714
Vendor payments	-	102,950	62,421	-	40,529
Total welfare	<u>-</u>	<u>189,683</u>	<u>143,440</u>	<u>-</u>	<u>46,243</u>
Culture and recreation:					
Parks and recreation	-	856,441	829,062	-	27,379
Library	-	40,000	39,672	-	328
Patriotic purposes	-	24,749	22,724	-	2,025
Total culture and recreation	<u>-</u>	<u>921,190</u>	<u>891,458</u>	<u>-</u>	<u>29,732</u>
Conservation	<u>-</u>	<u>4,574</u>	<u>1,336</u>	<u>-</u>	<u>3,238</u>
Debt service:					
Principal of long-term debt	-	236,000	336,840	-	(100,840)
Interest on long-term debt	-	282,466	356,836	-	(74,370)
Interest on tax anticipation notes	-	21,300	1,861	-	19,439
Total debt service	<u>-</u>	<u>539,766</u>	<u>695,537</u>	<u>-</u>	<u>(155,771)</u>

(Continued)

SCHEDULE 2 (Continued)
TOWN OF SEABROOK, NEW HAMPSHIRE
Major General Fund
Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2013

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Capital outlay	25,108	954,900	456,571	-	523,437
Other financing uses:					
Transfers out	-	3,164,831	2,192,145	-	972,686
Total appropriations, expenditures, other financing uses, and encumbrances	\$ 39,613	\$ 19,650,348	\$ 17,632,631	\$ 11,200	\$ 2,046,130

SCHEDULE 3
TOWN OF SEABROOK, NEW HAMPSHIRE
Major General Fund
Schedule of Changes in Unassigned Fund Balance
For the Fiscal Year Ended December 31, 2013

Unassigned fund balance, beginning (non-GAAP budgetary basis), as restated (see Note 18)		\$ 3,224,179
Changes:		
Unassigned fund balance used to reduce 2013 tax rate		(875,000)
2013 Budget summary:		
Revenue surplus (Schedule 1)	\$ 674,529	
Unexpended balance of appropriations (Schedule 2)	<u>2,046,130</u>	
2013 Budget surplus		2,720,659
Increase in nonspendable fund balance		(6,025)
Increase in restricted fund balance		(4,162)
Increase in committed fund balance		<u>(583,974)</u>
Unassigned fund balance, ending (non-GAAP budgetary basis)		<u>4,475,677</u>
Reconciliation of Non-GAAP Budgetary Basis to GAAP Basis:		
To comply with generally accepted accounting principles by deferring property taxes not collected within 60 days of fiscal year-end		(1,105,403)
To remove allowance for uncollectible property taxes which are deferred		<u>140,000</u>
Unassigned fund balance, ending (GAAP basis Exhibit C-1)		<u><u>\$ 3,510,274</u></u>

SCHEDULE 4
TOWN OF SEABROOK, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2013

	Special Revenue Funds				
	Conservation Commission	Transportation	Recreation Revolving	Police Outside Detail	Grants
ASSETS					
Cash and cash equivalents	\$ 217,726	\$ 10,865	\$ 77,682	\$ 43,617	\$ -
Investments	-	-	-	-	-
Receivables, net of allowance for uncollectable:					
Accounts	-	-	-	46,023	-
Intergovernmental	-	-	-	-	67,708
Total assets	<u>\$ 217,726</u>	<u>\$ 10,865</u>	<u>\$ 77,682</u>	<u>\$ 89,640</u>	<u>\$ 67,708</u>
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ 130	\$ -	\$ 6,491
Accrued salaries and benefits	-	-	-	2,245	-
Interfund payable	-	-	-	-	59,382
Total liabilities	<u>-</u>	<u>-</u>	<u>130</u>	<u>2,245</u>	<u>65,873</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - Grants	-	-	-	-	1,835
FUND BALANCES					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed	217,726	10,865	77,552	87,395	-
Total fund balances	<u>217,726</u>	<u>10,865</u>	<u>77,552</u>	<u>87,395</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 217,726</u>	<u>\$ 10,865</u>	<u>\$ 77,682</u>	<u>\$ 89,640</u>	<u>\$ 67,708</u>

SCHEDULE 4 (Continued)
TOWN OF SEABROOK, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2013

Special Revenue Funds			Capital Project Fund Water	Permanent Fund	Total
Ambulance Revolving	Recycling Revolving	D'Alessandro Trust	Treatment Plant		
\$ 228,282	\$ 151,158	\$ 31,596	\$ 545,734	\$ 152	\$ 1,306,812
-	-	-	-	14,098	14,098
188,918	-	-	-	-	234,941
-	-	-	-	-	67,708
<u>\$ 417,200</u>	<u>\$ 151,158</u>	<u>\$ 31,596</u>	<u>\$ 545,734</u>	<u>\$ 14,250</u>	<u>\$ 1,623,559</u>
\$ 2,369	\$ -	\$ -	\$ 11,000	\$ -	\$ 19,990
9,126	1,201	-	-	-	12,572
196	-	-	98,300	-	157,878
<u>11,691</u>	<u>1,201</u>	<u>-</u>	<u>109,300</u>	<u>-</u>	<u>190,440</u>
-	-	-	-	-	1,835
-	-	-	-	13,961	13,961
-	-	-	436,434	289	436,723
405,509	149,957	31,596	-	-	980,600
<u>405,509</u>	<u>149,957</u>	<u>31,596</u>	<u>436,434</u>	<u>14,250</u>	<u>1,431,284</u>
<u>\$ 417,200</u>	<u>\$ 151,158</u>	<u>\$ 31,596</u>	<u>\$ 545,734</u>	<u>\$ 14,250</u>	<u>\$ 1,623,559</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, 2013

	Special Revenue Funds				
	Conservation Commission	Transportation	Recreation Revolving	Police Outside Detail	Grants
Revenues:					
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ 78,965
Charges for services	-	29,035	26,031	349,002	-
Investment earnings	76	28	22	-	-
Miscellaneous	-	-	27,462	-	165
Total revenues	<u>76</u>	<u>29,063</u>	<u>53,515</u>	<u>349,002</u>	<u>79,130</u>
Expenditures:					
Current:					
General government	-	-	-	-	14,136
Public safety	-	-	-	302,669	4,680
Highways and streets	-	-	-	-	60,314
Sanitation	-	-	-	-	-
Culture and recreation	-	-	29,181	-	-
Capital outlay	-	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>29,181</u>	<u>302,669</u>	<u>79,130</u>
Excess (deficiency) of revenues over (under) expenditures	<u>76</u>	<u>29,063</u>	<u>24,334</u>	<u>46,333</u>	<u>-</u>
Other financing uses:					
Transfers out	<u>-</u>	<u>(93,593)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	76	(64,530)	24,334	46,333	-
Fund balances, beginning, as restated (see Note 18)	217,650	75,395	53,218	41,062	-
Fund balances, ending	<u>\$ 217,726</u>	<u>\$ 10,865</u>	<u>\$ 77,552</u>	<u>\$ 87,395</u>	<u>\$ -</u>

SCHEDULE 5 (Continued)
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, 2013

Special Revenue Funds			Capital Project Fund		
Ambulance Revolving	Recycling Revolving	D'Alessandro Trust	Water Treatment Plant	Permanent Fund	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 78,965
480,928	42,340	-	-	-	927,336
152	44	693	287	639	1,941
-	-	250,000	-	-	277,627
<u>481,080</u>	<u>42,384</u>	<u>250,693</u>	<u>287</u>	<u>639</u>	<u>1,285,869</u>
-	-	-	-	-	14,136
694,890	-	-	-	-	1,002,239
-	-	-	-	-	60,314
-	28,597	-	-	-	28,597
-	-	-	-	-	29,181
-	-	457,252	611,031	-	1,068,283
<u>694,890</u>	<u>28,597</u>	<u>457,252</u>	<u>611,031</u>	<u>-</u>	<u>2,202,750</u>
<u>(213,810)</u>	<u>13,787</u>	<u>(206,559)</u>	<u>(610,744)</u>	<u>639</u>	<u>(916,881)</u>
-	-	-	-	(445)	(94,038)
(213,810)	13,787	(206,559)	(610,744)	194	(1,010,919)
619,319	136,170	238,155	1,047,178	14,056	2,442,203
<u>\$ 405,509</u>	<u>\$ 149,957</u>	<u>\$ 31,596</u>	<u>\$ 436,434</u>	<u>\$ 14,250</u>	<u>\$ 1,431,284</u>



PLODZIK & SANDERSON

Professional Association/Accountants & Auditors

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INDEPENDENT AUDITOR'S COMMUNICATION OF MATERIAL WEAKNESS

To the Members of the Board of Selectmen
Town of Seabrook
Seabrook, NH

In planning and performing our audit of the financial statements of the governmental activities, the major general fund, and the aggregate remaining fund information of the Town of Seabrook as of and for the year ended December 31, 2013, in accordance with auditing standards generally accepted in the United States of America, we considered the Town of Seabrook's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Town of Seabrook's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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

Cash Reconciliations

Reconciliations for all of the Town's cash accounts for the year were not performed in a timely manner. Proper internal controls over the cash balances were not implemented in order to ensure accurate reporting of cash balances. Errors or mistakes can remain undetected when the reconciliation procedures are not performed timely. We recommend that a monthly reconciliation be prepared between the general ledger and the Treasurer's cash balances for all cash accounts and that any discrepancies be followed up on immediately and corrected.

It was noted that subsequent to year-end all reconciliations were prepared and activity in the general ledger was properly recorded so no audit adjustments to the cash balances were necessary.

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

October 17, 2014

*Plodzik & Sanderson
Professional Association*