

TOWN OF SEABROOK, NEW HAMPSHIRE

Financial Statements

December 31, 2012

and

Independent Auditor's Report

**TOWN OF SEABROOK, NEW HAMPSHIRE
FINANCIAL STATEMENTS
December 31, 2012**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Selectmen
Town of Seabrook, New Hampshire

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Seabrook, New Hampshire as of and for the year ended December 31, 2012, 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 from 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, each major fund and the aggregate remaining fund information of the Town of Seabrook, New Hampshire, as of December 31, 2012, and the

respective changes in financial position thereof 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, budgetary comparison information, and schedule of funding progress for other post-employment benefits on pages i-vi and 26-29 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Seabrook, New Hampshire's basic financial statements. The combining nonmajor and fiduciary fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor and fiduciary fund financial statements 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, based on our audit and the procedures performed as described above, the combining nonmajor and fiduciary fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Manchester, New Hampshire
March 13, 2014

**TOWN OF SEABROOK, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDING DECEMBER 31, 2012**

Presented here is the Management Discussion & Analysis Report for the Town of Seabrook, NH, for the year ending December 31, 2012. To the best of our knowledge and belief, the data contained herein is accurate in all material respects. We report this data in a manner designed to present fairly the Town's financial position and the results of operations of the various Town funds. All disclosures necessary to enable the reader to gain an accurate understanding of the Town's financial activities have been included. Adequate accounting information is maintained and reported in conformity with generally accepted accounting principles (GAAP).

Overview of the Financial Statements

The financial statements presented herein include all of the activities of the Town of Seabrook using the integrated approach prescribed by GASB Statement 34.

It is our intention that this discussion and analysis serve as an introduction to the Town's financial statements. The financial statements are comprised of the following three components:

1. Government-Wide Financial Statements
2. Fund Financial Statements
3. Notes to the Basic Financial Statements

Government-wide Financial Statements

The government-wide financial statements provide readers with a broad overview of the Town's finances, in a manner similar to most private-sector companies.

The Statement of Net position presents information on all of the Town's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference between the two reported as net position. Over time, increases and decreases in 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. We take all of the current year's revenues and expenses into account regardless of when we receive cash in or pay cash out.

Fund Financial Statements

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. One can divide all the funds of the Town into two categories: governmental funds and fiduciary funds.

We use governmental funds to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, 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 the Town's near-term financing requirements.

**TOWN OF SEABROOK, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDING DECEMBER 31, 2012**

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities 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 Statement of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate this comparison between the governmental activities Statement of Net Position and Statement of Activities.

The Town maintains numerous individual governmental funds. We present information separately in the governmental fund Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund, the Town's only major fund. We combine data from all other governmental funds into a single, aggregate presentation.

The Town adopts an annual appropriation budget for its governmental funds. We provide a budgetary comparison for the General Fund to demonstrate compliance with this budget.

Fiduciary funds are used to account for resources held for the benefit of parties other than the Town. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the programs of the Town of Seabrook. The Town's fiduciary funds consist of private-purpose trust funds and agency funds.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information

The basic financial statements and accompanying notes are followed by a section of required supplementary information. This section includes a budgetary comparison schedule for the General Fund, the Town's only major governmental fund, and includes reconciliation between the statutory fund balance for budgetary purposes and the fund balance as presented in the governmental fund financial statements. In addition, the Town has presented a schedule of funding progress for other post-employment benefits.

Other Supplementary Information

Other supplementary information includes combining financial statements for non-major governmental funds and fiduciary funds.

Government-Wide Financial Analysis

During the year, the Town implemented GASB Statement No. 63, "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.*" Under Statement 63, the Town has segregated previously reported assets and liabilities as deferred outflows of resources and deferred inflows of resources, respectively. This statement also identifies net position as the residual of all other elements presented in the statement of financial position. See the notes to the basic financial statements for further information.

**TOWN OF SEABROOK, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDING DECEMBER 31, 2012**

Statement of Net position

Net position of the Town of Seabrook as of December 31, 2012 and 2011, is as follows:

| | <u>2012</u> | <u>2011</u> |
|--------------------------------------|----------------------|----------------------|
| Capital assets, net | \$ 71,389,975 | \$ 73,048,332 |
| Other assets | <u>20,248,507</u> | <u>20,930,807</u> |
| Total Assets | <u>91,638,482</u> | <u>93,979,139</u> |
| | | |
| Total Deferred Outflows of Resources | <u>-</u> | <u>-</u> |
| | | |
| Long-term liabilities | 10,157,398 | 6,503,437 |
| Other liabilities | <u>9,170,796</u> | <u>9,165,218</u> |
| Total Liabilities | <u>19,328,194</u> | <u>15,668,655</u> |
| | | |
| Unearned revenue | <u>10,735</u> | <u>-</u> |
| Total Deferred Inflows of Resources | <u>10,735</u> | <u>-</u> |
| | | |
| Net position: | | |
| Net investment in capital assets | 63,587,250 | 67,371,556 |
| Restricted | 688,578 | 2,548,688 |
| Unrestricted | <u>8,023,725</u> | <u>8,390,240</u> |
| Total Net Position | <u>\$ 72,299,553</u> | <u>\$ 78,310,484</u> |

**TOWN OF SEABROOK, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDING DECEMBER 31, 2012**

Statement of Activities

Changes in net position for the years ending December 31, 2012 and 2011, are as follows:

| | 2012 | 2011 |
|---|----------------------|----------------------|
| Revenues | | |
| Program revenues: | | |
| Charges for services | \$ 2,119,162 | \$ 1,830,909 |
| Operating grants and contributions | 228,355 | 372,817 |
| Capital grants and contributions | 3,066,738 | - |
| General revenues: | | |
| Property and other taxes | 14,181,870 | 16,054,423 |
| Licenses and permits | 1,791,972 | 1,603,881 |
| Grants and contributions | 387,971 | 388,311 |
| Interest and investment earnings | 68,212 | 14,202 |
| Miscellaneous | <u>564,912</u> | <u>118,746</u> |
| Total revenues | <u>22,409,192</u> | <u>20,383,289</u> |
| Expenses | | |
| General government | 3,545,985 | 3,778,358 |
| Public safety | 8,038,447 | 7,870,631 |
| Highways and streets | 2,355,024 | 2,048,946 |
| Sanitation | 4,243,537 | 2,899,192 |
| Water Distribution and Treatment | 2,097,427 | 2,980,764 |
| Health and welfare | 515,195 | 554,962 |
| Culture and recreation | 1,724,395 | 1,521,984 |
| Economic Development | 5,420 | 4,540 |
| Conservation | 2,423 | 3,729 |
| Interest and fiscal charges | 429,927 | 274,919 |
| Total expenses | <u>22,957,780</u> | <u>21,938,025</u> |
| Decrease in net position before contributions to permanent fund principal | (548,588) | (1,554,736) |
| Contributions to permanent fund principal | <u>-</u> | <u>-</u> |
| Decrease in net position | (548,588) | (1,554,736) |
| Net position, beginning of year | <u>72,848,141</u> | <u>79,865,220</u> |
| Net position, end of year | <u>\$ 72,299,553</u> | <u>\$ 78,310,484</u> |

**TOWN OF SEABROOK, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDING DECEMBER 31, 2012**

Town of Seabrook Activities

As shown in the above statement, there was a decrease in the Town's total net position of \$548,588.

The General Fund ended the year with a governmental unassigned fund balance of \$2,247,050. This is a decline in unassigned fund balance of \$1,880,652 from last year. The decline is attributable to the continued use of fund balance to stabilize the Town's portion of the tax rate. .

General Fund Budgetary Highlights

During the year, the original budget for revenues did not change, but the appropriations budget decreased by \$67,847. The Town over expended its total 2012 final budget by \$2,581. The highlights of 2012 are the Local Government Center's Contribution Holiday of \$119,209, a substantial cut to Police Department spending of \$209,200 due to a very generous gift made to the department and a reduction in staff in the Finance Department resulting in a savings of \$99,209. The Finance Manager position was unoccupied from June to September and the Assistant Finance Manager transferred out of the department halfway through the year and the position was not filled. These Finance Department staffing reductions directly resulted in work-flow back-ups, which is why the bank reconciliations for 2012 were not completed in a timely manner.

Capital Assets

The Town of Seabrook considers a capital asset to be an asset whose cost exceeds \$10,000 and which has a useful life of greater than three (3) years. The Town depreciates its assets using the straight-line method over the course of their useful life beginning in the year of acquisition.

The total investment in capital assets for governmental activities at year end amounted to \$71,363,031 (net of accumulated depreciation). This investment in capital assets includes land, intangible assets, buildings and improvements, vehicles and equipment, and infrastructure. The Town of Seabrook is a full-service town with many facilities including Town Hall, Water Treatment Plant, Waste-Water Treatment Plant, Police Station, Fire Station, Emergency Operations Center, Community Center, Public Works Garage, Transfer Station and Library.

Additional information on capital assets can be found in the Notes of the Basic Financial Statements.

Long-Term Obligations

At the end of the current fiscal year, total bonded debt outstanding was \$8,781,000 and capital leases payable was \$12,959. During 2012, the Town made scheduled principal and interest payments on outstanding general obligation bonds of \$713,057 and \$2,500,000 of the SRLF loan was forgiven per the agreement. The Town's other long-term obligations consist of compensated absences payable totaling \$1,031,683 and OPEB liabilities resulting from the implicit rate effect of allowing certain retirees to buy insurance in the same insurance pool as the employees of the Town for the year ended December 31, 2012.

See the Notes of the Basic Financial Statements for a summary of all outstanding long-term obligations.

**TOWN OF SEABROOK, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDING DECEMBER 31, 2012**

Property Tax Rates

The NH Department of Revenue Administration (DRA) sets the Annual Tax Rate for the Town of Seabrook. They do so based on the Annual Budget approved at Town Meeting adjusted for actual revenues and expenditures throughout the year. The Town collects property taxes to fund its own operations and that of School Administrative Unit #21. The property tax also pays the levy placed on the Town by Rockingham County and the State of New Hampshire in the Statewide Property Tax for Education. The Town bills for property taxes semi-annually. Tax billing occurs according to the laws of the State of New Hampshire, under the supervision of the DRA. The first billing is an estimate based on the previous year's tax rate applied to the current year's assessments. The second billing utilizes the correct tax rate for the year as established by the New Hampshire DRA applied to the current year's assessment. Following is a comparison of the 2012 to the 2011 tax rates:

| | | |
|-----------------------------|------------------|------------------|
| | <u>2012</u> | <u>2011</u> |
| Town rate | \$5.93 | \$5.72 |
| Local school rate | 5.02 | 4.63 |
| State school rate | 2.52 | 2.66 |
| County rate | <u>1.04</u> | <u>.87</u> |
| Total rate | <u>\$14.51</u> | <u>\$13.88</u> |
| Property Taxes Assessed | \$35,066,618 | \$35,508,044 |

Capital Improvement Plan

The Town of Seabrook works to a 5-year Capital Improvement Plan. The plan contains current capital needs projections through the year 2017. Department Heads, Town Manager, Board of Selectmen, Planning Board and Budget Committee annually reviews, adjusts and updates this plan. The resulting plan receives final review and approval through the presentation and discussion of proposed projects at public meetings. Approved CIP projects are presented as warrant articles for the voters at Town Meeting to consider.

Contacting the Town of Seabrook

This financial report provides our citizens and creditors with a general overview of the Town of Seabrook's finances. It demonstrates accountability for the funds the Town 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.

EXHIBIT A
TOWN OF SEABROOK, NEW HAMPSHIRE
Statement of Net Position
December 31, 2012

| | Governmental <u>Activities</u> |
|---|-----------------------------------|
| ASSETS | |
| Current Assets: | |
| Cash and cash equivalents | \$ 15,424,649 |
| Investments | 2,826,161 |
| Taxes receivable, net | 1,499,161 |
| Accounts receivable, net | 495,933 |
| Due from other governments | 2,467 |
| Prepaid expenses | 136 |
| Total Current Assets | <u>20,248,507</u> |
| Noncurrent Assets: | |
| Tax deeded property | 26,944 |
| Capital assets: | |
| Non-depreciable capital assets | 3,824,260 |
| Depreciable capital assets, net | <u>67,538,771</u> |
| Total Noncurrent Assets | <u>71,389,975</u> |
| Total Assets | <u>91,638,482</u> |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Total Deferred Outflows of Resources | <u>-</u> |
| LIABILITIES | |
| Current Liabilities: | |
| Accounts payable | 736,385 |
| Accrued expenses | 632,641 |
| Due to other governments | 7,436,001 |
| Current portion of bonds payable | 339,796 |
| Current portion of capital leases payable | 12,959 |
| Current portion of compensated absences payable | 13,014 |
| Total Current Liabilities | <u>9,170,796</u> |
| Noncurrent Liabilities: | |
| Bonds payable | 8,470,204 |
| Compensated absences payable | 1,018,669 |
| Other post-employment benefits payable | 668,525 |
| Total Noncurrent Liabilities | <u>10,157,398</u> |
| Total Liabilities | <u>19,328,194</u> |
| DEFERRED INFLOWS OF RESOURCES | |
| Unearned tax revenue | 10,527 |
| Unearned revenue | 208 |
| Total Deferred Inflows of Resources | <u>10,735</u> |
| NET POSITION | |
| Net investment in capital assets | 63,587,250 |
| Restricted | 691,078 |
| Unrestricted | 8,021,225 |
| Total Net Position | <u>\$ 72,299,553</u> |

See accompanying notes to the basic financial statements

EXHIBIT B
TOWN OF SEABROOK, NEW HAMPSHIRE
Statement of Activities
For the Year Ended December 31, 2012

| Functions/Programs | <u>Expenses</u> | <u>Program Revenues</u> | | | <u>Net (Expense) Revenue and Changes in Net Position</u> |
|---------------------------------------|----------------------|-----------------------------|---|---|--|
| | | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> | <u>Governmental Activities</u> |
| Governmental Activities: | | | | | |
| General government | \$ 3,545,985 | \$ 15,182 | | | \$ (3,530,803) |
| Public safety | 8,038,447 | 537,881 | \$ 77,261 | \$ 426,090 | (6,997,215) |
| Highways and streets | 2,355,024 | | 151,094 | 140,648 | (2,063,282) |
| Sanitation | 4,243,537 | 548,732 | | | (3,694,805) |
| Water distribution and treatment | 2,097,427 | 936,512 | | 2,500,000 | 1,339,085 |
| Health and welfare | 515,195 | | | | (515,195) |
| Culture and recreation | 1,724,395 | 80,855 | | | (1,643,540) |
| Economic development | 5,420 | | | | (5,420) |
| Conservation | 2,423 | | | | (2,423) |
| Interest and fiscal charges | 429,927 | | | | (429,927) |
| Total governmental activities | <u>\$ 22,957,780</u> | <u>\$ 2,119,162</u> | <u>\$ 228,355</u> | <u>\$ 3,066,738</u> | <u>(17,543,525)</u> |
| General revenues: | | | | | |
| Property and other taxes | | | | | 14,181,870 |
| Licenses and permits | | | | | 1,791,972 |
| Grants and contributions: | | | | | |
| Rooms and meals tax distribution | | | | | 387,971 |
| Interest and investment earnings | | | | | 68,212 |
| Miscellaneous | | | | | 564,912 |
| Total general revenues | | | | | <u>16,994,937</u> |
| Change in net position | | | | | (548,588) |
| Net Position - beginning, as restated | | | | | <u>72,848,141</u> |
| Net Position - ending | | | | | <u>\$ 72,299,553</u> |

See accompanying notes to the basic financial statements

EXHIBIT C
TOWN OF SEABROOK, NEW HAMPSHIRE
Balance Sheet
Governmental Funds
December 31, 2012

| | General Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|--|----------------------|-----------------------------------|--------------------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 12,441,607 | \$ 2,983,042 | \$ 15,424,649 |
| Investments | 2,812,105 | 14,056 | 2,826,161 |
| Taxes receivable, net | 1,499,161 | | 1,499,161 |
| Accounts receivable, net | 297,803 | 198,130 | 495,933 |
| Due from other governments | | 2,467 | 2,467 |
| Due from other funds | 2,467 | | 2,467 |
| Prepaid expenses | 136 | | 136 |
| Tax dedeed property | 26,944 | | 26,944 |
| Total Assets | <u>17,080,223</u> | <u>3,197,695</u> | <u>20,277,918</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Total Deferred Outflows of Resources | - | - | - |
| Total Assets and Deferred Outflows of Resources | <u>\$ 17,080,223</u> | <u>\$ 3,197,695</u> | <u>\$ 20,277,918</u> |
| LIABILITIES | | | |
| Accounts payable | \$ 624,398 | \$ 111,987 | \$ 736,385 |
| Accrued expenses | 452,665 | 4,755 | 457,420 |
| Due to other governments | 7,436,001 | | 7,436,001 |
| Due to other funds | | 2,467 | 2,467 |
| Total Liabilities | <u>8,513,064</u> | <u>119,209</u> | <u>8,632,273</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Unearned tax revenue | 964,815 | | 964,815 |
| Unearned revenue | 208 | - | 208 |
| Total Deferred Inflows of Resources | <u>965,023</u> | <u>-</u> | <u>965,023</u> |
| FUND BALANCES | | | |
| Nonspendable | 27,080 | 13,961 | 41,041 |
| Restricted | 40,739 | 1,683,556 | 1,724,295 |
| Committed | 2,917,149 | 1,380,969 | 4,298,118 |
| Assigned | 2,372,618 | | 2,372,618 |
| Unassigned | 2,244,550 | | 2,244,550 |
| Total Fund Balances | <u>7,602,136</u> | <u>3,078,486</u> | <u>10,680,622</u> |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | <u>\$ 17,080,223</u> | <u>\$ 3,197,695</u> | |
| Amounts reported for governmental activities in the statement of net position are different because: | | | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds | | | 71,363,031 |
| Property taxes are recognized on an accrual basis in the statement of net position, not the modified accrual basis | | | 954,288 |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. Long-term liabilities at year end consist of: | | | |
| Bonds payable | | | (8,810,000) |
| Capital leases payable | | | (12,959) |
| Accrued interest on long-term obligations | | | (175,221) |
| Compensated absences payable | | | (1,031,683) |
| Other post-employment benefits payable | | | (668,525) |
| Net position of governmental activities | | | <u>\$ 72,299,553</u> |

See accompanying notes to the basic financial statements

EXHIBIT D

TOWN OF SEABROOK, NEW HAMPSHIRE

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended December 31, 2012

| | General Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|---|---------------------|-----------------------------------|--------------------------------|
| Revenues: | | | |
| Taxes | \$ 14,510,903 | | \$ 14,510,903 |
| Licenses and permits | 1,767,317 | \$ 24,655 | 1,791,972 |
| Intergovernmental | 608,031 | 8,295 | 616,326 |
| Charges for services | 1,513,648 | 605,514 | 2,119,162 |
| Interest and investment income | 64,108 | 4,104 | 68,212 |
| Miscellaneous | 63,521 | 501,391 | 564,912 |
| Total Revenues | <u>18,527,528</u> | <u>1,143,959</u> | <u>19,671,487</u> |
| Expenditures: | | | |
| Current operations: | | | |
| General government | 3,494,060 | | 3,494,060 |
| Public safety | 7,003,255 | 508,146 | 7,511,401 |
| Highways and streets | 1,247,689 | 202,583 | 1,450,272 |
| Sanitation | 2,852,584 | 23,071 | 2,875,655 |
| Water distribution and treatment | 1,535,030 | | 1,535,030 |
| Health and welfare | 506,897 | | 506,897 |
| Culture and recreation | 1,521,176 | 40,275 | 1,561,451 |
| Economic development | 5,420 | | 5,420 |
| Conservation | 1,797 | 626 | 2,423 |
| Capital outlay | 726,573 | 1,100,842 | 1,827,415 |
| Debt service: | | | |
| Principal retirement | 272,400 | | 272,400 |
| Interest and fiscal charges | 443,427 | | 443,427 |
| | <u>19,610,308</u> | <u>1,875,543</u> | <u>21,485,851</u> |
| Excess revenues over (under) expenditures | <u>(1,082,780)</u> | <u>(731,584)</u> | <u>(1,814,364)</u> |
| Other financing sources (uses): | | | |
| Proceeds from bond issuance | | 1,000,000 | 1,000,000 |
| Transfers in | 86,926 | | 86,926 |
| Transfers out | | (86,926) | (86,926) |
| Total other financing sources (uses) | <u>86,926</u> | <u>913,074</u> | <u>1,000,000</u> |
| Net change in fund balances | (995,854) | 181,490 | (814,364) |
| Fund balances at beginning of year, as restated | <u>8,597,990</u> | <u>2,896,996</u> | <u>11,494,986</u> |
| Fund balances at end of year | <u>\$ 7,602,136</u> | <u>\$ 3,078,486</u> | <u>\$ 10,680,622</u> |

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 Year Ended December 31, 2012

| | |
|---|---------------------|
| Net Change in Fund Balances--Total Governmental Funds | \$ (814,364) |
| Amounts reported for governmental activities in the statement of activities are different because: | |
| Governmental funds report capital outlays as expenditures. However, 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 exceeds capital outlay in the current period. | (1,677,413) |
| Donations of capital assets are not reported in the funds, but the in-kind donations increase net position. | 566,738 |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | (329,033) |
| Principal forgiveness on bonds payable is a revenue in the statement of activities, but the forgiveness is not reported as a revenue in the funds. | 2,500,000 |
| Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. | 272,400 |
| Repayment of principal of capital leases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. | 15,272 |
| Proceeds from bond issues are other financing sources in the funds, but bond issues increase long-term liabilities in the statement of net position. | (1,000,000) |
| In the statement of activities, interest is accrued on outstanding bonds and capital leases, whereas in governmental funds, an interest expenditure is reported when due. | 13,500 |
| Some expenses reported in the statement of activities, such as compensated absences and other post-employment benefits, do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. | (95,688) |
| Change in Net Position of Governmental Activities | <u>\$ (548,588)</u> |

EXHIBIT E
TOWN OF SEABROOK, NEW HAMPSHIRE
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2012

| | Private Purpose <u>Funds</u> | Agency <u>Funds</u> |
|--------------------------------------|------------------------------------|------------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 1,450 | \$ 2,379,108 |
| Investments | <u>988,946</u> | <u>181,312</u> |
| Total Assets | <u>\$ 990,396</u> | <u>\$ 2,560,420</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Total Deferred Outflows of Resources | <u>-</u> | <u>-</u> |
| LIABILITIES | | |
| Due to other governments | | \$ 181,312 |
| Deposits | | <u>2,379,108</u> |
| Total Liabilities | <u>\$ -</u> | <u>\$ 2,560,420</u> |
| DEFERRED INFLOWS OF RESOURCES | | |
| Unearned revenue | <u>-</u> | |
| Total Deferred Inflows of Resources | <u>-</u> | |
| NET POSITION | | |
| Held in trust | <u>990,396</u> | |
| Total net position | <u>\$ 990,396</u> | |

See accompanying notes to the basic financial statements

EXHIBIT F
TOWN OF SEABROOK, NEW HAMPSHIRE
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended December 31, 2012

| | Private- Purpose <u>Trust Funds</u> |
|---|---|
| ADDITIONS: | |
| Contributions: | |
| Private donations | \$ 90,236 |
| Total Contributions | <u>90,236</u> |
| Investment earnings: | |
| Interest | 38,562 |
| Realized gains on investments | 796 |
| Net increase in the fair value of investments | <u>29,422</u> |
| Total Investment Earnings | <u>68,780</u> |
| Total Additions | <u>159,016</u> |
| DEDUCTIONS: | |
| Benefits | 48,500 |
| Administrative expenses | <u>50</u> |
| Total Deductions | <u>48,550</u> |
| Change in net position | 110,466 |
| Net position - beginning of year | <u>879,930</u> |
| Net position - end of year | <u><u>\$ 990,396</u></u> |

See accompanying notes to the basic financial statements

TOWN OF SEABROOK, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2012

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Seabrook, New Hampshire conform to accounting policies generally accepted in the United States of America for local governmental units, except as indicated hereinafter. The following is a summary of significant accounting policies.

Financial Reporting Entity

The Town of Seabrook, New Hampshire (the Town) was incorporated in 1768. The Town operates under the Town Meeting/Board of Selectmen form of government and performs local governmental functions authorized by State law.

The financial statements include those of the various departments governed by the Board of Selectmen and other officials with financial responsibility. The Town has no other separate organizational units, which meet criteria for inclusion in the financial statements as defined by the Governmental Accounting Standards Board (GASB).

Basis of Presentation

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

During the year ended December 31, 2012, the Town implemented GASB Statement No. 63, "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.*" Under Statement 63, the Town has segregated previously reported assets and liabilities as deferred outflows of resources and deferred inflows of resources, respectively. This statement also identifies net position as the residual of all other elements presented in the statement of financial position. Net position is the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources.

1. Government-Wide Financial Statements:

The statement of net position and the statement of activities display information about the Town as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net position presents the financial condition of the governmental activities of the Town at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Town's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Town. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Town.

TOWN OF SEABROOK, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2012

2. Fund Financial Statements:

During the year, the Town segregates transactions related to certain Town functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Town at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The fiduciary funds are reported by type.

Fund Accounting

The Town uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The Town employs the use of two categories of funds: governmental and fiduciary.

1. Governmental Funds:

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

The *General Fund* is the main operating fund of the Town and is used to account for all financial resources except those required to be accounted for in another fund.

2. Fiduciary Funds:

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is comprised of private purpose trust funds and agency funds. Trust funds are used to account for assets held by the Town under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Town's own programs. The Town's agency funds are custodial in nature (assets plus deferred outflows of resources equal liabilities plus deferred inflows of resources) and do not involve the measurement of results of operations. The Town's agency funds consist of capital reserve funds of the School District, which are held by the Town as required by State law. Other agency funds consist of developer's performance deposits.

Measurement Focus

1. Government-Wide Financial Statements:

The government-wide financial statements are prepared using the economic resources measurement focus. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of the Town are included on the Statement of Net Position.

TOWN OF SEABROOK, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2012

2. Fund Financial Statements:

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

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of unearned revenue, and in the presentation of expenses versus expenditures.

1. Revenues – Exchange and Non-exchange Transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the Town, available means expected to be received within sixty days of year end.

Non-exchange transactions, in which the Town receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the taxes are levied (see Note 2). 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 specified purpose; and expenditure requirements, in which the resources are provided to the Town on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: property taxes and interest on investments.

Licenses and permits, charges for services, and miscellaneous revenues (except interest on investments) are recorded as revenues when received in cash because they are generally not measurable until actually received.

**TOWN OF SEABROOK, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2012**

2. Unearned Revenue:

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as unearned revenue. On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as unearned revenue.

3. Expenses/Expenditures:

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization are not recognized in governmental funds.

Budgetary Data

The Town's budget represents functional appropriations as authorized by annual or special Town meetings. The Selectmen may transfer funds between operating categories as they deem necessary. The Town adopts its budget under State regulations, which differ somewhat from accounting principles generally accepted in the United States of America in that the focus is on the entire governmental unit rather than on the basis of fund types.

State law requires balanced budgets, but permits the use of beginning fund balance to reduce the property tax rate. For the year ended December 31, 2012, the Town applied \$1,600,000 of its unappropriated fund balance to reduce taxes.

Investments

Investments are stated at their fair value in all funds.

Accounts Receivable

Charges for services billed during the current fiscal year and prior and uncollected at December 31, 2012 are recorded as receivables net of reserves for estimated uncollectibles of \$958,250 in the Nonmajor Governmental Funds.

Taxes Receivable

Taxes levied during the current year and prior and uncollected at December 31, 2012 are recorded as receivables net of reserves for estimated uncollectibles of \$140,000.

Capital Assets

General capital assets result from expenditures in the governmental funds. These assets are reported in the government-wide statement of net position, but are not reported in the fund financial statements.

TOWN OF SEABROOK, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2012

All capital assets including infrastructure are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair values as of the date received. The Town maintains a capitalization threshold of \$10,000 . The Town’s infrastructure consists of sewer collection and treatment systems, road, bridges and similar items. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not.

The Town is not required to retroactively report its general infrastructure (e.g. roads and bridges). Infrastructure records have been maintained effective January 1, 2004 and are included in these financial statements.

All reported capital assets except for land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the Town’s historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

| <u>Description</u> | <u>Years</u> |
|-----------------------------------|--------------|
| Buildings and improvements | 20-50 |
| Improvements other than buildings | 20-50 |
| Equipment and vehicles | 3-20 |
| Infrastructure | 20-100 |

Compensated Absences

Employees earn vacation and sick leave as they provide services. Vacation and sick days earned on an annual basis are dependent upon the department and years of service. Upon retirement or termination of employment from the Town, employees shall be compensated for applicable unused sick and vacation leave per the personnel policy at current rates of pay.

For governmental fund financial statements, compensated absences are reported as liabilities and expenditures as payments come due each period upon the occurrence of employee death or retirement. The entire compensated absence liability is reported on the government-wide financial statements.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current resources are reported as obligations of the funds. However, compensated absences that will be paid from governmental funds are reported as liabilities in the fund financial statements only to the extent that they are due for payment during the current fiscal year. General obligation bonds, capital leases and other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances on any borrowings used for the

TOWN OF SEABROOK, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2012

acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

The Town's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net positions are available.

Fund Balance Policy

The Town has implemented GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Statement 54 established new fund balance classifications and changed the definition of governmental fund types. Under Statement 54, the Town has segregated fund balance into five classifications: Nonspendable, Restricted, Committed, Assigned, and Unassigned. These components of fund balance are defined as follows:

- *Nonspendable Fund Balance*: Amounts that are not in a spendable form or are required to be maintained intact.
- *Restricted Fund Balance*: Amounts constrained to specific purposes stipulated by external resource providers or through enabling legislation. Restrictions may be changed or lifted only with the consent of the resource providers or by the enabling legislation.
- *Committed Fund Balance*: Includes amounts that can be used only for the specific purposes determined by a formal action of the Town's highest level of decision making authority (Town Meeting action). Commitments may be changed or lifted only upon the Town's highest level of decision making authority taking the same formal action that originally imposed the constraint.
- *Assigned Fund Balance*: Amounts the Town intends to use for specific purposes. Intent can be expressed by the Board of Selectmen or by an official to which the Board of Selectmen delegates the authority. For all governmental funds other than the General Fund, any remaining positive fund balance is to be classified as "Assigned".
- *Unassigned Fund Balance*: Amounts that are available for any purpose; these amounts are reported only in the General Fund, except for any deficit fund balance of another governmental fund.

Spending Prioritizations

In circumstances where expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available, restricted fund balance is considered to have been spent first. When expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used, committed amounts should be reduced first, followed by assigned amounts then unassigned amounts.

Minimum Level of Unassigned Fund Balance

The Town's fund balance policy mandates the Town maintain a level of fund balance between 5% and 17% of the sum of the Town's annual budget plus the school and county appropriations, in accordance

TOWN OF SEABROOK, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2012

with the recommendations of the NH Department of Revenue Administration and the general accepted accounting practices recommended by the Government Finance Officers Association.

Interfund Activity

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

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates. Significant estimates include depreciation expense, the allowances for uncollectible taxes and accounts receivable and the other post-employment benefits liability.

NOTE 2—PROPERTY TAXES

Taxes are levied on the assessed valuation of all taxable real property as of the prior April 1 (\$2,651,683,950 as of April 1, 2012) and are due in two installments on July 2, 2012 and December 31, 2012. Taxes paid after the due dates accrue interest at 12% per annum. Property taxes are recognized as revenue when received in cash or if available to finance current period operations (within sixty days of year end).

Under State law, the Tax Collector obtains tax liens on properties which have unpaid taxes in the following calendar year after taxes were due for the amount of unpaid taxes, interest and costs. These priority tax liens accrue interest at 18% per annum. If the property is not redeemed within a two year redemption period, the property may be tax deeded to the Town.

In accordance with State law, the Town collects taxes for the Seabrook School District, Winnacunnet Cooperative School District and Rockingham County, all independent governmental units, which are remitted to them as required by law. The Town also collects State of New Hampshire Education taxes, which are remitted directly to the school district. Total taxes appropriated during the year were \$10,275,526, \$6,300,475 and \$2,754,594 for the Seabrook School District, Winnacunnet Cooperative School District and Rockingham County, respectively. These taxes are not recognized as revenues in these financial statements. The Town bears responsibility for uncollected taxes.

NOTE 3—RISK MANAGEMENT

The Town is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended December 31, 2012, the Town was a member of the Local Government Center Property-Liability Trust, LLC (LGC), and the New Hampshire Public Risk Management Exchange (PRIMEX). The Town currently reports all of its risk management activities in its General Fund. The Trusts are classified as

TOWN OF SEABROOK, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2012

"Risk Pools" in accordance with accounting principles generally accepted in the United States of America.

The Trust agreements permit the Trusts to make additional assessments to members should there be a deficiency in Trust assets to meet its liabilities. Accounting principles generally accepted in the United States of America require members of pools with a sharing of risk to determine whether or not such assessment is probable and, if so, a reasonable estimate of such assessment. At this time, the Trusts foresee no likelihood of an additional assessment for any of the past years. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. Based on the best available information there is no liability at December 31, 2012.

Property and Liability Insurance

The LGC provides certain property and liability insurance coverage to member towns, cities, and other qualified political subdivisions of New Hampshire. As a member of the LGC, the Town shares in contributing to the cost of and receiving benefit from a self-insured pooled risk management program. For the year ended December 31, 2012, the Trust retained \$500,000 of each loss, up to an aggregate of \$5,000,000. Each property loss is subject to a \$1,000 deductible. All losses over the aggregate are covered by insurance policies.

Worker's Compensation

PRIMEX provides statutory worker's compensation coverage to member towns, cities, and other qualified political subdivisions of New Hampshire. The Trust is self-sustaining through annual member premiums and provides coverage for the statutorily required workers' compensation benefits and employer's liability coverage up to \$2,000,000. The program includes a Loss Fund from which is paid up to \$500,000 for each and every covered claim.

NOTE 4—DEPOSITS AND INVESTMENTS

The Town has combined the cash resources of some of its governmental funds. For accounting and reporting purposes, that portion of the pooled cash balance is reported in the specific fund as an interfund balance.

Deposits and investments as of December 31, 2012 are classified in the accompanying financial statements as follows:

| | |
|--------------------------------------|----------------------|
| Statement of Net Position: | |
| Cash and cash equivalents | \$ 15,424,649 |
| Investments | 2,826,161 |
| Statement of Fiduciary Net Position: | |
| Cash and cash equivalents | 2,380,558 |
| Investments | 1,170,258 |
| | <u>\$ 21,801,626</u> |

TOWN OF SEABROOK, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2012

Deposits and investments at December 31, 2012 consist of the following:

| | |
|--------------------------------------|----------------------|
| Cash on hand | \$ 2,310 |
| Deposits with financial institutions | 17,802,897 |
| Investments | <u>3,996,419</u> |
| | <u>\$ 21,801,626</u> |

The Town's investment policy for governmental funds requires that deposits be made in New Hampshire based financial institutions that are participants in one of the federal depository insurance programs. The Town limits its investments to United States Obligations, money market deposit accounts, certificates of deposit, repurchase agreements collateralized by U.S. Government Securities, reverse repurchase agreements, or the New Hampshire Public Deposit Investment Pool (NHPDIP), an external investment pool in accordance with New Hampshire State law. Responsibility for the investments of the Trust Funds is with the Board of Trustees.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Town's investment policy regarding credit risk is to minimize credit risk by limiting its investments to the safest types of securities, and diversifying the portfolio.

The following are the actual ratings as of December 31, 2012, for each investment type:

| <u>Investment Type</u> | <u>Not Rated</u> |
|---------------------------|---------------------|
| State investment pool | \$ 10,301 |
| Equity mutual funds | 337,754 |
| Bond mutual funds | 3,635,649 |
| Money market mutual funds | <u>12,715</u> |
| | <u>\$ 3,996,419</u> |

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Town's deposits may not be returned. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. For assurance against custodial credit risk, the Town's investment policy requires that all investment and depository instruments be collateralized with pledged securities that shall be perfected through third party custodial safekeeping and be equal to or in excess of the amount of the investment and depository instruments.

As of December 31, 2012, Town investments in the following investment types were held by the same counterparty that was used to buy the securities:

TOWN OF SEABROOK, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2012

| | <u>Investment Type</u> | <u>Amount</u> |
|---------------------------|------------------------|---------------------|
| Equity mutual funds | | \$ 337,754 |
| Bond mutual funds | | 3,635,649 |
| Money market mutual funds | | 12,715 |
| | | <u>\$ 3,986,118</u> |

Investment in NHPDIP

The Town is a voluntary participant in the New Hampshire Public Deposit Investment Pool (NHPDIP). The NHPDIP is not registered with the United States Securities and Exchange Commission as an investment company. The NHPDIP was created by state law and is administered by a public body of state, local and banking officials.

Investments in the NHPDIP are not investment securities and, as such, are not categorized by risk. The Town's exposure to derivatives is indirect through its participation in the NHPDIP. The Town's proportional share of these derivatives is not available. The fair value of the position in the investment pool is equal to the value of the pool shares.

NOTE 5—CAPITAL ASSETS

The following is a summary of changes in capital assets in the governmental funds:

| | <u>Restated Balance 01/01/2012</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance 12/31/2012</u> |
|---|--|---------------------|-----------------------|-------------------------------|
| Governmental activities: | | | | |
| Capital assets not depreciated: | | | | |
| Land | \$ 3,811,948 | | | \$ 3,811,948 |
| Construction in progress | 9,588,316 | \$ 12,312 | \$ (9,588,316) | 12,312 |
| Total capital assets not being depreciated | <u>13,400,264</u> | <u>12,312</u> | <u>(9,588,316)</u> | <u>3,824,260</u> |
| Other capital assets: | | | | |
| Buildings and improvements | 28,963,807 | 9,422,735 | | 38,386,542 |
| Improvements other than buildings | 993,373 | 45,200 | | 1,038,573 |
| Equipment and vehicles | 6,700,607 | 984,610 | (137,625) | 7,547,592 |
| Infrastructure | 71,442,454 | 1,088,810 | | 72,531,264 |
| Total other capital assets at historical cost | <u>108,100,241</u> | <u>11,541,355</u> | <u>(137,625)</u> | <u>119,503,971</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | (12,784,284) | (938,090) | | (13,722,374) |
| Improvements other than buildings | (537,722) | (36,344) | | (574,066) |
| Equipment and vehicles | (4,259,367) | (549,761) | 137,625 | (4,671,503) |
| Infrastructure | (31,445,426) | (1,551,831) | | (32,997,257) |
| Total accumulated depreciation | <u>(49,026,799)</u> | <u>(3,076,026)</u> | <u>137,625</u> | <u>(51,965,200)</u> |
| Total other capital assets, net | 59,073,442 | 8,465,329 | - | 67,538,771 |
| Total capital assets, net | <u>\$ 72,473,706</u> | <u>\$ 8,477,641</u> | <u>\$ (9,588,316)</u> | <u>\$ 71,363,031</u> |

TOWN OF SEABROOK, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2012

Depreciation expense was charged to governmental functions as follows:

| | |
|--|---------------------|
| General government | \$ 32,942 |
| Public safety | 359,656 |
| Highways and streets | 713,900 |
| Sanitation | 1,271,028 |
| Water treatment and distribution | 580,168 |
| Culture and recreation | <u>118,332</u> |
| Total governmental activities depreciation expense | <u>\$ 3,076,026</u> |

The balance of assets acquired through capital lease issuances as of December 31, 2012 is as follows:

| | |
|--------------------------------|------------------|
| Equipment and vehicles | \$ 62,056 |
| Less: Accumulated depreciation | <u>(29,719)</u> |
| | <u>\$ 32,337</u> |

During the year ending December 31, 2012, the Town received donated capital assets. These assets have been recorded at their fair values as of the date received. On the Statement of Net Position and the Statement of Activities, \$566,738 has been included as an addition to capital assets and a capital contribution, respectively.

NOTE 6—DUE TO OTHER GOVERNMENTS

In accordance with State law, the Town collects taxes for the Seabrook School District, Winnacunnet Cooperative School District and Rockingham County, and the State of New Hampshire, all independent governmental units, which are remitted to them as required by law. At December 31, 2012, the balance of the property tax appropriation due to the Seabrook School District and the Winnacunnet Cooperative School District is \$4,935,526 and \$2,500,475, respectively.

NOTE 7—DEFINED BENEFIT PENSION PLAN

Plan Description

The Town contributes to the New Hampshire Retirement System (NHRS), a cost-sharing multiple-employer defined benefit pension plan administered by the NHRS Board of Trustees. The plan provides service, disability, death and vested retirement allowances to plan members and beneficiaries. Benefit provisions are established and may be amended by the New Hampshire State legislature. The NHRS issues a publicly available financial report that includes financial statements and required supplementary information for NHRS. That report may be obtained by writing to New Hampshire Retirement System, 54 Regional Drive, Concord, New Hampshire 03301.

Funding Policy

Covered police officers and fire employees are required to contribute 11.55% and 11.80%, respectively of their covered salary. The Town is required to contribute at an actuarially determined rate. The Town's contribution rates for the covered payroll of police officers and fire employees were 19.95% and 22.89%. The Town contributed 100% of the employer cost for public safety employees of the Town.

TOWN OF SEABROOK, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2012

Per RSA-100:16, plan member contribution rates are established and may be amended by the New Hampshire State legislature and employer contribution rates are determined by the NHRS Board of Trustees based on an actuarial valuation. The Town's contributions to the NHRS for the years ending December 31, 2012, 2011, and 2010 were \$811,486, \$732,786, and \$602,810, respectively, equal to the required contributions for each year.

Supplemental Retirement Plan

The Town has a defined contribution supplemental retirement pension plan that covers full-time employees except police and fire union employees that are covered under the NHRS defined benefit plan.

The plan was adopted on January 3, 1986. Each participant with at least 10 years of service credit at age 65, can retire with a full benefit. If the participant has at least five years of service credit, they may retire at age 65 with a full benefit if they earned at least one of their five years of service credit after age 44. If a participant terminates their employment, they may opt for a return of 100% their contributions and 100% of the Town's contributions made to their account.

In order to participate in the plan, an employee may contribute any amount of their earnings, so long as it is compliant with IRS regulations and guidelines. The Town matches employee contributions up to 5% of the employees' earnings.

Covered wages under this plan during 2012 were \$3,738,242.88. Employee contributions, including additional voluntary contributions, to the plan were \$259,054.31, or 6.93% of covered wages. Employer contributions to the plan were \$183,871.87, or 4.92% of covered wages.

NOTE 8—OTHER POST-EMPLOYMENT BENEFITS

In addition to providing pension benefits, the Town provides postretirement medical benefits to its retired employees and their spouses. The following groups of retirees qualify for this benefit. Group I consists of general employees who are required to reach age 50 with 10 years of service, the rule of 70 with 20 years of service or age 60 with no service requirement to qualify for this benefit. Group II consists of police officers and firefighters who are required to reach age 45 with 20 years of service or age 60 with no service requirement to qualify for this benefit. Retirees pay the full cost of the health care coverage. The benefits, benefit levels, employee contributions and employer contributions are governed by RSA 100-A:50. As of January 1, 2009, the most recent full actuarial valuation date, approximately 8 retirees and 96 active employees meet the eligibility requirements. The plan does not issue a separate financial report.

Annual OPEB Costs

The Town's 2012 annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid, on an ongoing basis, is projected to cover the normal cost each year and amortize the unfunded actuarial liability over a period of thirty years. The Town's annual OPEB cost for the year ending December 31, 2012 including the amount actually contributed to the plan, and the change in the Town's net OPEB obligation is as follows:

TOWN OF SEABROOK, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2012

| | |
|---|-------------------|
| Annual Required Contribution (ARC) | \$ 97,204 |
| Interest on Net OPEB obligation (NOO) | 23,626 |
| NOO amortization adjustment to ARC | <u>(24,592)</u> |
| Annual OPEB cost | 96,238 |
| Contributions made | <u>(18,365)</u> |
| Increase in Net OPEB obligation | 77,873 |
| Net OPEB obligation - beginning of year | <u>590,652</u> |
| Net OPEB obligation - end of year | <u>\$ 668,525</u> |

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the years ending December 31, 2012, 2011 and 2010 are as follows:

| Fiscal Year <u>Ended</u> | Annual <u>OPEB Cost</u> | Percentage of OPEB Cost <u>Contributed</u> | Net OPEB <u>Obligation</u> |
|--------------------------------|----------------------------|--|-------------------------------|
| 12/31/2012 | \$ 96,238 | 19.0% | \$ 668,525 |
| 12/31/2011 | \$ 265,596 | 28.0% | \$ 590,652 |
| 12/31/2010 | \$ 257,178 | 20.0% | \$ 399,627 |

The Town's net OPEB obligation as of December 31, 2012 is recognized as a liability in these financial statements.

Funded Status and Funding Progress for OPEB

The funded status of the plan as of January 1, 2009, the date of the most recent full actuarial valuation, is as follows:

| | |
|---|---------------------|
| Actuarial Accrued Liability (AAL) | \$ 2,177,109 |
| Actuarial value of plan assets | - |
| Unfunded Actuarial Accrued Liability (UAAL) | <u>\$ 2,177,109</u> |
| Funded ratio (actuarial value of plan assets/AAL) | 0.0% |
| Covered payroll (active plan members) | \$ 6,241,665 |
| UAAL as a percentage of covered payroll | 34.9% |

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. The total cost of providing post-employment benefits is projected, taking into account assumptions about current claim cost, turnover, mortality, health care trends, and other actuarial assumptions. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

TOWN OF SEABROOK, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2012

Actuarial Methods and Assumptions for OPEB

Projections of benefits for financial reporting purposes are based on the plan as understood by the Town 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 Town and plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

The method used in the January 1, 2009 actuarial valuation was the Projected Unit Credit cost method with linear proration to decrement. The actuarial value of assets was not determined as the Town has not advance funded its obligation. The actuarial assumptions included a 4% investment rate of return and an initial annual healthcare cost trend rate of 8.5% which decreases to a 5.0% long-term rate for all healthcare benefits after seven years. The amortization costs for the initial Unfunded Actuarial Accrued Liability (UAAL) is a level percentage of payroll over a period of thirty years on an open group basis. This has been calculated assuming the amortization payment increases at a rate of 2.5% per year.

NOTE 9—SHORT-TERM OBLIGATIONS

The Town issued tax anticipation notes during the year. These borrowings are to assist in the payment of operating expenses during the year and are guaranteed to be repaid from the property tax revenue received in December from the various taxpayers within the Town.

The changes in short-term debt obligations for the year ended December 31, 2012 are as follows:

| | |
|-----------------------------|--------------------|
| Balance - January 1, 2012 | \$ - |
| Additions | 2,800,000 |
| Reductions | <u>(2,800,000)</u> |
| Balance - December 31, 2012 | <u>\$ -</u> |

NOTE 10—LONG-TERM OBLIGATIONS

Changes in Long-Term Obligations

The changes in the Town's long-term obligations for the year ended December 31, 2012 are as follows:

| | Restated Balance 01/01/2012 | Additions | Reductions | Balance 12/31/2012 | Due Within One Year |
|------------------------------|-----------------------------------|---------------------|-----------------------|-----------------------|------------------------|
| Governmental activities: | | | | | |
| Bonds payable | \$ 10,582,400 | \$ 971,000 | \$ (2,772,400) | \$ 8,781,000 | \$ 336,840 |
| Unamortized bond premium | | 29,000 | | 29,000 | 2,956 |
| Capital leases payable | 28,231 | | (15,272) | 12,959 | 12,959 |
| Compensated absences payable | 1,013,868 | 59,500 | (41,685) | 1,031,683 | 13,014 |
| | <u>\$ 11,624,499</u> | <u>\$ 1,059,500</u> | <u>\$ (2,829,357)</u> | <u>\$ 9,854,642</u> | <u>\$ 365,769</u> |

TOWN OF SEABROOK, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2012

Payments on the general obligation bonds and capital leases are paid out of the General Fund. Compensated absences will be paid from the fund where the employee's salary is paid.

General Obligation Bonds

Bonds payable at December 31, 2012 are comprised of the following individual issues:

| | |
|--|---------------------|
| \$6,000,000 Water Treatment Plant bond payable in annual principal installments of \$140,000-\$310,000 through August 2037; interest at 4.0%-5.25% | \$ 5,310,000 |
| \$5,000,000 Water Treatment Plant SRLF bond payable in variable installments through February 2031; interest at 2.864% | 2,500,000 |
| \$1,000,000 Water Treatment Plant bond payable in annual principal installments of \$45,000-\$51,000 through August 2032; interest at 2.75%-4.0% | 971,000 |
| | <u>\$ 8,781,000</u> |

Debt service requirements to retire general obligation bonds outstanding at December 31, 2012 are as follows:

| Year Ending December 31, | Principal | Interest | Totals |
|-----------------------------|---------------------|---------------------|----------------------|
| 2013 | \$ 336,840 | \$ 354,066 | \$ 690,906 |
| 2014 | 348,728 | 337,497 | 686,225 |
| 2015 | 356,699 | 322,289 | 678,988 |
| 2016 | 354,755 | 307,233 | 661,988 |
| 2017 | 367,898 | 292,352 | 660,250 |
| 2018-2022 | 1,739,885 | 1,238,748 | 2,978,633 |
| 2023-2027 | 1,853,127 | 916,843 | 2,769,970 |
| 2028-2032 | 2,023,068 | 545,304 | 2,568,372 |
| 2033-2037 | <u>1,400,000</u> | <u>194,400</u> | <u>1,594,400</u> |
| | 8,781,000 | 4,508,732 | 13,289,732 |
| Add: Bond premium | 29,000 | | 29,000 |
| | <u>\$ 8,810,000</u> | <u>\$ 4,508,732</u> | <u>\$ 13,318,732</u> |

Interest expense for the year ended December 31, 2012 was \$412,502 on general obligation debt for governmental activities and is included in the Statement of Activities (Exhibit B) as interest and fiscal charges.

Capital Lease Obligations

Capital lease obligations represent lease agreements entered into for the financing of equipment acquisitions. These contracts are subject to cancellation should funds not be appropriated to meet payment obligations. Amounts are annually budgeted in the applicable functions. The following are the individual capital lease obligations outstanding at December 31, 2012:

TOWN OF SEABROOK, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2012

| | |
|--|------------------|
| Recreation vehicle, due in annual installments of \$7,515, including interest at 4.13%, through June 2013 | \$ 7,128 |
| Police vehicle, due in annual installments of \$6,224, including interest at 6.75%, through July 2013 | <u>5,831</u> |
| | <u>\$ 12,959</u> |

Debt service requirements to retire capital lease obligations outstanding at December 31, 2012 are as follows:

| Year Ending <u>December 31,</u> | <u>Principal</u> | <u>Interest</u> | <u>Totals</u> |
|------------------------------------|------------------|-----------------|------------------|
| 2013 | <u>\$ 12,959</u> | <u>\$ 780</u> | <u>\$ 13,739</u> |

NOTE 11—INTERFUND BALANCES AND TRANSFERS

The Town has combined the cash resources of several of its governmental funds. For accounting and reporting purposes, that portion of the negative pooled cash balance is reported in the specific fund as an interfund balance. Nonmajor governmental funds had an interfund payable to the General Fund of \$2,467 at December 31, 2012.

During the year, an interfund transaction occurred between funds. The transfer between the General Fund and the Nonmajor Governmental Funds was made in accordance with budgetary authorizations. Nonmajor Governmental Funds transferred \$86,926 to the General Fund for the year end December 31, 2012.

NOTE 12—RESTRICTED NET POSITION

Net position is restricted for specific purposes at December 31, 2012 as follows:

| | |
|-------------------------------------|-------------------|
| Permanent Funds - Endowments | \$ 13,961 |
| Permanent Funds - Income | 95 |
| Drug Forfeiture | 5,838 |
| Other donations | 2,500 |
| Economic Development donations | 16,112 |
| Library donations | 16,289 |
| Road improvement fund contributions | <u>636,283</u> |
| | <u>\$ 691,078</u> |

NOTE 13—COMPONENTS OF FUND BALANCE

The components of the Town's fund balance for its governmental funds at December 31, 2012 are as follows:

TOWN OF SEABROOK, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2012

| <u>Fund Balances</u> | <u>General Fund</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|-------------------------|--|---|
| Nonspendable: | | | |
| Tax deeded property | \$ 26,944 | | \$ 26,944 |
| Prepaid expenses | 136 | | 136 |
| Permanent funds - Endowments | | \$ 13,961 | 13,961 |
| Restricted for: | | | |
| Drug forfeiture | 5,838 | | 5,838 |
| Other donations | 2,500 | | 2,500 |
| Permanent funds - Income | | 95 | 95 |
| Library donations | 16,289 | | 16,289 |
| Economic development donations | 16,112 | | 16,112 |
| Water treatment plant capital project fund | | 1,047,178 | 1,047,178 |
| Road improvement donations | | 636,283 | 636,283 |
| Committed for: | | | |
| Expendable trusts | | 238,155 | 238,155 |
| Capital reserve trust funds | 2,801,803 | | 2,801,803 |
| Recycling | | 136,170 | 136,170 |
| Police special details | | 41,062 | 41,062 |
| Ambulance | | 619,319 | 619,319 |
| Transportation | | 75,395 | 75,395 |
| Recreation | | 53,218 | 53,218 |
| Conservation commission | | 217,650 | 217,650 |
| Subsequent years' expenditures | 115,346 | | 115,346 |
| Assigned for: | | | |
| Encumbrances | 39,613 | | 39,613 |
| Sewer | 937,337 | | 937,337 |
| Water | 789,850 | | 789,850 |
| Library | 605,818 | | 605,818 |
| Unassigned: | | | |
| Unassigned - General operations | 2,244,550 | | 2,244,550 |
| | <u>\$ 7,602,136</u> | <u>\$ 3,078,486</u> | <u>\$ 10,680,622</u> |

NOTE 14—PERFORMANCE DEPOSITS

The Town holds letters of credit from developers until projects have been completed to Town standards. Due to the nature of these deposits, these letters of credit are not included as part of the financial statements. At December 31, 2012, the Town held performance deposits totaling \$446,275.

NOTE 15—TOP TAXPAYERS

The following are the five major property owners as they relate to the assessed property valuation of \$2,652,683,950:

TOWN OF SEABROOK, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2012

| <u>Taxpayer</u> | <u>Property Valuation</u> | <u>Percentage of Total Valuation</u> |
|--|-------------------------------|--|
| Nextera Energy Seabrook LLC | \$ 1,253,544,650 | 47.27% |
| NH Transmission LLC | 70,000,000 | 2.64% |
| Cimarron Realty Trust | 29,049,050 | 1.10% |
| Centro GA Seacoast Shopping Center LLC | 24,834,900 | 0.94% |
| Unitil Energy Systems/Northern Utilities | 20,862,200 | 0.79% |

NOTE 16—RESTATEMENT OF EQUITY

Fund Financial Statements

Governmental Funds

During the year ended December 31, 2012, it was determined that various asset and liability balances within the governmental funds were incorrectly reported. In addition, one fund was not properly categorized.

The impact of the restatements on the governmental funds are as follows:

| | <u>General Fund</u> | <u>Nonmajor Governmental Funds</u> | <u>Total</u> |
|--|-------------------------|--|----------------------|
| Fund Balance - January 1, 2011 (as previously reported) | \$ 10,527,722 | \$ 2,113,528 | \$ 12,641,250 |
| Amount of restatement due to the understatement/(overstatement) of assets: | | | |
| Accounts receivable | 137,057 | | 137,057 |
| Amount of restatement due to the (understatement)/overstatement of liabilities: | | | |
| Deferred revenue | (1,283,321) | | (1,283,321) |
| Restatement of General Fund account previously reported in special revenue fund | 21,532 | (21,532) | - |
| Restatement of special revenue fund previously reported in the General Fund | (805,000) | 805,000 | - |
| Fund Balance - January 1, 2011 (as restated) | <u>\$ 8,597,990</u> | <u>\$ 2,896,996</u> | <u>\$ 11,494,986</u> |

Government-Wide Statements

As a result of the previously referenced adjustments to the governmental funds, the net position in the government-wide statements have been restated. The net position have also been restated due to overstatements and understatements of various assets and liabilities for government-wide purposes.

Net Position of the governmental activities as of January 1, 2011 have been restated as follows:

TOWN OF SEABROOK, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2012

| | Governmental <u>Activities</u> |
|---|-----------------------------------|
| Net Position - January 1, 2011 (as previously reported) | \$ 78,310,484 |
| Amount of restatement due to: | |
| Understatement of accounts receivable | 137,057 |
| Overstatement of capital assets, net | (574,626) |
| Overstatement of capital leases payable | 66,145 |
| Understatement of bonds payable | (5,000,000) |
| Understatement of accrued interest | (90,919) |
| Net Position - January 1, 2011, as restated | <u>\$ 72,848,141</u> |

NOTE 17—CONTINGENCIES

Litigation

The Town's general counsel estimates that any potential claims against the Town, which are not covered by insurance, are immaterial and would not affect the financial position of the Town.

NOTE 18—SUBSEQUENT EVENTS

Tax Anticipation Notes

The Town received drawdowns totaling \$1,100,000 through June 2013 at an interest of 2.74%. Amounts were paid in full as of June 13, 2013. The Town also drew down \$1,000,000 in December 2013 and repaid the balance in full on December 17, 2013.

On December 2, 2013, a new TAN line of credit was established for \$5,443,000. No drawdowns have been received on this line.

SCHEDULE 1
TOWN OF SEABROOK, NEW HAMPSHIRE
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Budgetary Basis) - General Fund
For the Year Ended December 31, 2012

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | Variance with Final Budget - Favorable (Unfavorable) |
|---|-------------------------|---------------------|-----------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| Taxes | \$ 14,326,654 | \$ 14,326,654 | \$ 14,181,870 | \$ (144,784) |
| Licenses and permits | 1,648,324 | 1,648,324 | 1,767,317 | 118,993 |
| Intergovernmental | 629,127 | 629,127 | 608,031 | (21,096) |
| Charges for services | 75,824 | 75,824 | 91,145 | 15,321 |
| Interest income | 13,000 | 13,000 | 16,101 | 3,101 |
| Miscellaneous | 35,935 | 35,935 | 48,923 | 12,988 |
| Total Revenues | <u>16,728,864</u> | <u>16,728,864</u> | <u>16,713,387</u> | <u>(15,477)</u> |
| Expenditures: | | | | |
| Current operations: | | | | |
| General government | 2,759,605 | 3,175,642 | 3,494,390 | (318,748) |
| Public safety | 7,416,718 | 7,125,185 | 6,894,922 | 230,263 |
| Highways and streets | 1,389,229 | 1,356,056 | 1,247,689 | 108,367 |
| Sanitation | 1,316,292 | 1,285,853 | 1,343,503 | (57,650) |
| Water distribution and treatment | 70,500 | 70,500 | 57,695 | 12,805 |
| Health and welfare | 578,520 | 572,549 | 506,897 | 65,652 |
| Culture and recreation | 874,605 | 848,649 | 958,532 | (109,883) |
| Conservation | 5,845 | 5,845 | 1,797 | 4,048 |
| Capital outlay | 722,834 | 626,022 | 581,988 | 44,034 |
| Debt service: | | | | |
| Principal retirement | 272,400 | 272,400 | 272,400 | - |
| Interest and fiscal charges | 461,958 | 461,958 | 443,427 | 18,531 |
| Total Expenditures | <u>15,868,506</u> | <u>15,800,659</u> | <u>15,803,240</u> | <u>(2,581)</u> |
| Excess revenues over (under) expenditures | <u>860,358</u> | <u>928,205</u> | <u>910,147</u> | <u>(18,058)</u> |
| Other financing sources (uses): | | | | |
| Transfers in | 86,534 | 86,534 | 86,926 | 392 |
| Transfers out | <u>(2,814,209)</u> | <u>(2,766,710)</u> | <u>(2,771,710)</u> | <u>(5,000)</u> |
| Total other financing sources (uses) | <u>(2,727,675)</u> | <u>(2,680,176)</u> | <u>(2,684,784)</u> | <u>(4,608)</u> |
| Net change in fund balance | (1,867,317) | (1,751,971) | (1,774,637) | (22,666) |
| Fund balance at beginning of year | | | | |
| - Budgetary Basis | <u>5,124,239</u> | <u>5,124,239</u> | <u>5,124,239</u> | <u>-</u> |
| Fund balance at end of year | | | | |
| - Budgetary Basis | <u>\$ 3,256,922</u> | <u>\$ 3,372,268</u> | <u>\$ 3,349,602</u> | <u>\$ (22,666)</u> |

See accompanying notes to the required supplementary information

SCHEDULE 2
TOWN OF SEABROOK, NEW HAMPSHIRE
Schedule of Funding Progress for Other Post-Employment Benefits
For the Year Ended December 31, 2012

| <u>Actuarial Valuation Date</u> | <u>Actuarial Value of Assets</u> | <u>Actuarial Liability (AAL) - Accrued Projected Unit Cost</u> | <u>Unfunded AAL (UAAL)</u> | <u>Funded Ratio</u> | <u>Covered Payroll</u> | <u>UAAL as a Percentage of Covered Payroll</u> |
|---|--|--|------------------------------------|-------------------------|----------------------------|--|
| 1/1/2009 | \$ - | \$ 2,177,109 | \$ 2,177,109 | 0% | \$ 6,241,665 | 34.9% |

See accompanying notes to the required supplementary information

TOWN OF SEABROOK, NEW HAMPSHIRE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2012

NOTE 1—BUDGET TO ACTUAL RECONCILIATION

General Fund

Amounts recorded as budgetary amounts in the Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budgetary Basis) – General Fund (Schedule 1) are reported on the basis budgeted by the Town. Those amounts differ from those reported in conformity with accounting principles generally accepted in the United States of America in the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds (Exhibit D). Property tax budgetary revenues are recognized when levied rather than when susceptible to accrual. Budgetary revenues and other financing sources and expenditures and other financing uses were adjusted for non-budgetary activity, budgetary transfers in and out and encumbrances as follows:

| | Revenues and Other Financing <u>Sources</u> | Expenditures and Other Financing <u>Uses</u> |
|---|--|---|
| Per Exhibit D | \$ 18,614,454 | \$ 19,610,308 |
| Difference in property taxes meeting susceptible to accrual criteria | (329,033) | |
| Non-budgetary activity | (1,485,108) | (3,818,598) |
| Budgetary transfers in and out | | 2,771,710 |
| Encumbrances - December 31, 2011 | | (14,175) |
| Encumbrances - December 31, 2012 | | <u>25,705</u> |
| Per Schedule 1 | <u>\$ 16,800,313</u> | <u>\$ 18,574,950</u> |

NOTE 2— BUDGETARY FUND BALANCE

The components of the budgetary fund balance for the General Fund at December 31, 2012 are as follows:

| | |
|---------------------------------|---------------------|
| <i>Nonspendable:</i> | |
| Tax deeded property | \$ 26,944 |
| Prepaid expenses | 136 |
| <i>Restricted for:</i> | |
| Drug forfeiture funds | 5,838 |
| Donations | 2,500 |
| <i>Committed for:</i> | |
| Subsequent years' expenditures | 115,346 |
| <i>Unassigned:</i> | |
| Unassigned - General operations | <u>3,198,838</u> |
| | <u>\$ 3,349,602</u> |

TOWN OF SEABROOK, NEW HAMPSHIRE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
December 31, 2012

NOTE 3—OVERDRAFT OF APPROPRIATIONS

During the year ended December 31, 2012, the Town overdrafted its statutory appropriations by \$2,581.

NOTE 4—SCHEDULE OF FUNDING PROGRESS FOR OTHER POST-EMPLOYMENT BENEFITS

In accordance with GASB Statement #45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*, the Town is required to disclose the schedule of funding progress for each of the three most recent actuarial valuations. The Town implemented the provisions of GASB Statement #45 during the year ended December 31, 2009. Accordingly, the funding progress has only been presented for the most recent actuarial valuation report. Additional disclosures will be made as the information becomes available.

SCHEDULE A
TOWN OF SEABROOK, NEW HAMPSHIRE
Combining Balance Sheet
Governmental Funds - All Nonmajor Funds
December 31, 2012

| | Special Revenue Funds | Water Treatment Plant Project Fund | Permanent Funds | Combining Totals |
|---|-----------------------------|--|--------------------|---------------------|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 1,834,540 | \$ 1,148,502 | | \$ 2,983,042 |
| Investments | | | \$ 14,056 | 14,056 |
| Accounts receivable, net | 198,130 | | | 198,130 |
| Due from other governments | <u>2,467</u> | | | <u>2,467</u> |
| Total Assets | <u>2,035,137</u> | <u>1,148,502</u> | <u>14,056</u> | <u>3,197,695</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Total Deferred Outflows of Resources | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Assets and Deferred Outflows of Resources | <u>\$ 2,035,137</u> | <u>\$ 1,148,502</u> | <u>\$ 14,056</u> | <u>\$ 3,197,695</u> |
| LIABILITIES | | | | |
| Accounts payable | \$ 10,663 | \$ 101,324 | | \$ 111,987 |
| Accrued expenses | 4,755 | | | 4,755 |
| Due to other funds | <u>2,467</u> | | | <u>2,467</u> |
| Total Liabilities | <u>17,885</u> | <u>101,324</u> | <u>\$ -</u> | <u>119,209</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Total Deferred Inflows of Resources | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| FUND BALANCES | | | | |
| Nonspendable | | | 13,961 | 13,961 |
| Restricted | 636,283 | 1,047,178 | 95 | 1,683,556 |
| Committed | <u>1,380,969</u> | | | <u>1,380,969</u> |
| Total Fund Balances | <u>2,017,252</u> | <u>1,047,178</u> | <u>14,056</u> | <u>3,078,486</u> |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | <u>\$ 2,035,137</u> | <u>\$ 1,148,502</u> | <u>\$ 14,056</u> | <u>\$ 3,197,695</u> |

SCHEDULE A-1
TOWN OF SEABROOK, NEW HAMPSHIRE
Combining Balance Sheet
Governmental Funds - All Nonmajor Special Revenue Funds
December 31, 2012

| | Road Improvement Fund | Recycling Revolving Fund | Police Special Detail Revolving Fund | Ambulance Revolving Fund | Transportation Fund | Recreation Revolving Fund | Conservation Commission Fund | Grant Fund | Expendable Trust Fund | Total Nonmajor Special Revenue Funds |
|---|-----------------------------|--------------------------------|--|--------------------------------|------------------------|---------------------------------|------------------------------------|-----------------|-----------------------------|--|
| ASSETS | | | | | | | | | | |
| Cash and cash equivalents | \$ 636,283 | \$ 136,946 | \$ 16,014 | \$ 455,787 | \$ 75,395 | \$ 58,310 | \$ 217,650 | | \$ 238,155 | \$ 1,834,540 |
| Accounts receivable, net | | | 29,027 | 169,103 | | | | | | 198,130 |
| Due from other governments | | | | | | | | \$ 2,467 | | 2,467 |
| Total Assets | <u>636,283</u> | <u>136,946</u> | <u>45,041</u> | <u>624,890</u> | <u>75,395</u> | <u>58,310</u> | <u>217,650</u> | <u>2,467</u> | <u>238,155</u> | <u>2,035,137</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | | | | | | |
| Total Deferred Outflows of Resources | - | - | - | - | - | - | - | - | - | - |
| Total Assets and Deferred Outflows of Resources | <u>\$ 636,283</u> | <u>\$ 136,946</u> | <u>\$ 45,041</u> | <u>\$ 624,890</u> | <u>\$ 75,395</u> | <u>\$ 58,310</u> | <u>\$ 217,650</u> | <u>\$ 2,467</u> | <u>\$ 238,155</u> | <u>\$ 2,035,137</u> |
| LIABILITIES | | | | | | | | | | |
| Accounts payable | | | | \$ 5,571 | | \$ 5,092 | | | | \$ 10,663 |
| Accrued expenses | | \$ 776 | \$ 3,979 | | | | | | | 4,755 |
| Due to other funds | | | | | | | | \$ 2,467 | | 2,467 |
| Total Liabilities | <u>\$ -</u> | <u>776</u> | <u>3,979</u> | <u>5,571</u> | <u>\$ -</u> | <u>5,092</u> | <u>\$ -</u> | <u>2,467</u> | <u>\$ -</u> | <u>17,885</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | | | | | | |
| Total Deferred Inflows of Resources | - | - | - | - | - | - | - | - | - | - |
| FUND BALANCES | | | | | | | | | | |
| Restricted | 636,283 | | | | | | | | | 636,283 |
| Committed | | 136,170 | 41,062 | 619,319 | 75,395 | 53,218 | 217,650 | | 238,155 | 1,380,969 |
| Total Fund Balances | <u>636,283</u> | <u>136,170</u> | <u>41,062</u> | <u>619,319</u> | <u>75,395</u> | <u>53,218</u> | <u>217,650</u> | <u>-</u> | <u>238,155</u> | <u>2,017,252</u> |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | <u>\$ 636,283</u> | <u>\$ 136,946</u> | <u>\$ 45,041</u> | <u>\$ 624,890</u> | <u>\$ 75,395</u> | <u>\$ 58,310</u> | <u>\$ 217,650</u> | <u>\$ 2,467</u> | <u>\$ 238,155</u> | <u>\$ 2,035,137</u> |

SCHEDULE B
TOWN OF SEABROOK, NEW HAMPSHIRE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds - All Nonmajor Funds
For the Year Ended December 31, 2012

| | Special Revenue Funds | Water Treatment Plant Project Fund | Permanent Funds | Combining Totals |
|---|-----------------------------|--|--------------------|---------------------|
| Revenues: | | | | |
| Licenses and permits | \$ 24,655 | | | \$ 24,655 |
| Intergovernmental | 8,295 | | | 8,295 |
| Charges for services | 605,514 | | | 605,514 |
| Interest and investment income | 1,745 | \$ 1,432 | \$ 927 | 4,104 |
| Miscellaneous | 460,642 | 40,749 | | 501,391 |
| Total Revenues | <u>1,100,851</u> | <u>42,181</u> | <u>927</u> | <u>1,143,959</u> |
| Expenditures: | | | | |
| Current operations: | | | | |
| Public safety | 508,146 | | | 508,146 |
| Highways and streets | 202,583 | | | 202,583 |
| Sanitation | 23,071 | | | 23,071 |
| Culture and recreation | 40,275 | | | 40,275 |
| Conservation | 626 | | | 626 |
| Capital outlay | 1,299 | 1,099,543 | | 1,100,842 |
| Total Expenditures | <u>776,000</u> | <u>1,099,543</u> | <u>-</u> | <u>1,875,543</u> |
| Excess revenues over expenditures | <u>324,851</u> | <u>(1,057,362)</u> | <u>927</u> | <u>(731,584)</u> |
| Other financing sources (uses): | | | | |
| Proceeds from bond issuance | | 1,000,000 | | 1,000,000 |
| Transfers out | (86,524) | | (402) | (86,926) |
| Total other financing sources (uses) | <u>(86,524)</u> | <u>1,000,000</u> | <u>(402)</u> | <u>913,074</u> |
| Net change in fund balances | 238,327 | (57,362) | 525 | 181,490 |
| Fund balances at beginning of year, as restated | <u>1,778,925</u> | <u>1,104,540</u> | <u>13,531</u> | <u>2,896,996</u> |
| Fund balances at end of year | <u>\$ 2,017,252</u> | <u>\$ 1,047,178</u> | <u>\$ 14,056</u> | <u>\$ 3,078,486</u> |

SCHEDULE B-1

TOWN OF SEABROOK, NEW HAMPSHIRE

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds - All Nonmajor Special Revenue Funds

For the Year Ended December 31, 2012

| | Road Improvement Fund | Recycling Revolving Fund | Police Special Detail Revolving Fund | Ambulance Revolving Fund | Transportation Fund | Recreation Revolving Fund | Conservation Commission Fund | Grant Fund | Expendable Trust Fund | Total Nonmajor Special Revenue Funds |
|---|-----------------------------|--------------------------------|--|--------------------------------|------------------------|---------------------------------|------------------------------------|---------------|-----------------------------|--|
| Revenues: | | | | | | | | | | |
| Licenses and permits | | | | | \$ 24,655 | | | | | \$ 24,655 |
| Intergovernmental | | | | | | | | \$ 8,295 | | 8,295 |
| Charges for services | | \$ 57,569 | \$ 221,449 | \$ 301,290 | | \$ 25,206 | | | | 605,514 |
| Interest and investment income | | 135 | | 461 | 85 | 63 | \$ 194 | | \$ 807 | 1,745 |
| Miscellaneous | \$ 33,866 | | | 181 | | 19,087 | 50,125 | | 357,383 | 460,642 |
| Total Revenues | <u>33,866</u> | <u>57,704</u> | <u>221,449</u> | <u>301,932</u> | <u>24,740</u> | <u>44,356</u> | <u>50,319</u> | <u>8,295</u> | <u>358,190</u> | <u>1,100,851</u> |
| Expenditures: | | | | | | | | | | |
| Current operations: | | | | | | | | | | |
| Public safety | | | 202,359 | 177,457 | | | | 8,295 | 120,035 | 508,146 |
| Highways and streets | 202,583 | | | | | | | | | 202,583 |
| Sanitation | | 23,071 | | | | | | | | 23,071 |
| Culture and recreation | | | | | | 40,275 | | | | 40,275 |
| Conservation | | | | | | | 626 | | | 626 |
| Capital outlay | | | | 1,299 | | | | | | 1,299 |
| Total Expenditures | <u>202,583</u> | <u>23,071</u> | <u>202,359</u> | <u>178,756</u> | <u>-</u> | <u>40,275</u> | <u>626</u> | <u>8,295</u> | <u>120,035</u> | <u>776,000</u> |
| Excess revenues over (under) expenditures | <u>(168,717)</u> | <u>34,633</u> | <u>19,090</u> | <u>123,176</u> | <u>24,740</u> | <u>4,081</u> | <u>49,693</u> | <u>-</u> | <u>238,155</u> | <u>324,851</u> |
| Other financing sources (uses): | | | | | | | | | | |
| Transfers out | | | | | (86,524) | | | | | (86,524) |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(86,524)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(86,524)</u> |
| Net change in fund balances | (168,717) | 34,633 | 19,090 | 123,176 | (61,784) | 4,081 | 49,693 | - | 238,155 | 238,327 |
| Fund balances at beginning of year, as restated | 805,000 | 101,537 | 21,972 | 496,143 | 137,179 | 49,137 | 167,957 | - | - | 1,778,925 |
| Fund balances at end of year | <u>\$ 636,283</u> | <u>\$ 136,170</u> | <u>\$ 41,062</u> | <u>\$ 619,319</u> | <u>\$ 75,395</u> | <u>\$ 53,218</u> | <u>\$ 217,650</u> | <u>\$ -</u> | <u>\$ 238,155</u> | <u>\$ 2,017,252</u> |

SCHEDULE C
TOWN OF SEABROOK, NEW HAMPSHIRE
Combining Statement of Fiduciary Net Position
Fiduciary Funds - All Agency Funds
December 31, 2012

| | School Agency <u>Funds</u> | Escrow Agency <u>Fund</u> | Combining <u>Totals</u> |
|---------------------------|----------------------------------|---------------------------------|----------------------------|
| ASSETS | | | |
| Cash and cash equivalents | | \$ 2,379,108 | \$ 2,379,108 |
| Investments | \$ 181,312 | | <u>181,312</u> |
| Total Assets | <u>\$ 181,312</u> | <u>\$ 2,379,108</u> | <u>\$ 2,560,420</u> |
| LIABILITIES | | | |
| Due to other governments | \$ 181,312 | | \$ 181,312 |
| Deposits | | \$ 2,379,108 | <u>2,379,108</u> |
| Total Liabilities | <u>\$ 181,312</u> | <u>\$ 2,379,108</u> | <u>\$ 2,560,420</u> |