

**TOWN OF SEABROOK,
NEW HAMPSHIRE**

ANNUAL FINANCIAL REPORT

**AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2016**

TOWN OF SEABROOK, NEW HAMPSHIRE
ANNUAL FINANCIAL REPORT
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DECEMBER 31, 2016

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PLODZIK & SANDERSON

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, major fund, and aggregate remaining fund information of the Town of Seabrook as of and for the year ended December 31, 2016, 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, major fund, and aggregate remaining fund information of the Town of Seabrook, as of December 31, 2016, and the respective changes in financial position and, the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information - Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (page 3-11), Schedule of Funding Progress for Other Postemployment Benefit Plan (page 43), the Schedule of Town's Proportionate Share of Net Pension Liability (page 44), and the Schedule of Town Contributions (page 45) 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

***Town of Seabrook
Independent Auditor's Report***

the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information – Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Seabrook's basic financial statements. The combining and individual fund schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

December 12, 2017

*Plodzik & Sanderson
Professional Association*

Management's Discussion and Analysis For the Fiscal Year 2016

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

Financial Highlights:

- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the most recent year-end by \$56,888,730 (*net position*).
- The Town's change in net position was an decrease of \$4,140,123.
- At the close of the current year, the Town's governmental funds reported a combined ending fund balance of \$15,233,824. Approximately 53% (\$8,055,478) of this total amount is available for spending at the Town's discretion (*unassigned fund balance*).
- At the end of the current year, unassigned fund balance for the General Fund is \$8,090,923, which is an decrease of 8.1% (\$715,066) in relationship to the 2015 year-end balance.

Overview of the Financial Statements:

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements include four components: 1) government-wide financial statements; 2) fund financial statements; 3) notes to the financial statements; and 4) required supplementary information. In addition to the basic financial statements, this report contains other supplementary information.

Government-wide financial statements

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

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

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

The Town participates in governmental activities and does not currently participate in any business type activities. The governmental activities in this section represent most of the Town's basic services and are generally supported by taxes, grants, and intergovernmental revenues. The governmental activities of the Town include general government, public safety, highway and streets, sanitation, water distribution and treatment, health, welfare, culture and recreation, conservation, and economic development.

The government-wide financial statements can be found on pages 12-13 of this report.

Fund financial statements

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

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

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

The Town maintains eleven individual governmental funds. Information is presented separately in the *Governmental Fund Balance Sheet* and in the *Statement of Revenues, Expenditures and Changes in Fund Balances* for the General Fund. The General Fund accounts for governmental services provided to the Town's residents. Data from the other governmental funds are combined into a single, aggregated presentation termed Other Governmental Funds.

The Town's governmental fund financial statements can be found on pages 14-17.

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

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

- **Agency Funds:** These funds account for the resources held in a purely custodial capacity. This fund reports information on developers' performance bonds held by the Town's Treasurer and also two funds

that are held by the Trustee of the Trust Funds, which are for School Maintenance and School Special Education Needs.

The Town’s fiduciary funds statements can be found on pages 19-20 of this report.

Notes to the financial statements

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

The notes to the financial statements begin on page 21.

Required supplementary information: The basic financial statements and accompanying notes are followed by a section of required supplementary information. This section includes a Schedule of Funding Progress for Other Postemployment Benefit Plan, Schedule of the Town’s Proportionate Share of Net Pension Liability and the Schedule of Town Contributions.

Other supplementary information: Other supplementary information includes the combining and financial schedules for the general and other (non-major) governmental funds.

Government-wide Financial Analysis:

The following table reflects a condensed summary of Net Assets compared to the prior year. More detailed information can be found on page 12 of this report.

| Town of Seabrook | | |
|--|----------------------------|----------------------|
| Net Assets as of December 31, 2016 and 2015 | | |
| | Governmental Activities | |
| | <u>2016</u> | <u>2015</u> |
| Current and other assets | \$ 27,864,486 | \$ 26,303,678 |
| Capital assets, net | 59,741,551 | 65,357,543 |
| Total assets | <u>87,606,037</u> | <u>91,661,221</u> |
| Related to Pensions | 4,852,125 | 954,792 |
| Total Deferred outflow of resources | <u>4,852,125</u> | <u>954,792</u> |
| Current liabilities | 8,456,222 | 9,296,105 |
| Long-term liabilities | 26,525,255 | 21,299,848 |
| Total liabilities | <u>34,981,477</u> | <u>30,595,953</u> |
| Related to pensions | 566,127 | 990,942 |
| Unavailable Revenue – Prop Tax | 21,563 | 0 |
| Unavailable Revenue - grants | 265 | 265 |
| Total Deferred inflow or resources | <u>587,955</u> | <u>991,207</u> |
| Net assets: | | |
| Net investment | | |
| In capital assets | 55,021,947 | 57,594,160 |
| Restricted | 2,020,436 | 2,350,148 |
| Unrestricted | -153,653 | 1,084,545 |
| Total net position | <u>\$ 56,888,730</u> | <u>\$ 61,028,853</u> |

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$56,888,730 as of December 31, 2016.

The Town's capital assets, net of related debt, at the end of 2016 were \$55,021,947. Capital assets are items such as land, buildings, equipment, and infrastructure (roads and bridges). This portion of the Town's net position (96.72%) reflects its investment in capital assets, less any related debt used to acquire those assets. The Town uses these capital assets to provide services to its citizens. Consequently, these assets are not available for future spending.

Long-term liabilities increased by \$5,225,407. This was due to the following factors: a decrease in bond debt of \$356,205; a decrease in capital leases of \$18,438; and a decrease in compensated absences (vested sick leave and accrued vacation leave) of \$582, an increase in capital leases of \$176,138, an increase in other post employment benefits of \$117,277; and an increase of \$5,307,217 in net pension liability.

The Town reported \$14,683 in net position restricted for perpetual care. These represent the permanent funds for which the principal cannot be spent and the income is used for Town purposes. And the Town also reported \$2,005,753 which is restricted for the road improvements, donations, drug forfeiture, library, and capital project.

The balance of unrestricted net position totaling -\$153,653. The unrestricted net position represents - 7.6% of the Town's total net.

Net position

Net investment in Capital Assets: The largest portion of the Town's net position (96.72%) reflects its net investment in capital assets.

Restricted Net Position: Only 7.1% of the Town's net position represents resources that are subject to external restrictions on how they may be used.

Unrestricted Net Position: The remaining -3.82% of the Town's total net position falls into this category. Internally imposed designations of resources are not presented as restricted net position. At the end of the year, the Town did have a negative balance in unrestricted net position.

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

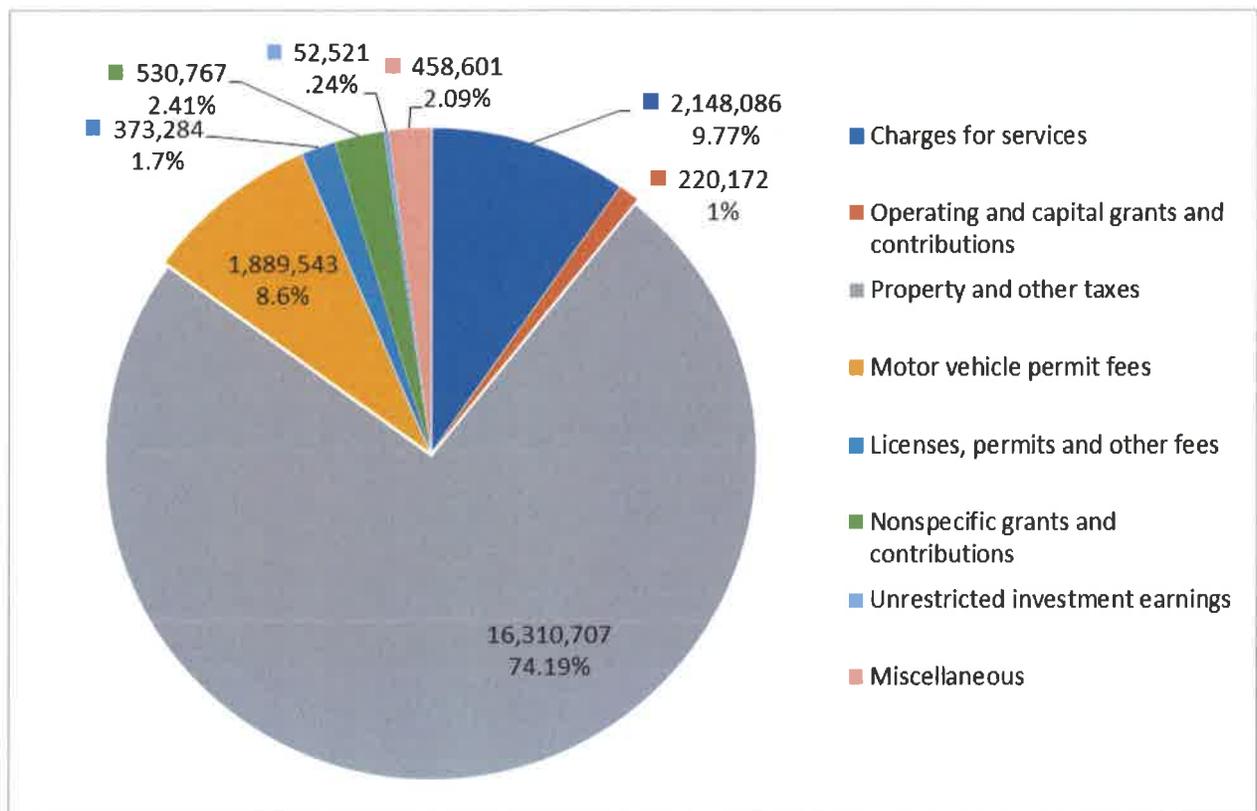
| Town of Seabrook | | |
|--|----------------------------|----------------------|
| Changes in Net Position for year ended December 31, 2016 and 2015 | | |
| | Governmental Activities | |
| Revenues | 2016 | 2015 |
| Program revenues: | | |
| Charges for services | \$ 2,148,086 | \$ 3,681,968 |
| Operating grants and contributions | 220,172 | 174,179 |
| Capital grants and contributions | 0 | 100,153 |
| General revenues: | | |
| Property and other taxes | 16,310,707 | 17,300,804 |
| Motor vehicle permit fees | 1,889,543 | 1,820,476 |
| Licenses, permits and other fees | 373,284 | 441,482 |
| Grants and contributions not restricted to specific programs | 530,767 | 472,750 |
| Unrestricted investment earnings | 52,521 | 31,952 |
| Miscellaneous | 458,601 | 1,492,011 |
| Total revenues | \$ 21,983,681 | \$ 25,515,775 |
| Expenses | | |
| General governmental | \$ 3,534,307 | \$ 3,448,348 |
| Public safety | 10,321,208 | 9,487,269 |
| Highways and streets | 2,410,318 | 2,186,375 |
| Sanitation | 4,442,766 | 4,106,446 |
| Water distributions and treatments | 2,937,938 | 3,084,840 |
| Health | 212,822 | 211,489 |
| Welfare | 307,126 | 366,099 |
| Culture and recreation | 1,641,584 | 1,507,417 |
| Conservation | 8,771 | 22,714 |
| Capital Outlay | 0 | 271,721 |
| Interest on long-term debt | 306,964 | 318,700 |
| Total expenses | \$ 26,123,804 | \$ 25,010,881 |
| Increase (Decrease) in net position | (4,140,123) | 504,894 |
| Net position, beginning of year as restated | 61,028,853 | 60,523,959 |
| Net position, end of year | \$ 56,888,730 | \$ 61,028,853 |

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

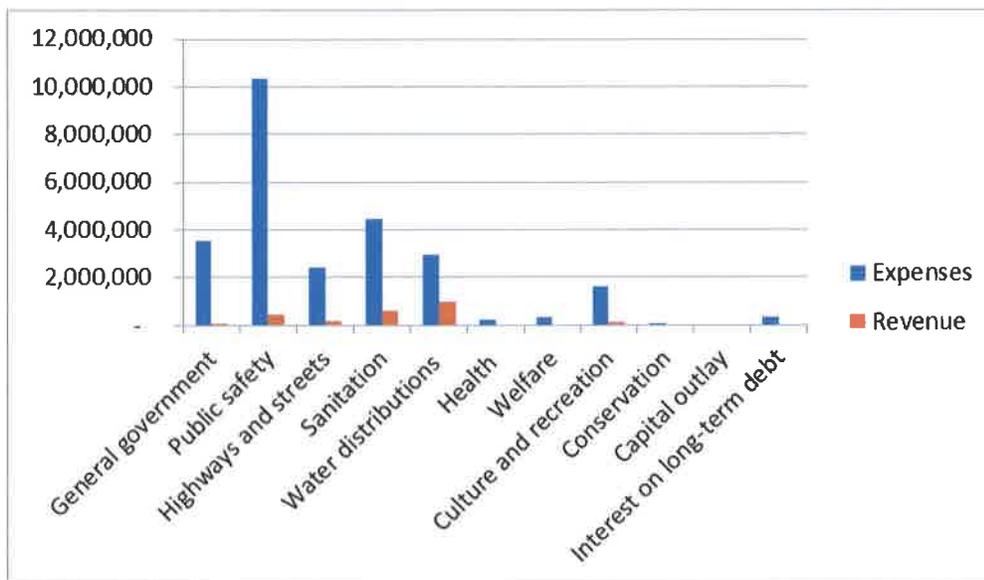
Governmental Activities

Net position decreased in 2016 by \$4,140,123. This decrease was due mainly to revenue reduction.

The total cost of Governmental activities this year was \$26,123,804. However, as shown in the Statement of Activities, the amount that our taxpayers ultimately financed for these activities through Town property taxes was only \$16,310,707. The overall tax rate in 2016 remained the same as 2015 (\$14.79/\$1000). Those who directly benefited from the programs paid \$2,148,086, and other governments and organizations subsidized certain programs in the amount of \$220,172. The Town paid for the remaining governmental activities with \$3,304,716 in revenues not specifically targeted for specific programs. These revenues are known as general revenues, such as: other taxes, interest, miscellaneous, motor vehicle permit fees, and other licenses and permits.



Expense and Program Revenues – Governmental Activities



The Town's expenses cover a range of services. The largest expenses were for Public Safety, which accounts for 39.51% of total expenses. Public safety is made up of police, fire, building inspections, and emergency services.

Financial Analysis of the Town's Funds:

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

Governmental funds

The governmental fund financial statements for the Town are provided on pages 14-17. The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year.

At the end of the current year, the Town's governmental funds reported a combined ending fund balance of \$15,233,824, which decreased \$1,526,327 from the prior year. Of the \$15,233,824 in combined ending fund balance, \$7,178,346 has been designated for specific uses. The remaining fund balance of \$8,055,478 is considered unassigned and is available for spending at the Town's discretion subject to budgetary controls.

The General Fund is the primary operating fund of the Town. At the end of the current year the unassigned fund balance of the General Fund was \$8,090,923. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund expenditures.

Unassigned fund balance represents 35.5% of total General Fund expenditures, while total fund balance represents 58.3% of that same amount.

The unassigned fund balance of the Town's General Fund decreased by \$656,179, or 7.2%, from the prior year. Key factors in this change are as follows:

| | |
|---|-------------------------|
| Unassigned fund balance used to offset tax rate | 2,575,000 |
| Excess of revenues over budget estimates | 1,511,052 |
| Increase in fund balance non-spendable | (57,324) |
| Increase in fund balance restricted | (8,820) |
| Decrease in fund balance committed | <u>473,913</u> |
| Total | <u><u>\$656,179</u></u> |

Capital Assets and Long-Term Liabilities:

Capital assets

The Town's capital assets for its governmental activities as of December 31, 2016 are \$63,589,300 net of accumulated depreciation. This investment in capital assets includes land, construction in progress, buildings and building improvements, improvements other than buildings, equipment and vehicles, and infrastructure.

Capital Assets

| | <u>2016</u> | <u>Restated</u> <u>2015</u> |
|-----------------------------------|-----------------------------|--------------------------------|
| Land | \$ 3,811,948 | \$ 3,811,948 |
| Buildings and improvements | 39,589,872 | 38,941,414 |
| Improvements other than buildings | 1,056,573 | 1,056,573 |
| Equipment and vehicles | 9,236,255 | 8,858,540 |
| Construction in progress | 35,801 | 35,801 |
| Infrastructure | <u>73,259,886</u> | <u>72,956,759</u> |
| Total | 126,990,335 | 125,661,035 |
| Accumulated Depreciation | <u>(63,401,035)</u> | <u>(60,303,492)</u> |
| Total Capital Assets | <u><u>\$ 63,589,300</u></u> | <u><u>\$ 65,357,543</u></u> |

Debt administration and Long-Term Liabilities

Additional information on the long-term liabilities can be found in Note ___ in the Notes to the Basic Financial Statements.

Long-term Liabilities Payable as of December 31, 2016

| | | |
|---|-----------|--------------------------|
| Long-term Liabilities Payable as of 2015 | \$ | 21,299,848 |
| Additional Debt | | 5,600,632 |
| Debt retired | | <u>-375,225</u> |
| Long-term Liabilities Payable as of 2015 | \$ | <u>26,525,255</u> |

Economic Factors and the Future:

New Hampshire Employment Security reports Seabrook's unemployment rate for June 2017 at 3.6%, the State's unemployment rate at 2.7%. The National unemployment rate is at 4.5%. These same rates for July, 2016 were 4.3%, 2.8%, and 4.5% respectively.

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

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

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

Requests for Information:

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

BASIC FINANCIAL STATEMENTS

EXHIBIT A
TOWN OF SEABROOK, NEW HAMPSHIRE
Statement of Net Position
December 31, 2016

| | Governmental Activities |
|---|----------------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 19,894,725 |
| Investments | 1,893,151 |
| Taxes receivables (net) | 1,314,702 |
| Account receivables (net) | 803,552 |
| Prepaid items | 80,893 |
| Tax deeded property, subject to resale | 29,714 |
| Capital assets: | |
| Land and construction in progress | 3,847,749 |
| Other capital assets, net of depreciation | 59,741,551 |
| Total assets | 87,606,037 |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Related to pensions | 4,852,125 |
| LIABILITIES | |
| Accounts payable | 283,598 |
| Accrued salaries and benefits | 288,679 |
| Retainage payable | 8,060 |
| Accrued interest payable | 113,220 |
| Intergovernmental payable | 7,762,665 |
| Long-term liabilities: | |
| Due within one year | 1,039,185 |
| Due in more than one year | 25,486,070 |
| Total liabilities | 34,981,477 |
| DEFERRED INFLOWS OF RESOURCES | |
| Related to pensions | 566,127 |
| Unavailable revenue - Property taxes | 21,563 |
| Unavailable revenue - Grants | 265 |
| Total deferred inflows of resources | 587,955 |
| NET POSITION | |
| Net investment in capital assets | 55,021,947 |
| Restricted | 2,020,436 |
| Unrestricted | (153,653) |
| Total net position | \$ 56,888,730 |

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

EXHIBIT B
TOWN OF SEABROOK, NEW HAMPSHIRE
Statement of Activities
For the Fiscal Year Ended December 31, 2016

| | Expenses | Program Revenues | | Net (Expense) Revenue and Change In Net Position |
|--|----------------------|----------------------------|--|---|
| | | Charges for Services | Operating Grants and Contributions | |
| General government | \$ 3,534,307 | \$ 23,494 | \$ - | \$ (3,510,813) |
| Public safety | 10,321,208 | 411,301 | 46,018 | (9,863,889) |
| Highways and streets | 2,410,318 | - | 174,154 | (2,236,164) |
| Sanitation | 4,442,766 | 608,667 | - | (3,834,099) |
| Water distribution and treatment | 2,937,938 | 1,000,535 | - | (1,937,403) |
| Health | 212,822 | - | - | (212,822) |
| Welfare | 307,126 | - | - | (307,126) |
| Culture and recreation | 1,641,584 | 104,089 | - | (1,537,495) |
| Conservation | 8,771 | - | - | (8,771) |
| Interest on long-term debt | 306,964 | - | - | (306,964) |
| Total governmental activities | <u>\$ 26,123,804</u> | <u>\$ 2,148,086</u> | <u>\$ 220,172</u> | <u>(23,755,546)</u> |
| General revenues: | | | | |
| Taxes: | | | | |
| Property | | | | 16,119,152 |
| Other | | | | 191,555 |
| Motor vehicle permit fees | | | | 1,889,543 |
| Licenses and other fees | | | | 373,284 |
| Grants and contributions not restricted to specific programs | | | | 530,767 |
| Unrestricted investment earnings | | | | 52,521 |
| Miscellaneous | | | | 458,601 |
| Total general revenues | | | | <u>19,615,423</u> |
| Change in net position | | | | (4,140,123) |
| Net position, beginning | | | | 61,028,853 |
| Net position, ending | | | | <u>\$ 56,888,730</u> |

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

EXHIBIT C-1
TOWN OF SEABROOK, NEW HAMPSHIRE
Governmental Funds
Balance Sheet
December 31, 2016

| | General | Other Governmental Funds | Total Governmental Funds |
|--|----------------------|--------------------------------|--------------------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 16,142,679 | \$ 1,708,015 | \$ 17,850,694 |
| Investments | 4,968 | 14,415 | 19,383 |
| Accounts receivable | 386,856 | 416,696 | 803,552 |
| Taxes receivable | 1,329,702 | - | 1,329,702 |
| Interfund receivable | 23,090 | - | 23,090 |
| Prepaid items | 80,893 | - | 80,893 |
| Tax deeded property, subject to resale | 29,714 | - | 29,714 |
| Restricted assets: | | | |
| Cash and cash equivalents | 2,044,031 | - | 2,044,031 |
| Investments | 1,873,768 | - | 1,873,768 |
| Total assets | <u>\$ 21,915,701</u> | <u>\$ 2,139,126</u> | <u>\$ 24,054,827</u> |
| LIABILITIES | | | |
| Accounts payable | \$ 272,819 | \$ 10,779 | \$ 283,598 |
| Accrued salaries and benefits | 277,228 | 11,451 | 288,679 |
| Due to other governments | 7,762,665 | - | 7,762,665 |
| Interfund payable | - | 23,090 | 23,090 |
| Retainage payable | 8,060 | - | 8,060 |
| Total liabilities | <u>8,320,772</u> | <u>45,320</u> | <u>8,366,092</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Unavailable revenue - Property taxes | 454,646 | - | 454,646 |
| Unavailable revenue - Grants | - | 265 | 265 |
| Total deferred inflows of resources | <u>454,646</u> | <u>265</u> | <u>454,911</u> |
| FUND BALANCES (DEFICIT) | | | |
| Nonspendable | 110,607 | 12,695 | 123,302 |
| Restricted | 2,026,140 | 500,669 | 2,526,809 |
| Committed | 2,577,513 | 1,615,622 | 4,193,135 |
| Assigned | 335,100 | - | 335,100 |
| Unassigned (deficit) | 8,090,923 | (35,445) | 8,055,478 |
| Total fund balances | <u>13,140,283</u> | <u>2,093,541</u> | <u>15,233,824</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 21,915,701</u> | <u>\$ 2,139,126</u> | <u>\$ 24,054,827</u> |

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

EXHIBIT C-2
TOWN OF SEABROOK, NEW HAMPSHIRE
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
December 31, 2016

| | | |
|--|---------------------|----------------------|
| Amounts reported for governmental activities in the Statement of Net Position are different because: | | |
| Total fund balances of governmental funds (Exhibit C-1) | | \$ 15,233,824 |
| Capital assets used in governmental activities are not financial resources, therefore, are not reported in the funds. | | |
| Cost | \$ 126,990,335 | |
| Less accumulated depreciation | <u>(63,401,035)</u> | 63,589,300 |
| Certain items are not current financial resources in the governmental funds, but instead are reported in the Statement of Net Position. | | |
| Deferred outflows of resources related to pensions | \$ 4,852,125 | |
| Deferred inflows of resources related to pensions | <u>(566,127)</u> | 4,285,998 |
| Interfund receivables and payables between governmental funds are eliminated on the Statement of Net Position. | | |
| Receivables | \$ (23,090) | |
| Payables | <u>23,090</u> | - |
| Long term revenue (taxes) is not available to pay current-period expenditures and therefore, are reported as deferred inflows in the governmental funds. | | 433,083 |
| Allowance for uncollectible property taxes that is recognized on a full accrual basis, but not on the modified accrual basis. | | (15,000) |
| Interest on long-term debt is not accrued in governmental funds. | | |
| Accrued interest payable | | (113,220) |
| Long-term liabilities are not due and payable in the current period, therefore, are not reported in the funds. | | |
| Bonds | \$ 7,383,978 | |
| Unamortized bond premium | 23,200 | |
| Capital leases | 1,160,175 | |
| Compensated absences | 925,312 | |
| Other postemployment benefits | 1,058,408 | |
| Net pension liability | <u>15,974,182</u> | <u>(26,525,255)</u> |
| Net position of governmental activities (Exhibit A) | | <u>\$ 56,888,730</u> |

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

EXHIBIT C-3
TOWN OF SEABROOK, NEW HAMPSHIRE
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended December 31, 2016

| | General | Other Governmental Funds | Total Governmental Funds |
|---|----------------------|--------------------------------|--------------------------------|
| REVENUES | | | |
| Taxes | \$ 16,272,327 | \$ - | \$ 16,272,327 |
| Licenses and permits | 2,209,102 | 53,725 | 2,262,827 |
| Intergovernmental | 704,921 | 46,018 | 750,939 |
| Charges for services | 1,673,757 | 474,329 | 2,148,086 |
| Miscellaneous | 450,546 | 40,069 | 490,615 |
| Total revenues | <u>21,310,653</u> | <u>614,141</u> | <u>21,924,794</u> |
| EXPENDITURES | | | |
| Current: | | | |
| General government | 3,408,203 | - | 3,408,203 |
| Public safety | 8,781,669 | 524,731 | 9,306,400 |
| Highways and streets | 1,905,495 | - | 1,905,495 |
| Water distribution and treatment | 1,804,655 | 22,990 | 1,827,645 |
| Sanitation | 3,345,229 | 222,851 | 3,568,080 |
| Health | 212,149 | - | 212,149 |
| Welfare | 306,971 | - | 306,971 |
| Culture and recreation | 1,499,280 | 43,670 | 1,542,950 |
| Conservation | 3,104 | - | 3,104 |
| Debt service: | | | |
| Principal | 354,755 | - | 354,755 |
| Interest | 307,233 | - | 307,233 |
| Capital outlay | 862,796 | 21,478 | 884,274 |
| Total expenditures | <u>22,791,539</u> | <u>835,720</u> | <u>23,627,259</u> |
| Deficiency of revenues under expenditures | <u>(1,480,886)</u> | <u>(221,579)</u> | <u>(1,702,465)</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | 60,349 | 51 | 60,400 |
| Transfers out | (51) | (60,349) | (60,400) |
| Capital leases | 176,138 | - | 176,138 |
| Total other financing sources (uses) | <u>236,436</u> | <u>(60,298)</u> | <u>176,138</u> |
| Net change in fund balances | (1,244,450) | (281,877) | (1,526,327) |
| Fund balances, beginning | 14,384,733 | 2,375,418 | 16,760,151 |
| Fund balances, ending | <u>\$ 13,140,283</u> | <u>\$ 2,093,541</u> | <u>\$ 15,233,824</u> |

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

EXHIBIT C-4
TOWN OF SEABROOK, NEW HAMPSHIRE
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended December 31, 2016

Amounts reported for governmental activities in the Statement of Activities are different because:

Net change in fund balances of governmental funds (Exhibit C-3) \$ (1,526,327)

Governmental funds report capital outlays as expenditures. In the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capitalized capital outlay in the current period.

| | | |
|----------------------------|--------------------|-------------|
| Capitalized capital outlay | \$ 1,329,300 | |
| Depreciation expense | <u>(3,097,543)</u> | (1,768,243) |

Transfers in and out between governmental funds are eliminated on the Statement of Activities.

| | | |
|---------------|---------------|---|
| Transfers in | \$ (60,400) | |
| Transfers out | <u>60,400</u> | - |

Revenue in the Statement of Activities that does not provide current financial resources is not reported as revenue in the governmental funds.

| | | |
|--|---------------|--------|
| Change in deferred tax revenue | \$ (16,113) | |
| Change in allowance for uncollectible property taxes | <u>75,000</u> | 58,887 |

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

| | | |
|------------------------------|--------------|---------|
| Inception of capital leases | \$ (176,138) | |
| Repayment of bond principal | 354,755 | |
| Repayment of capital leases | 18,438 | |
| Amortization of bond premium | <u>1,450</u> | 198,505 |

Some expenses reported in the Statement of Activities do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds.

| | | |
|---|------------------|-------------|
| Increase in accrued interest expense | \$ (1,181) | |
| Decrease in compensated absences payable | 582 | |
| Increase in postemployment benefits payable | (117,277) | |
| Change in net pension liability and deferred outflows and inflows related to pensions | <u>(985,069)</u> | (1,102,945) |

Changes in net position of governmental activities (Exhibit B) \$ (4,140,123)

EXHIBIT D
TOWN OF SEABROOK, NEW HAMPSHIRE
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Fiscal Year Ended December 31, 2016

| | Budgeted Amounts | | Actual | Variance Positive (Negative) |
|--|-----------------------|-----------------------|---------------------|------------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Taxes | \$ 15,880,227 | \$ 15,880,227 | \$ 16,331,214 | \$ 450,987 |
| Licenses and permits | 1,915,955 | 1,915,955 | 2,209,102 | 293,147 |
| Intergovernmental | 679,921 | 679,921 | 704,921 | 25,000 |
| Charges for services | 109,085 | 109,085 | 136,299 | 27,214 |
| Miscellaneous | 243,292 | 243,292 | 284,107 | 40,815 |
| Total revenues | <u>18,828,480</u> | <u>18,828,480</u> | <u>19,665,643</u> | <u>837,163</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 3,749,679 | 3,749,679 | 3,408,203 | 341,476 |
| Public safety | 8,550,055 | 8,550,055 | 8,836,667 | (286,612) |
| Highways and streets | 1,556,372 | 1,556,372 | 1,424,636 | 131,736 |
| Water distribution and treatment | 83,000 | 83,000 | 194,010 | (111,010) |
| Sanitation | 1,536,993 | 1,536,993 | 1,676,212 | (139,219) |
| Health | 222,512 | 222,512 | 212,149 | 10,363 |
| Welfare | 360,902 | 360,902 | 306,971 | 53,931 |
| Culture and recreation | 1,642,866 | 1,642,866 | 1,493,022 | 149,844 |
| Conservation | 3,618 | 3,618 | 3,104 | 514 |
| Debt service: | | | | |
| Principal | 354,755 | 354,755 | 354,755 | - |
| Interest | 311,233 | 311,233 | 307,233 | 4,000 |
| Capital outlay | 1,955,700 | 1,048,700 | 862,796 | 185,904 |
| Total expenditures | <u>20,327,685</u> | <u>19,420,685</u> | <u>19,079,758</u> | <u>340,927</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(1,499,205)</u> | <u>(592,205)</u> | <u>585,885</u> | <u>1,178,090</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 1,022,400 | 115,400 | 60,349 | (55,051) |
| Transfers out | (2,098,195) | (2,098,195) | (1,710,182) | 388,013 |
| Total other financing sources (uses) | <u>(1,075,795)</u> | <u>(1,982,795)</u> | <u>(1,649,833)</u> | <u>332,962</u> |
| Net change in fund balances | <u>\$ (2,575,000)</u> | <u>\$ (2,575,000)</u> | (1,063,948) | <u>\$ 1,511,052</u> |
| Increase in nonspendable fund balance | | | (57,324) | |
| Increase in restricted fund balance | | | (8,820) | |
| Decrease in committed fund balance | | | 473,913 | |
| Unassigned fund balance, beginning | | | 9,165,185 | |
| Unassigned fund balance, ending | | | <u>\$ 8,509,006</u> | |

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

EXHIBIT E-1
TOWN OF SEABROOK, NEW HAMPSHIRE
Fiduciary Funds
Statement of Net Position
December 31, 2016

| | Private Purpose Trust | Agency |
|-------------------------------------|-----------------------------|------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 25,637 | \$ 1,034,433 |
| Investments | 1,056,279 | 181,258 |
| Accounts receivable | 17,898 | - |
| Total assets | <u>1,099,814</u> | <u>1,215,691</u> |
| LIABILITIES | | |
| Intergovernmental payable | - | 182,806 |
| Due to others | - | 1,032,885 |
| Total liabilities | <u>-</u> | <u>1,215,691</u> |
| NET POSITION | | |
| Held in trust for specific purposes | <u>\$ 1,099,814</u> | <u>\$ -</u> |

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

EXHIBIT E-2
TOWN OF SEABROOK, NEW HAMPSHIRE
Fiduciary Funds
Statement of Changes in Net Position
For the Fiscal Year Ended December 31, 2016

| | Private Purpose Trust |
|-----------------------------|-----------------------------|
| ADDITIONS | |
| New funds | \$ 35,800 |
| Interest | 26,712 |
| Change in fair market value | 44,150 |
| Total revenue | 106,662 |
| DEDUCTIONS | |
| Scholarships | 111,000 |
| Change in net position | (4,338) |
| Net position, beginning | 1,104,152 |
| Net position, ending | \$ 1,099,814 |

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

TOWN OF SEABROOK, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2016

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TOWN OF SEABROOK, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2016

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TOWN OF SEABROOK, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

In 2016 the Town implemented GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which establishes the order of priority of pronouncements and other sources of accounting and financial reporting guidance that a government should apply.

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

1-A Reporting Entity

The Town of Seabrook is a municipal corporation governed by an elected 3-member Board of Selectmen and Town Manager. In evaluating how to define the Town for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth by the GASB. The Town has no component units to include in its reporting entity.

1-B Government-wide and Fund Financial Statements

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the primary government. Generally, the effect of interfund activity has been eliminated from these statements. Governmental activities normally are supported through taxes and intergovernmental revenues.

The *Statement of Net Position* presents the financial position of the Town at year-end. This statement includes all of the Town's non-fiduciary assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position.

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

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

In the governmental fund financial statements, expenditures are reported by character: current, debt service or capital outlay. Current expenditures are subclassified by function and are for items such as salaries, grants, supplies, and services. Debt service includes both interest and principal outlays related to bonds. Capital outlay includes expenditures for equipment, real property, or infrastructure.

Other Financing Sources (Uses) – these additions to and reductions from resources in governmental fund financial statements normally result from transfers from/to other funds and financing provided by bond proceeds. Transfers are reported when incurred as “transfers in” by the receiving fund and as “transfers out” by the disbursing fund.

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

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

TOWN OF SEABROOK, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2016

Governmental fund financial statements are reported using the *current financial resources* measurement focus and the *modified accrual basis* of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Property taxes, licenses and permits, intergovernmental revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. All other revenue items are considered to be measurable and available only when cash is received by the government.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Financial Statement Presentation - A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to report financial position and the results of operations, to demonstrate legal compliance, and to aid financial management by segregating transactions related to certain government functions or activities.

The Town reports the following major governmental fund:

General Fund – is the Town’s primary operating fund. The general fund accounts for all financial resources except those required to be accounted for in another fund. The primary revenue sources include property taxes, State grants and motor vehicle permit fees. The primary expenditures are for general government, public safety, highways and streets, sanitation, culture and recreation, debt service and capital outlay. Under GASB Statement No. 54 guidance the library, water, sewer, economic development, road improvements and expendable trust funds are consolidated in the general fund.

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

Additionally, the Town reports the following fund types:

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

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

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

Fiduciary Funds – The Town also reports the following fiduciary funds:

Private Purpose Trust Fund – are used to report trust arrangements, other than pension and investment trusts, under which principal and income benefit individuals, private organizations, or other governments.

Agency Fund – are custodial in nature and do not involve the measurement of operating results. An agency fund is used to account for assets held on behalf of outside parties, including other governments.

1-D Cash and Cash Equivalents

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

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

TOWN OF SEABROOK, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2016

1-E Restricted Assets

Restricted assets occur when statutory limitation is placed on the use of the assets as they are earmarked for a specific purpose and are unavailable for general use.

1-F Investments

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

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

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

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

Investments are reported at fair value. The Town discloses the fair value of its investments in a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy is as follow:

Level 1 – Inputs that reflect quoted prices (unadjusted) in active markets for identical assets and liabilities that the Town has the ability to access at the measurement date. Most of the Town’s directly held marketable equity securities would be examples of Level 1 investments.

Level 2 – Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly, including inputs in markets that are not considered to be active. Because they most often are priced on the basis of transactions involving similar but not identical securities or do not trade with sufficient frequency, certain directly held fixed income securities are categorized in Level 2. All of the Town’s holdings in U.S. government obligations and corporate bonds would be examples of Level 2 investments.

Level 3 – Unobservable inputs based on the best information available, using assumptions in determining the fair value of investments and derivative financial instruments.

In determining fair value, the Town utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible.

1-G Receivables

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

1-H Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

1-I Capital Assets

Capital assets are defined by the Town as assets with an initial individual cost of \$10,000 or more and an estimated life in excess of one year. Capital assets include property, plant, and equipment, infrastructure assets (e.g. roads, bridges, sidewalks, drainage, and similar items) and are reported in governmental activities.

TOWN OF SEABROOK, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2016

The accounting and reporting treatment applied to capital assets associated with a fund are determined by the fund's measurement focus. General capital assets are assets of the Town as a whole. When purchased, such assets are recorded as expenditures in a governmental fund and capitalized as assets in the governmental activities column of the government-wide Statement of Net Position. When cost of general capital assets cannot be determined from available records, estimated historical cost is used.

Additions, improvements, and other capital outlay that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend lives are not capitalized.

In the government-wide financial statements the cost of property sold or retired, together with the related accumulated depreciation, is removed and any resulting gain or loss is included in income.

Capital assets of the Town are depreciated or amortized using the straight-line method over the following estimated useful lives:

| Capital Asset Classes: | <u>Years</u> |
|-------------------------------------|--------------|
| Buildings and building improvements | 20-50 |
| Land improvements | 20-50 |
| Equipment and vehicles | 3-20 |
| Infrastructure | 20-100 |

1-J Interfund Activities

Interfund activities are reported as follows:

Interfund Receivables and Payables – Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds” (i.e. the current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Interfund receivables and payables between funds are eliminated in the Statement of Net Position.

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

1-K Property Taxes

Property tax billings occur semi-annually and are based on the assessed inventory values as of April 1 of each year. Warrants for the year were issued on May 23, 2016 and November 11, 2016, and due on July 1, 2016 and December 16, 2016. Interest accrues at a rate of 12% on bills outstanding after the due date and 18% on tax liens outstanding.

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

The Town net assessed valuation as of April 1, 2016 utilized in the setting of the tax rate was as follows:

| | |
|-------------------------------------|------------------|
| For the New Hampshire education tax | \$ 1,540,670,050 |
| For all other taxes | \$ 2,699,282,950 |

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The tax rates and amounts assessed for the year ended December 31, 2016 were as follows:

| | Per \$1,000 of Assessed Valuation | Property Taxes Assessed |
|------------------------|---|-------------------------------|
| Municipal portion | \$6.06 | \$ 16,351,179 |
| School portion: | | |
| State of New Hampshire | \$2.31 | 3,559,778 |
| Local | \$5.40 | 14,577,887 |
| County portion | \$1.02 | 2,757,156 |
| Total | | \$ 37,246,000 |

1-L Accounts Payable

Accounts payable represent the gross amount of expenditures or expenses incurred as a result of normal operations, but for which no actual payment has yet been issued to vendors/providers as of December 31, 2016.

1-M Deferred Outflows/Inflows of Resources

Deferred outflows of resources, a separate financial statement element, represents a consumption of net position or fund balance that applies to a future period(s) and thus will not be recognized as an outflow of resources (expenses/expenditure) until then.

Deferred inflows of resources, a separate financial statement element, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

1-N Long-term Obligations

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

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

1-O Compensated Absences

The Town's policy allows certain employees to earn varying amounts of vacation and sick pay based on the employee's length of employment. Upon separation from service, employees are paid in full for any accrued leave earned as set forth by personnel policy. The liability for such leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements.

1-P Defined Benefit Pension Plan

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* and GASB Statement No. 82 *Pension Issues – an amendment of GASB Statement No. 67, No. 68 and No.73* requires participating employers to recognize their proportionate share of collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense, and schedules have been prepared to provide employers with their calculated proportionate share of these amounts. The collective amounts have been allocated based on employer contributions during the respective fiscal years. Contributions from employers are recognized when legally due, based on statutory requirements.

The schedules are prepared by New Hampshire Retirement System, and are audited by the plan's independent auditors.

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1-Q Net Position/Fund Balances

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

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

Fund Balance Classifications – GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, provides more clearly defined fund balance categories to make sure the nature and extend of the constraints placed on a government’s fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

Nonspendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form (such as prepaid items, inventory or tax deeded property subject to resale); or (b) are legally or contractually required to be maintained intact.

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

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

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

Unassigned – This classification includes the amounts that are available for any purpose. Positive amounts are reported only in the general fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by an offsetting of assigned fund balance amounts.

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

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

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1-R Use of Estimates

The financial statements and related disclosures are prepared in conformity with accounting principles generally accepted in the United States. Management is required to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses during the period reported. These estimates include assessing the collectability of accounts receivable, and the useful lives and impairment of tangible and intangible assets, among others. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from estimates.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

2-A Budgetary Information

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

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

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

State statutes require balanced budgets, but provide for the use of beginning unassigned fund balance to achieve that end. For the fiscal year 2016, \$2,575,000 of the beginning general fund unassigned fund balance was applied for this purpose.

The total budget for the year ended December 31, 2016 as reported is reduced by \$907,000 from the total amounts voted. This reduction was done to account for the fact that the Town did not expend any funds for specific warrant articles related to water source development. These funds were approved to come from the capital reserve funds and thus the budget will be increased when expenditures and reimbursements are actually made.

2-B Budgetary Reconciliation to GAAP Basis

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

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

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

| | |
|---|----------------------|
| Revenues and other financing sources: | |
| Per Exhibit D (budgetary basis) | \$ 19,725,992 |
| Adjustment: | |
| Basis difference: | |
| Inception of capital leases | 176,138 |
| GASB Statement No. 54: | |
| To record income of the blended funds | 1,703,897 |
| Change in deferred tax revenue relating to 60-day revenue recognition | 16,113 |
| Change in allowance for uncollectible property taxes | (75,000) |
| Per Exhibit C-3 (GAAP basis) | <u>\$ 21,547,140</u> |
| Expenditures and other financing uses: | |
| Per Exhibit D (budgetary basis) | \$ 20,789,940 |
| Adjustment: | |
| Basis differences: | |
| Encumbrances, beginning | 147,819 |
| Encumbrances, ending | (335,100) |
| Inception of capital leases | 176,138 |
| GASB Statement No. 54: | |
| To record expenditures of the blended funds during the year | 3,722,924 |
| To eliminate transfers between general and blended funds | (1,710,131) |
| Per Exhibit C-3 (GAAP basis) | <u>\$ 22,791,590</u> |

2-C Deficit Fund Balance

The water treatment plant capital project fund reported a deficit fund balance at December 31, 2016 of \$35,445. This deficit represents the over expenditure of project funds. The \$104,230 in restricted fund balance is accumulated interest earned on the bond proceeds during the project. The deficit will be funded in subsequent years through a transfer from the general fund.

DETAILED NOTES ON ALL FUNDS

NOTE 3 – CASH AND CASH EQUIVALENTS

At December 31, 2016, the reported amount of the Town's deposits was \$20,954,795 and the bank balance was \$21,637,384. Of the bank balance \$21,594,212 was covered by federal depository insurance or by collateral held by the Town's agent in the Town's name, and \$37,448 was uninsured and uncollateralized.

Cash and cash equivalents reconciliation:

| | |
|---|----------------------|
| Cash per Statement of Net Position (Exhibit A) | \$ 19,894,725 |
| Cash per Statement of Net Position - Fiduciary Fund (Exhibit E-1) | 1,060,070 |
| Total cash and cash equivalents | <u>\$ 20,954,795</u> |

Custodial Credit Risk – The Town's repurchase agreements are all with banking institutions; therefore, are subject to custodial credit risk. The custodial credit risk is the risk that in the event of bank failure, the Town's deposits may not be recovered.

Interest Rate Risk – The term repurchase agreements are also subject to interest rate risk. Interest rate risk is the risk that changes in interest rates will adversely affect the value of the Town's investments.

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NOTE 4 – RESTRICTED ASSETS

The following cash and/or investments are classified as restricted because of the statutory limitation placed on their use as they are earmarked for a specific purpose:

| | |
|--|----------------------------|
| Cash and cash equivalents: | |
| General fund: | |
| Library | \$ 729,534 |
| Capital reserve funds | 15,995 |
| Water | 745 |
| Sewer | 85,826 |
| Economic development | 16,112 |
| Road improvements | <u>1,195,819</u> |
| Total restricted cash and cash equivalents | <u>2,044,031</u> |
| Investments: | |
| General fund: | |
| Capital reserve funds | <u>1,873,768</u> |
| Total restricted assets | <u><u>\$ 3,917,799</u></u> |

NOTE 5 – INVESTMENTS

Note 1-F describes statutory requirements covering the investment of the Town funds. The Town holds investments that are measured at fair value on a recurring basis. Because investing is not a core part of the Town’s mission, the Town determines that the disclosures related to these investments only need to be disaggregated by major type. The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Town has the following recurring fair value measurements as of December 31, 2016:

| | Valuation Measurement Method | Fair Value |
|---|------------------------------------|----------------------------|
| Investments type: | | |
| Mutual Funds | Level 1 | \$ 3,125,720 |
| New Hampshire Public Deposit Investment Pool | Level 2 | <u>4,968</u> |
| Total fair value | | <u><u>\$ 3,130,688</u></u> |

Fair Value Measurements of Investments – In accordance with GASB Statement No. 72 *Fair Value Measurement and Application*, except for investments measured using net asset value (NAV) as a practical expedient to estimate fair value, the Town categorizes the fair value measurements of its investments within the fair value hierarchy established by US GAAP. The fair value hierarchy categorizes the inputs to valuation techniques used for fair value measurement into three levels as follows:

Level 1 inputs reflect quoted prices (unadjusted) in active markets for identical assets or liabilities that the Town has the ability to access at the measurement date. Most of the Town’s directly held marketable equity securities would be examples of Level 1 investments.

Level 2 inputs are other than quoted prices that are observable for the assets or liabilities, either directly or indirectly, including inputs in markets that are not considered to be active. Because they most often are priced on the basis of transactions involving similar but not identical securities or do not trade with sufficient frequency, certain directly held fixed income securities are categorized in Level 2.

Level 3 inputs are significant unobservable inputs. The Town held no Level 3 investments as of December 31, 2016.

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The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. In certain instances, where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, is the level in the fair value hierarchy based on the lowest level of input that is significant to the fair value measurement. Investments are reported at fair value. If an investment is held directly by the Town and an active market with quoted prices exists, such as for domestic equity securities, the market price of an identical security is used to report fair value and is classified in Level 1. Corporate fixed income securities and certain governmental securities utilize pricing that may involve estimation using similar securities or trade dates and are classified in Level 2. Fair values for shares in registered mutual funds and exchange-traded funds are based on published share prices and classified in Level 1.

Investments in Certain External Investment Pools – In accordance with GASB Statement No. 79, Town held investments with the New Hampshire Public Deposit Investment Pool (NHPDIP) are categorized as Level 2. The NHPDIP measures all of its investments at amortized cost. There are no redemption restrictions and shares may be redeemed by the Town in accordance with the NHPDIP’s Information Statement.

Investment reconciliation:

| | |
|---|----------------------------|
| Investments per Statement of Net Position (Exhibit A) | \$ 1,893,151 |
| Investments per Statement of Net Position - Fiduciary Funds (Exhibit E-1) | <u>1,237,537</u> |
| Total investments | <u><u>\$ 3,130,688</u></u> |

NOTE 6 – TAXES RECEIVABLE

Taxes receivable represent the amount of current and prior year taxes which have not been collected as of December 31, 2016. The amount has been reduced by an allowance for an estimated uncollectible amount of \$15,000. Taxes receivable by year are as follows:

| | <u>As reported on:</u> | |
|---|----------------------------|----------------------------|
| | <u>Exhibit A</u> | <u>Exhibit C-1</u> |
| Property: | | |
| Levy of 2016 | \$ 1,001,393 | \$ 1,001,393 |
| Unredeemed (under tax lien): | | |
| Levy of 2015 | 201,580 | 201,580 |
| Levy of 2014 | 94,325 | 94,325 |
| Levies of 2013 and prior | 32,404 | 32,404 |
| Less: allowance for estimated uncollectible taxes | <u>(15,000) *</u> | <u>-</u> |
| Net taxes receivable | <u><u>\$ 1,314,702</u></u> | <u><u>\$ 1,329,702</u></u> |

*The allowance for uncollectible property taxes is not recognized under the modified accrual basis of accounting (Exhibit C-1 and C-3) due to the 60-day rule as explained in Note 1-C. However, the allowance is recognized under the full accrual basis of accounting (Exhibits A and B).

NOTE 7 – OTHER RECEIVABLES

Receivables at December 31, 2016, consisted of accounts (billings for police details, water, sewer, ambulance, and other user charges) and intergovernmental amounts arising from grants. Receivables are recorded on the Town’s financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and collectability.

Receivables as of December 31, 2016 for the Town’s individual major fund and nonmajor funds in the aggregate including applicable allowances for uncollectible accounts are as follows:

| | <u>General</u> <u>Fund</u> | <u>Nonmajor</u> <u>Funds</u> | <u>Total</u> |
|------------------------------------|-------------------------------|---------------------------------|--------------------------|
| Receivables: | | | |
| Accounts | \$ 386,856 | \$ 1,378,832 | \$ 1,765,688 |
| Less: allowance for uncollectibles | <u>-</u> | <u>(962,136)</u> | <u>(962,136)</u> |
| Net total receivables | <u><u>\$ 386,856</u></u> | <u><u>\$ 416,696</u></u> | <u><u>\$ 803,552</u></u> |

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NOTE 8 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2016 is as follows:

| | Balance, beginning | Additions | Deletions | Balance, ending |
|--|-----------------------|-----------------------|-----------------|----------------------|
| At cost: | | | | |
| Not being depreciated: | | | | |
| Land | \$ 3,811,948 | \$ - | \$ - | \$ 3,811,948 |
| Construction in progress | 35,801 | - | - | 35,801 |
| Total capital assets not being depreciated | <u>3,847,749</u> | <u>-</u> | <u>-</u> | <u>3,847,749</u> |
| Being depreciated: | | | | |
| Land improvements | 1,056,573 | - | - | 1,056,573 |
| Buildings and building improvements | 38,941,414 | 648,458 | - | 39,589,872 |
| Equipment and vehicles | 8,858,540 | 472,705 | (94,990) | 9,236,255 |
| Infrastructure | 72,956,759 | 303,127 | - | 73,259,886 |
| Total capital assets being depreciated | <u>121,813,286</u> | <u>1,424,290</u> | <u>(94,990)</u> | <u>123,142,586</u> |
| Total all capital assets | <u>125,661,035</u> | <u>1,424,290</u> | <u>(94,990)</u> | <u>126,990,335</u> |
| Less accumulated depreciation: | | | | |
| Land improvements | (676,218) | (28,025) | - | (704,243) |
| Buildings and building improvements | (16,551,541) | (949,646) | - | (17,501,187) |
| Equipment and vehicles | (5,411,024) | (651,627) | 94,990 | (5,967,661) |
| Infrastructure | (37,664,709) | (1,563,235) | - | (39,227,944) |
| Total accumulated depreciation | <u>(60,303,492)</u> | <u>(3,192,533)</u> | <u>94,990</u> | <u>(63,401,035)</u> |
| Net book value, capital assets being depreciated | <u>61,509,794</u> | <u>(1,768,243)</u> | <u>-</u> | <u>59,741,551</u> |
| Net book value, all governmental activities capital assets | <u>\$ 65,357,543</u> | <u>\$ (1,768,243)</u> | <u>\$ -</u> | <u>\$ 63,589,300</u> |

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

| | |
|----------------------------------|---------------------|
| General government | \$ 55,674 |
| Public safety | 386,596 |
| Highways and streets | 399,961 |
| Sanitation | 1,346,791 |
| Water distribution and treatment | 867,885 |
| Culture and recreation | 129,959 |
| Conservation | 5,667 |
| Total depreciation expense | <u>\$ 3,192,533</u> |

NOTE 9 – INTERFUND BALANCES AND TRANSFERS

Interfund Balances - The composition of interfund balances as of December 31, 2016 is as follows:

| Receivable Fund | Payable Fund | Amount |
|-----------------|--------------|------------------|
| General | Nonmajor | <u>\$ 23,090</u> |

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

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Interfund Transfers - The composition of interfund transfers for the year ended December 31, 2016 is as follows:

| | Transfers In: | | |
|----------------|-----------------|------------------|-----------|
| | General Fund | Nonmajor Fund | Total |
| Transfers out: | | | |
| General fund | \$ - | \$ 51 | \$ 51 |
| Nonmajor funds | 60,349 | - | 60,349 |
| Total | \$ 60,349 | \$ 51 | \$ 60,400 |

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

NOTE 10 – INTERGOVERNMENTAL PAYABLES

Amounts due to other governments of \$8,128,277 at December 31, 2016 consist of the following:

| | | |
|---|--------------|--|
| General fund: | | |
| Balance of the FY 2016-17 district assessment due to the: | | |
| Seabrook School District | \$ 6,125,415 | |
| Winnacunnet Cooperative School District | 1,637,250 | |
| Total general fund | 7,762,665 | |
| Agency funds: | | |
| Balance of the capital reserve fund due to the Seabrook School District | 182,806 | |
| Total intergovernmental payables due | \$ 8,128,277 | |

NOTE 11 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Deferred outflows and inflows of resources of \$4,852,125 and \$566,127 respectively in the government wide activities at December 31, 2016 consist of deferred amounts related to pensions, see Note 14 for further information.

Deferred inflows of resources reported in the governmental funds as unavailable revenue are as follows:

| | General Fund | Nonmajor Governmental Funds | Total |
|--|-----------------|-----------------------------------|------------|
| Deferred property taxes not collected within 60 days of fiscal year-end | \$ 433,083 | \$ - | \$ 433,083 |
| Deferred property taxes collected in advance | 21,563 | - | 21,563 |
| Local grant revenue collected in advance of eligible expenditures being made | - | 265 | 265 |
| Total deferred inflows of resources | \$ 454,646 | \$ 265 | \$ 454,911 |

NOTE 12 – CAPITAL LEASE OBLIGATIONS

The Town has entered into certain capital lease agreements under which the related equipment will become the property of the Town when all the terms of the lease agreements are met.

| | Standard Interest Rate | Present Value of Remaining Payments as of December 31, 2016 |
|---------------------------------|------------------------------|--|
| Capital lease obligations: | | |
| Trackless Sidewalk Tractor | 3.71% | \$ 102,971 |
| Fire Ladder Truck | 2.04% | 881,066 |
| Ambulance | 2.35% | 176,138 |
| Total capital lease obligations | | \$ 1,160,175 |

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Leased equipment under capital leases, included in capital assets, is as follows:

| | Governmental Activities |
|--------------------------------|----------------------------|
| Equipment: | |
| Trackless Sidewalk Tractor | \$ 144,350 |
| Fire Ladder Truck | 881,067 |
| Ambulance | 176,138 |
| Total equipment | 1,201,555 |
| Less: accumulated depreciation | (205,083) |
| Total capital lease equipment | <u>\$ 1,406,638</u> |

The annual requirements to amortize the capital leases payable as of December 31, 2016, including interest payments, are as follows:

| Fiscal Year Ending December 31, | Governmental Activities |
|-------------------------------------|----------------------------|
| 2017 | \$ 531,860 |
| 2018 | 300,726 |
| 2019 | 300,726 |
| 2020 | 69,590 |
| 2021 | 22,942 |
| Total requirements | 1,225,844 |
| Less: interest | 65,669 |
| Present value of remaining payments | <u>\$ 1,160,175</u> |

Amortization of lease equipment under capital assets is included with depreciation expense.

NOTE 13 – LONG-TERM LIABILITIES

Changes in the Town's long-term liabilities consisted of the following for the year ended December 31, 2016:

| | Balance January 1, 2016 | Additions | Reductions | Balance December 31, 2016 | Due Within One Year |
|-----------------------------------|-------------------------------|---------------------|---------------------|---------------------------------|------------------------|
| Bonds payable: | | | | | |
| General obligation bonds | \$ 7,738,733 | \$ - | \$ (354,755) | \$ 7,383,978 | \$ 367,898 |
| Premium | 24,650 | - | (1,450) | 23,200 | 1,450 |
| Total bonds payable | 7,763,383 | - | (356,205) | 7,407,178 | 369,348 |
| Capital leases | 1,002,475 | 176,138 | (18,438) | 1,160,175 | 494,176 |
| Compensated absences | 925,894 | - | (582) | 925,312 | 175,661 |
| Pension related liability | 10,666,965 | 5,307,217 | - | 15,974,182 | - |
| Net other postemployment benefits | 941,131 | 117,277 | - | 1,058,408 | - |
| Total long-term liabilities | <u>\$ 21,299,848</u> | <u>\$ 5,600,632</u> | <u>\$ (375,225)</u> | <u>\$ 26,525,255</u> | <u>\$ 1,039,185</u> |

Long-term bonds are comprised of the following:

| | Original Amount | Issue Date | Maturity Date | Interest Rate % | Outstanding at December 31, 2016 | Current Portion |
|-------------------------------------|--------------------|---------------|------------------|--------------------|--|--------------------|
| General obligation bonds payable: | | | | | | |
| Water treatment facility | \$ 5,997,345 | 2008 | 2037 | 4.00-5.25% | \$ 4,535,000 | \$ 205,000 |
| Drinking water state revolving loan | \$ 5,000,000 | 2011 | 2031 | 2.86% | 2,078,978 | 112,898 |
| Water treatment facility | \$ 971,000 | 2012 | 2032 | 2.75-4.00% | 770,000 | 50,000 |
| | | | | | <u>7,383,978</u> | <u>367,898</u> |
| Bond premium | | | | | 23,200 | 1,450 |
| Total | | | | | <u>\$ 7,407,178</u> | <u>\$ 369,348</u> |

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The annual requirements to amortize all general obligation bonds outstanding as of December 31, 2016, including interest payments, are as follows:

| Fiscal Year Ending December 31, | Principal | Interest | Total |
|------------------------------------|---------------------|---------------------|---------------------|
| 2017 | \$ 367,898 | \$ 245,376 | \$ 613,274 |
| 2018 | 381,132 | 227,242 | 608,374 |
| 2019 | 389,458 | 211,463 | 600,921 |
| 2020 | 312,879 | 197,629 | 510,508 |
| 2021 | 321,398 | 190,406 | 511,804 |
| 2022-2026 | 1,793,411 | 801,465 | 2,594,876 |
| 2027-2031 | 2,117,802 | 498,161 | 2,615,963 |
| 2032-2036 | 1,390,000 | 152,162 | 1,542,162 |
| 2037 | 310,000 | 10,050 | 320,050 |
| Totals | <u>\$ 7,383,978</u> | <u>\$ 2,533,954</u> | <u>\$ 9,917,932</u> |

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

NOTE 14 – DEFINED BENEFIT PENSION PLAN

Plan Description: The New Hampshire Retirement System (NHRS or the System) is a public employee retirement system that administers one cost-sharing multiple-employer defined benefit pension plan (Pension Plan), a component unit of the State of New Hampshire, as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25. The Pension Plan was established in 1967 by RSA 100-A:2 and is qualified as a tax-exempt organization under Sections 401(a) and 501(a) of the Internal Revenue Code. The Pension Plan is a contributory, defined benefit plan providing service, disability, death and vested retirement benefits to members and their beneficiaries. Substantially all full-time state employees, public school teachers and administrators, permanent firefighters and permanent police officers with in the State are eligible and required to participate in the Pension Plan. The System issues a publicly available financial report that may be obtained by writing the New Hampshire Retirement System, 54 Regional Drive, Concord, NH 03301.

Benefits Provided: The Pension Plan is divided into two membership groups. State and local employees and teachers belong to Group I. Police and firefighters belong to Group II. All assets are held in a single trust and available to pay retirement benefits to all members.

Group I members at age 60 or 65 (for members who commence service after July 1, 2011) qualify for a normal service retirement allowance based on years of creditable service and average final salary for the highest of either three or five years, depending on when their service commenced. The yearly pension amount is 1/60 or 1.667% of average final compensation (AFC) multiplied by years of creditable service. At age 65, the yearly pension amount is recalculated at 1/66 or 1.515% of AFC multiplied by years of creditable service.

Group II members who are age 60, or members who are at least age 45 with at least 20 years of creditable service, can receive a retirement allowance at a rate of 2.5% of AFC for each year of creditable service, not to exceed 40 years. Members commencing service on or after July 1, 2011 or members who have nonvested status as of January 1, 2012 can receive a retirement allowance at age 52.5 with 25 years of service or age 60. The benefit shall be equal to 2% of AFC times creditable service up to 42.5 years. However, a member who commenced service on or after July 1, 2011 shall not receive a retirement allowance until attaining the age of 52.5, but may receive a reduced allowance after age 50 if the member has at least 25 years of creditable service where the allowance shall be reduced, for each month by which the member attains 52.5 years of age by ¼ of 1% or age 60.

Members of both groups may qualify for vested deferred allowances, disability allowances and death benefit allowances, subject to meeting various eligibility requirements. Benefits are based on AFC or earnable compensation and/or service.

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Contributions: The System is financed by contributions from both the employees and the Town. Member contribution rates are established and may be amended by the State legislature while employer contribution rates are set by the System trustees based on an actuarial valuation. All employees are required to contribute 7% of earnable compensation. For fiscal year 2016, the Town contributed 26.38% for police, 29.16% for fire fighters, and 11.17% for all other employees. The contribution requirements for the fiscal years 2014, 2015, and 2016 were \$1,333,206, \$1,167,187, and \$1,232,252, respectively, which were paid in full in each year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At December 31, 2016 the Town reported a liability of \$15,974,182 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating towns and school districts, actuarially determined. At June 30, 2016, the Town's proportion was 0.30040237% which was an increase of 0.03113840% from its proportion measured as of June 30, 2015.

For the year ended December 31, 2016, the Town recognized pension expense of \$2,026,849. At December 31, 2016 the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------------|-------------------------------------|
| Changes in proportion | \$ 1,344,315 | \$ 364,413 |
| Changes in assumptions | 1,965,914 | - |
| Net difference between projected and actual investment earnings on pension plan investments | 44,392 | 201,714 |
| Differences between expected and actual experience | 999,427 | - |
| Contributions subsequent to the measurement date | 498,077 | - |
| Total | <u>\$ 4,852,125</u> | <u>\$ 566,127</u> |

The \$498,077 reported as deferred outflows of resources related to pensions results from the Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Fiscal Year Ending December 31, | |
|------------------------------------|---------------------|
| 2017 | \$ 815,889 |
| 2018 | 815,889 |
| 2019 | 1,130,591 |
| 2020 | 969,434 |
| 2021 | 56,118 |
| Thereafter | - |
| Totals | <u>\$ 3,787,921</u> |

Actuarial Assumptions: The collective total pension liability was determined by a roll forward of the actuarial valuation as of June 30, 2015, using the following actuarial assumptions which, accordingly apply to 2016 measurements:

| | |
|----------------------------|---|
| Inflation: | 2.5% |
| Salary increases: | 5.6% average, including inflation |
| Investment rate of return: | 7.25% net of pension plan investment expense, including inflation |

Mortality rates were based on the RP-2014 employee generational mortality tables for males and females, adjusted for mortality improvements using Scale MP-2015, based on last experience study.

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The actuarial assumptions used in the June 30, 2015 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2010 – June 30, 2015.

Long-term Rates of Return: The long-term expected rate of return on pension plan investment was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rate of return net of investment expenses by the target asset allocation percentage and by adding expected inflation. Following is a table presenting target allocations and long-term rates of return for 2016:

| Asset Class | Target Allocation | Weighted average long-term expected real rate of return 2016 |
|----------------------------------|----------------------|--|
| Large Cap Equities | 22.50% | 4.25% |
| Small/Mid Cap Equities | 7.50% | 4.50% |
| Total domestic equity | 30.00% | |
| Int'l Equities (unhedged) | 13.00% | 4.75% |
| Emerging Int'l Equities | 7.00% | 6.25% |
| Total international equity | 20.00% | |
| Core Bonds | 5.00% | (0.64%) |
| Short Duration | 2.00% | (0.25%) |
| Global Multi-Sector Fixed Income | 11.00% | (1.71%) |
| Absolute Return Fixed Income | 7.00% | 1.08% |
| Total fixed income | 25.00% | |
| Private equity | 5.00% | 6.25% |
| Private debt | 5.00% | 4.75% |
| Opportunistic | 5.00% | 3.68% |
| Total alternative investments | 15.00% | |
| Real estate | 10.00% | 3.25% |
| Total | 100.00% | |

Discount Rate: The discount rate used to measure the collective total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. For purposes of the projection, member contributions and employer service cost contributions are projected based on the expected payroll of current members only. Employer contributions are determined based on the Pension Plan's actuarial funding policy as required by RSA 100-A:16. Based on those assumptions, the Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on Pension Plan investment was applied to all periods of projected benefit payments to determine the collective total pension liability.

Sensitivity of the Town's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following table presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.25% as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.25%) or 1-percentage point higher (8.25%) than the current rate:

| Actuarial Valuation Date | 1% Decrease 6.25% | Current Single Rate Assumption 7.25% | 1% Increase 8.25% |
|--------------------------------|----------------------|--|----------------------|
| June 30, 2016 | \$ 20,525,736 | \$ 15,974,182 | \$ 12,199,390 |

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Pension Plan Fiduciary Net Position: Detailed information about the pension plan's fiduciary net position is available in the separately issued New Hampshire Retirement System Cost-Sharing Multiple Employer Defined Benefit Pension Plan financial report.

NOTE 15 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description and Annual OPEB Cost - The Town provides postemployment benefit options for health care to eligible retirees, terminated employees, and their dependents in accordance with the provisions of various employment contracts. The benefit levels, employee contributions, and employer contributions are governed by the City's contractual agreements.

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

The Town has only partially funded (on a pay-as-you-go basis) the annual required contribution (ARC), an actuarially determined rate in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table presents the OPEB cost for the year, the amount contributed and changes in the OPEB plan for fiscal year 2016:

| | | |
|--|----|--------------|
| Annual required contribution | \$ | 148,696 |
| Interest on net OPEB obligation | | 37,645 |
| Adjustment to annual required contribution | | (21,025) |
| Annual OPEB cost (expense) | | 165,316 |
| Contributions made | | (48,039) |
| Increase in net OPEB obligation | | 117,277 |
| Net OPEB obligation - beginning of year | | 941,131 |
| Net OPEB Obligation - end of year | | \$ 1,058,408 |

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2016 and the seven preceding years were as follows:

| Fiscal Year Ended | Annual OPEB Contribution Cost | Actual Contributions (pay-as-you-go) | Percentage Contributed | Net OPEB Obligation |
|----------------------|--|--|---------------------------|------------------------|
| December 31, 2016 | \$ 148,696 | \$ 21,025 | 14.14% | \$ 1,058,408 |
| December 31, 2015 | \$ 141,270 | \$ 21,025 | 14.88% | \$ 941,131 |
| December 31, 2014 | \$ 109,522 | \$ 31,199 | 28.49% | \$ 828,915 |
| December 31, 2013 | \$ 103,232 | \$ 27,834 | 26.96% | \$ 749,354 |
| December 31, 2012 | \$ 97,204 | \$ 24,592 | 25.30% | \$ 688,525 |
| December 31, 2011 | \$ 266,817 | \$ 17,206 | 6.45% | \$ 590,652 |
| December 31, 2010 | \$ 257,539 | \$ 8,126 | 3.16% | \$ 399,627 |
| December 31, 2009 | \$ 234,241 | \$ - | 0.00% | \$ 194,127 |

As of January 1, 2016, the date of the most recent actuarial valuation, the actuarial accrued liability (AAL) for benefits was \$1,492,393, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,492,393. The covered payroll (annual payroll of active employees covered by the plan) was \$10,326,286 during fiscal year 2016, and the ratio of the UAAL to the covered payroll was 14.45%.

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

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

In the January 1, 2016 actuarial valuation, the actuarial cost method was used. The actuarial assumptions included a 4.0% investment rate of return per annum. The projected annual healthcare cost trend is 9% initially, reduced by decrements to an ultimate rate of 5.0% for years 2018 and later. The UAAL is being amortized as a level dollar amount over an open basis. The remaining amortization period at December 31, 2016 was 30 years.

NOTE 16 – ENCUMBRANCES

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at December 31, 2016 and are as follows:

| | |
|------------------------------|-------------------|
| General fund: | |
| General government buildings | \$ 41,200 |
| Fire | 237,286 |
| Highways and streets | 12,500 |
| Solid waste collection | 16,445 |
| Health | 8,669 |
| Culture and recreation | 19,000 |
| Total encumbrances | <u>\$ 335,100</u> |

NOTE 17 – GOVERNMENTAL ACTIVITIES NET POSITION

Governmental activities net position reported on the government-wide Statement of Net Position at December 31, 2016 include the following:

| | |
|--|-------------------|
| Net investment in capital assets: | |
| Net book value, all capital assets | \$ 63,589,300 |
| Less: | |
| General obligation bonds payable | (7,383,978) |
| Unamortized bond premiums | (23,200) |
| Capital leases payable | (1,160,175) |
| Total net investment in capital assets | <u>55,021,947</u> |

(Continued)

TOWN OF SEABROOK, NEW HAMPSHIRE
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Governmental activities net position continued:

| | |
|--------------------------------|---------------|
| Restricted net position: | |
| Road improvements | 1,174,614 |
| Donations | 20,000 |
| Drug forfeiture | 13,374 |
| Library | 728,980 |
| Perpetual care - nonexpendable | 12,695 |
| Perpetual care - expendable | 1,988 |
| Capital project | 68,785 |
| Total restricted net position | 2,020,436 |
| Unrestricted | (153,653) |
| Total net position | \$ 56,888,730 |

NOTE 18 – GOVERNMENTAL FUND BALANCES

Governmental fund balances reported on the fund financial statements at December 31, 2016 include the following:

| | General Fund | Nonmajor Funds | Total Governmental Funds |
|------------------------------------|-----------------|-------------------|--------------------------------|
| Nonspendable: | | | |
| Prepaid items | \$ 80,893 | \$ - | \$ 80,893 |
| Tax deeded property | 29,714 | - | 29,714 |
| Permanent fund - principal balance | - | 12,695 | 12,695 |
| Total nonspendable fund balance | 110,607 | 12,695 | 123,302 |
| Restricted: | | | |
| Road improvements | 1,174,614 | - | 1,174,614 |
| Donations | 20,000 | - | 20,000 |
| Drug forfeiture | 13,374 | - | 13,374 |
| Library | 728,980 | - | 728,980 |
| Water | 526 | - | 526 |
| Sewer | 88,646 | - | 88,646 |
| Permanent fund - income balance | - | 1,988 | 1,988 |
| D'Alessandro Trust | - | 394,451 | 394,451 |
| Water treatment - bond proceeds | - | 104,230 | 104,230 |
| Total restricted fund balance | 2,026,140 | 500,669 | 2,526,809 |
| Committed: | | | |
| Expendable trust | 1,849,596 | - | 1,849,596 |
| Nonlapsing appropriations | 711,805 | - | 711,805 |
| Economic development | 16,112 | - | 16,112 |
| Conservation commission | - | 196,308 | 196,308 |
| Transportation | - | 32,622 | 32,622 |
| Recreation | - | 75,738 | 75,738 |
| Police outside detail | - | 230,356 | 230,356 |
| Ambulance | - | 1,021,449 | 1,021,449 |
| Recycling | - | 59,149 | 59,149 |
| Total committed fund balance | 2,577,513 | 1,615,622 | 4,193,135 |
| Assigned: | | | |
| Encumbrances | 335,100 | - | 335,100 |
| Unassigned (deficit) | 8,090,923 | (35,445) | 8,055,478 |
| Total governmental fund balances | \$ 13,140,283 | \$ 2,093,541 | \$ 15,233,824 |

TOWN OF SEABROOK, NEW HAMPSHIRE
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NOTE 19 – RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. During fiscal year 2016, the Town was a member of the New Hampshire Public Risk Management Exchange (Primex³) Workers' Compensation and Property/Liability Programs. This entity is considered a public entity risk pools, currently operating as common risk management and insurance programs for member Towns and cities.

The New Hampshire Public Risk Management Exchange (Primex³) Workers' Compensation and Property/Liability Programs are pooled risk management programs under RSAs 5-B and 281-A. Coverage was provided from January 1, 2016 to December 31, 2016 by Primex³, which retained \$1,000,000 of each workers' compensation loss, \$500,000 of each liability loss, and \$200,000 of each property loss. The Board has decided to self-insure the aggregate exposure and has allocated funds based on actuarial analysis for that purpose. The estimated net contribution from the Town of Seabrook billed and paid for the year ended December 31, 2016 was \$443,014 for workers' compensation and \$206,296 for property/liability.

NOTE 20 – CONTINGENT LIABILITIES

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

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

NOTE 21 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the balance sheet date, but before the financial statements are issued. Recognized subsequent events are events or transactions that provided additional evidence about conditions that existed at the balance sheet date, including the estimates inherent in the process of preparing the financial statements. Nonrecognized subsequent events are events that provide evidence about conditions that did not exist at the balance sheet date, but arose after the date. Management has evaluated subsequent events through December 12, 2017, the date the December 31, 2016 financial statements were available to be issued, and no events occurred that require recognition or disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT F
TOWN OF SEABROOK, NEW HAMPSHIRE
Schedule of Funding Progress for Other Postemployment Benefit Plan
For the Fiscal Year Ended December 31, 2016

| Fiscal Year End | Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll (b-a /c) |
|--------------------|--------------------------------|--|---|------------------------------------|--------------------------|---------------------------|---|
| December 31, 2016 | January 1, 2016 | \$ - | \$ 1,492,393 | \$ 1,492,393 | 0.00% | \$ 10,326,286 | 14.45% |
| December 31, 2015 | January 1, 2015 | \$ - | \$ 1,385,742 | \$ 1,385,742 | 0.00% | \$ 9,543,872 | 14.52% |
| December 31, 2014 | January 1, 2013 | \$ - | \$ 1,075,706 | \$ 1,075,706 | 0.00% | \$ 6,850,924 | 15.70% |

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

EXHIBIT G
TOWN OF SEABROOK, NEW HAMPSHIRE
Schedule of the Town's Proportionate Share of Net Pension Liability
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended December 31, 2016

| Fiscal Year End | Valuation Date | Town's Proportion of Net Pension Liability | Proportionate Share of Net Pension Liability | Covered Payroll | Town Proportionate Share of Net Pension Liability as a Percentage of Covered Payroll | Plan Fiduciary Net Position as a Percentage of the Total Pension Liability |
|--------------------|-------------------|--|--|--------------------|---|--|
| December 31, 2016 | June 30, 2016 | 0.30040237% | \$ 15,974,182 | \$ 4,301,631 | 371.35% | 58.30% |
| December 31, 2015 | June 30, 2015 | 0.26926397% | \$ 10,666,965 | \$ 3,833,602 | 278.25% | 65.47% |
| December 31, 2014 | June 30, 2014 | 0.28294286% | \$ 10,620,503 | \$ 3,871,031 | 274.36% | 66.32% |
| December 31, 2013 | June 30, 2013 | 0.26767214% | \$ 11,520,032 | \$ 4,033,905 | 285.58% | 59.81% |

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

EXHIBIT H
TOWN OF SEABROOK, NEW HAMPSHIRE
Schedule of Town Contributions
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended December 31, 2016

| Fiscal Year End | Valuation Date | Contractually Required Contribution | Actual Contribution | Contribution Deficiency (Excess) | Covered Payroll | Contributions as a Percentage of Covered Payroll |
|--------------------|-------------------|---|------------------------|--|--------------------|--|
| December 31, 2016 | June 30, 2016 | \$ 1,075,678 | \$ 1,075,678 | \$ - | \$ 4,301,631 | 25.01% |
| December 31, 2015 | June 30, 2015 | \$ 903,349 | \$ 903,349 | \$ - | \$ 3,833,602 | 23.56% |
| December 31, 2014 | June 30, 2014 | \$ 917,932 | \$ 917,932 | \$ - | \$ 3,871,031 | 23.71% |
| December 31, 2013 | June 30, 2013 | \$ 665,576 | \$ 665,576 | \$ - | \$ 4,033,905 | 16.50% |

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

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NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED
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Schedule of Funding Progress for Other Postemployment Benefits (OPEB)

As required by GASB Statement No. 45, Exhibit F represents the actuarial determined costs associated with the Town's other postemployment benefits for the fiscal year ended December 31, 2016.

Schedule of the Town's Proportionate Share of Net Pension Liability & Schedule of Town Contributions

As required by GASB Statement No. 68, and as amended by GASB Statement No. 71, Exhibits G and H represent the actuarial determined costs associated with the Town's pension plan at December 31, 2016.

Methods and Assumptions Used to Determine Contribution Rates for Fiscal Year 2016:

| | |
|-------------------------------|--|
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method | Level Percentage-of-Payroll, Closed |
| Remaining Amortization Period | 23 Years beginning July 1, 2016 (30 years beginning July 1, 2009) |
| Asset Valuation Method | 5-Year smooth market for funding purposes |
| Price Inflation | 2.5% per year |
| Wage Inflation | 3.25% per year |
| Salary Increases | 5.6% Average, including inflation |
| Municipal Bond Rate | 2.85% per year |
| Investment Rate of Return | 7.25% per year |
| Retirement Age | Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2015. |
| Mortality | RP-2014 Employee generational mortality tables for males and females, adjusted for mortality improvements using Scale MP-2015, based on the last experience study. |

Other Information:

Notes Contribution rates for Fiscal Year 2014 were determined based on the benefit changes adopted under House Bill No. 2 as amended by 011-2513-CofC.

COMBINING AND INDIVIDUAL FUND SCHEDULES

SCHEDULE 1
TOWN OF SEABROOK, NEW HAMPSHIRE
Major General Fund
Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2016

| | Estimated | Actual | Variance Positive (Negative) |
|--|----------------------|----------------------|------------------------------------|
| Taxes: | | | |
| Property | \$ 15,730,227 | \$ 16,119,152 | \$ 388,925 |
| Yield | - | 173 | 173 |
| Excavation | - | 537 | 537 |
| Interest and penalties on taxes | 150,000 | 211,352 | 61,352 |
| Total from taxes | <u>15,880,227</u> | <u>16,331,214</u> | <u>450,987</u> |
| Licenses, permits, and fees: | | | |
| Business licenses, permits, and fees | 57,685 | 62,761 | 5,076 |
| Motor vehicle permit fees | 1,640,000 | 1,835,818 | 195,818 |
| Building permits | 52,150 | 117,990 | 65,840 |
| Other | 166,120 | 192,533 | 26,413 |
| Total from licenses, permits, and fees | <u>1,915,955</u> | <u>2,209,102</u> | <u>293,147</u> |
| Intergovernmental: | | | |
| State: | | | |
| Meals and rooms distribution | 455,767 | 455,767 | - |
| Highway block grant | 174,154 | 174,154 | - |
| Other | 50,000 | 75,000 | 25,000 |
| Total from intergovernmental | <u>679,921</u> | <u>704,921</u> | <u>25,000</u> |
| Charges for services: | | | |
| Income from departments | <u>109,085</u> | <u>136,299</u> | <u>27,214</u> |
| Miscellaneous: | | | |
| Sale of municipal property | 46,661 | 46,054 | (607) |
| Interest on investments | 30,000 | 13,321 | (16,679) |
| Insurance dividends and reimbursements | - | 27,850 | 27,850 |
| Contributions and donations | - | 5,040 | 5,040 |
| Other | 166,631 | 191,842 | 25,211 |
| Total from miscellaneous | <u>243,292</u> | <u>284,107</u> | <u>40,815</u> |
| Other financing sources: | | | |
| Transfers in | <u>115,400</u> | <u>60,349</u> | <u>(55,051)</u> |
| Total other financing sources | <u>115,400</u> | <u>60,349</u> | <u>(55,051)</u> |
| Total revenues and other financing sources | 18,943,880 | <u>\$ 19,725,992</u> | <u>\$ 782,112</u> |
| Unassigned fund balance used to reduce tax rate | <u>2,575,000</u> | | |
| Total revenues, other financing sources, and use of fund balance | <u>\$ 21,518,880</u> | | |

SCHEDULE 2
TOWN OF SEABROOK, NEW HAMPSHIRE
Major General Fund
Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2016

| | Encumbered from Prior Year | Appropriations | Expenditures | Encumbered to Subsequent Year | Variance Positive (Negative) |
|------------------------------------|----------------------------------|------------------|------------------|-------------------------------------|------------------------------------|
| Current: | | | | | |
| General government: | | | | | |
| Executive | \$ - | \$ 763,480 | \$ 776,628 | \$ - | \$ (13,148) |
| Election and registration | - | 428,903 | 429,549 | - | (646) |
| Financial administration | - | 1,262,352 | 1,076,691 | - | 185,661 |
| Legal | - | 225,000 | 194,333 | - | 30,667 |
| Planning and zoning | - | 99,328 | 126,116 | - | (26,788) |
| General government buildings | 41,200 | 129,080 | 168,844 | 41,200 | (39,764) |
| Cemeteries | - | 88,050 | 95,807 | - | (7,757) |
| Insurance, not otherwise allocated | - | 753,486 | 540,235 | - | 213,251 |
| Total general government | <u>41,200</u> | <u>3,749,679</u> | <u>3,408,203</u> | <u>41,200</u> | <u>341,476</u> |
| Public safety: | | | | | |
| Police | 6,150 | 4,418,178 | 4,339,910 | - | 84,418 |
| Fire | - | 3,822,984 | 3,960,157 | 237,286 | (374,459) |
| Building inspection | - | 152,467 | 142,412 | - | 10,055 |
| Emergency management | - | 156,426 | 163,052 | - | (6,626) |
| Total public safety | <u>6,150</u> | <u>8,550,055</u> | <u>8,605,531</u> | <u>237,286</u> | <u>(286,612)</u> |
| Highways and streets: | | | | | |
| Administration | 12,500 | 1,471,898 | 1,338,784 | 12,500 | 133,114 |
| Street lighting | - | 84,474 | 85,852 | - | (1,378) |
| Total highways and streets | <u>12,500</u> | <u>1,556,372</u> | <u>1,424,636</u> | <u>12,500</u> | <u>131,736</u> |
| Water distribution and treatment | - | 83,000 | 194,010 | - | (111,010) |
| Sanitation: | | | | | |
| Administration | - | 26,600 | 36,876 | - | (10,276) |
| Solid waste collection | - | 1,510,393 | 1,622,891 | 16,445 | (128,943) |
| Total sanitation | <u>-</u> | <u>1,536,993</u> | <u>1,659,767</u> | <u>16,445</u> | <u>(139,219)</u> |
| Health: | | | | | |
| Administration | 8,669 | 80,831 | 83,124 | 8,669 | (2,293) |
| Pest control | - | 141,681 | 129,025 | - | 12,656 |
| Total health | <u>8,669</u> | <u>222,512</u> | <u>212,149</u> | <u>8,669</u> | <u>10,363</u> |
| Welfare: | | | | | |
| Administration | - | 100,182 | 104,709 | - | (4,527) |
| Vendor payments | - | 260,720 | 202,262 | - | 58,458 |
| Total welfare | <u>-</u> | <u>360,902</u> | <u>306,971</u> | <u>-</u> | <u>53,931</u> |
| Culture and recreation: | | | | | |
| Parks and recreation | 79,300 | 946,410 | 936,149 | 19,000 | 70,561 |
| Library | - | 622,576 | 584,968 | - | 37,608 |
| Patriotic purposes | - | 33,880 | 32,205 | - | 1,675 |
| Other | - | 40,000 | - | - | 40,000 |
| Total culture and recreation | <u>79,300</u> | <u>1,642,866</u> | <u>1,553,322</u> | <u>19,000</u> | <u>149,844</u> |
| Conservation | - | 3,618 | 3,104 | - | 514 |
| Debt service: | | | | | |
| Principal of long-term debt | - | 354,755 | 354,755 | - | - |
| Interest on long-term debt | - | 307,233 | 307,233 | - | - |
| Interest on tax anticipation notes | - | 4,000 | - | - | 4,000 |
| Total debt service | <u>-</u> | <u>665,988</u> | <u>661,988</u> | <u>-</u> | <u>4,000</u> |

(Continued)

SCHEDULE 2 (Continued)
TOWN OF SEABROOK, NEW HAMPSHIRE
Major General Fund
Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2016

| | Encumbered from Prior Year | Appropriations | Expenditures | Encumbered to Subsequent Year | Variance Positive (Negative) |
|---|----------------------------------|----------------------|----------------------|-------------------------------------|------------------------------------|
| Capital outlay | - | 1,048,700 | 862,796 | - | 185,904 |
| Other financing uses: | | | | | |
| Transfers out | - | 2,098,195 | 1,710,182 | - | 388,013 |
| Total appropriations, expenditures, other financing uses, and encumbrances | <u>\$ 147,819</u> | <u>\$ 21,518,880</u> | <u>\$ 20,602,659</u> | <u>\$ 335,100</u> | <u>\$ 728,940</u> |

SCHEDULE 3
TOWN OF SEABROOK, NEW HAMPSHIRE
Major General Fund
Schedule of Changes in Unassigned Fund Balance
For the Fiscal Year Ended December 31, 2016

| | | |
|---|----------------|----------------------------|
| Unassigned fund balance, beginning (Non-GAAP Budgetary Basis) | | \$ 9,165,185 |
| Changes: | | |
| Unassigned fund balance used to reduce 2016 tax rate | | (2,575,000) |
| 2016 Budget summary: | | |
| Revenue surplus (Schedule 1) | \$ 782,112 | |
| Unexpended balance of appropriations (Schedule 2) | <u>728,940</u> | |
| 2016 Budget surplus | | 1,511,052 |
| Increase in nonspendable fund balance | | (57,324) |
| Increase in restricted fund balance | | (8,820) |
| Decrease in committed fund balance | | <u>473,913</u> |
| Unassigned fund balance, ending (Non-GAAP Budgetary Basis) | | 8,509,006 |
| <i>Reconciliation of Non-GAAP Budgetary Basis to GAAP Basis:</i> | | |
| To comply with generally accepted accounting principles by deferring property taxes not collected within 60 days of fiscal year-end | | (433,083) |
| To remove allowance for uncollectible property taxes which are deferred | | <u>15,000</u> |
| Unassigned fund balance, ending, GAAP basis (Exhibit C-1) | | <u><u>\$ 8,090,923</u></u> |

SCHEDULE 4
TOWN OF SEABROOK, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2016

| | Special Revenue Funds | | | |
|--|----------------------------|------------------|-------------------------|-----------------------------|
| | Conservation Commission | Transportation | Recreation Revolving | Police Outside Detail |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 196,308 | \$ 32,722 | \$ 79,922 | \$ 119,870 |
| Investments | - | - | - | - |
| Receivables, net of allowance for uncollectable: | | | | |
| Accounts | - | - | - | 113,089 |
| Total assets | <u>\$ 196,308</u> | <u>\$ 32,722</u> | <u>\$ 79,922</u> | <u>\$ 232,959</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ - | \$ - | \$ 4,184 | \$ - |
| Accrued salaries and benefits | - | - | - | 2,603 |
| Interfund payable | - | 100 | - | - |
| Total liabilities | <u>-</u> | <u>100</u> | <u>4,184</u> | <u>2,603</u> |
| Deferred Inflows of Resources: | | | | |
| Unavailable revenue - Grants | - | - | - | - |
| Fund Balances (deficit): | | | | |
| Nonspendable | - | - | - | - |
| Restricted | - | - | - | - |
| Committed | 196,308 | 32,622 | 75,738 | 230,356 |
| Unassigned (deficit) | - | - | - | - |
| Total fund balances | <u>196,308</u> | <u>32,622</u> | <u>75,738</u> | <u>230,356</u> |
| Total liabilities, deferred outflows and fund balances | <u>\$ 196,308</u> | <u>\$ 32,722</u> | <u>\$ 79,922</u> | <u>\$ 232,959</u> |

SCHEDULE 4 (Continued)
TOWN OF SEABROOK, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Balance Sheet
For the Fiscal Year Ended December 31, 2016

| Special Revenue Funds | | | | Capital Project Fund | | |
|-----------------------|------------------------|------------------------|-----------------------|-----------------------------|-------------------|---------------------|
| Grants | Ambulance Revolving | Recycling Revolving | D'Alessandro Trust | Water Treatment Plant | Permanent Fund | Total |
| \$ 23,255 | \$ 732,469 | \$ 59,149 | \$ 394,451 | \$ 69,601 | \$ 268 | \$ 1,708,015 |
| - | - | - | - | - | 14,415 | 14,415 |
| - | 303,607 | - | - | - | - | 416,696 |
| <u>\$ 23,255</u> | <u>\$ 1,036,076</u> | <u>\$ 59,149</u> | <u>\$ 394,451</u> | <u>\$ 69,601</u> | <u>\$ 14,683</u> | <u>\$ 2,139,126</u> |
| | | | | | | |
| \$ - | \$ 5,779 | \$ - | \$ - | \$ 816 | \$ - | \$ 10,779 |
| - | 8,848 | - | - | - | - | 11,451 |
| 22,990 | - | - | - | - | - | 23,090 |
| <u>22,990</u> | <u>14,627</u> | <u>-</u> | <u>-</u> | <u>816</u> | <u>-</u> | <u>45,320</u> |
| | | | | | | |
| <u>265</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>265</u> |
| | | | | | | |
| - | - | - | - | - | 12,695 | 12,695 |
| - | - | - | 394,451 | 104,230 | 1,988 | 500,669 |
| - | 1,021,449 | 59,149 | - | - | - | 1,615,622 |
| - | - | - | - | (35,445) | - | (35,445) |
| - | <u>1,021,449</u> | <u>59,149</u> | <u>394,451</u> | <u>68,785</u> | <u>14,683</u> | <u>2,093,541</u> |
| <u>\$ 23,255</u> | <u>\$ 1,036,076</u> | <u>\$ 59,149</u> | <u>\$ 394,451</u> | <u>\$ 69,601</u> | <u>\$ 14,683</u> | <u>\$ 2,139,126</u> |

SCHEDULE 5
TOWN OF SEABROOK, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended December 31, 2016

| | Special Revenue Funds | | | |
|--|----------------------------|----------------|-------------------------|-----------------------------|
| | Conservation Commission | Transportation | Recreation Revolving | Police Outside Detail |
| Revenues: | | | | |
| Licenses and permits | \$ - | \$ 53,725 | \$ - | \$ - |
| Intergovernmental | - | - | - | - |
| Charges for services | - | - | 21,984 | 245,968 |
| Miscellaneous | 988 | 5,546 | 27,104 | - |
| Total revenues | 988 | 59,271 | 49,088 | 245,968 |
| Expenditures: | | | | |
| Current: | | | | |
| Public safety | - | - | - | 191,897 |
| Water distribution and treatment | - | - | - | - |
| Sanitation | - | - | - | - |
| Culture and recreation | - | - | 43,670 | - |
| Capital outlay | - | - | - | - |
| Total expenditures | - | - | 43,670 | 191,897 |
| Excess (deficiency) of revenues over (under) expenditures | 988 | 59,271 | 5,418 | 54,071 |
| Other financing sources (uses): | | | | |
| Transfers in | - | - | - | - |
| Transfers out | - | (60,000) | - | - |
| Total other financing sources (uses) | - | (60,000) | - | - |
| Net change in fund balances | 988 | (729) | 5,418 | 54,071 |
| Fund balances, beginning | 195,320 | 33,351 | 70,320 | 176,285 |
| Fund balances, ending | \$ 196,308 | \$ 32,622 | \$ 75,738 | \$ 230,356 |

SCHEDULE 5 (Continued)
TOWN OF SEABROOK, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended December 31, 2016

| Grants | Special Revenue Funds | | | Capital Project Fund | Permanent Fund | Total |
|---------------|------------------------|------------------------|-----------------------|-----------------------------|-------------------|---------------------|
| | Ambulance Revolving | Recycling Revolving | D'Alessandro Trust | Water Treatment Plant | | |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 53,725 |
| 46,018 | - | - | - | - | - | 46,018 |
| - | 165,290 | 41,087 | - | - | - | 474,329 |
| - | 2,836 | 1,207 | 994 | 446 | 948 | 40,069 |
| <u>46,018</u> | <u>168,126</u> | <u>42,294</u> | <u>994</u> | <u>446</u> | <u>948</u> | <u>614,141</u> |
| 23,079 | 280,814 | - | 28,941 | - | - | 524,731 |
| 22,990 | - | - | - | - | - | 22,990 |
| - | - | 222,851 | - | - | - | 222,851 |
| - | - | - | - | - | - | 43,670 |
| - | - | - | - | 21,478 | - | 21,478 |
| <u>46,069</u> | <u>280,814</u> | <u>222,851</u> | <u>28,941</u> | <u>21,478</u> | <u>-</u> | <u>835,720</u> |
| <u>(51)</u> | <u>(112,688)</u> | <u>(180,557)</u> | <u>(27,947)</u> | <u>(21,032)</u> | <u>948</u> | <u>(221,579)</u> |
| 51 | - | - | - | - | - | 51 |
| - | - | - | - | - | (349) | (60,349) |
| <u>51</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(349)</u> | <u>(60,298)</u> |
| - | (112,688) | (180,557) | (27,947) | (21,032) | 599 | (281,877) |
| - | 1,134,137 | 239,706 | 422,398 | 89,817 | 14,084 | 2,375,418 |
| <u>\$ -</u> | <u>\$ 1,021,449</u> | <u>\$ 59,149</u> | <u>\$ 394,451</u> | <u>\$ 68,785</u> | <u>\$ 14,683</u> | <u>\$ 2,093,541</u> |



PLODZIK & SANDERSON

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INDEPENDENT AUDITOR'S COMMUNICATION OF SIGNIFICANT DEFICIENCY

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

In planning and performing our audit of the financial statements of the governmental activities, major fund, and aggregate remaining fund information of the Town of Seabrook as of and for the year ended December 31, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered the Town of Seabrook's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Seabrook's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Seabrook's internal control.

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

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

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency in internal control to be a significant deficiency:

General Ledger Maintenance

It was determined that the Town's general ledger is not being properly reconciled and maintained. Key accounting tasks such as monthly reconciliations play a key role in proving the accuracy of accounting data and information included in interim financial statements. There were various accounts that required significant adjustment and further reconciliation to complete the audit. We recommend that the Town establish more efficient review and reconciliation policies and procedures as a customary part of the accounting processes.

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

December 12, 2017

*Plodzik & Sanderson
Professional Association*