

**TOWN OF SEABROOK,  
NEW HAMPSHIRE**

**ANNUAL FINANCIAL REPORT**

**AS OF AND FOR THE FISCAL YEAR ENDED  
DECEMBER 31, 2017**

**TOWN OF SEABROOK, NEW HAMPSHIRE**  
**ANNUAL FINANCIAL REPORT**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
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# PLODZIK & SANDERSON

*Professional Association/Accountants & Auditors*

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

## ***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, 2017, 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, 2017, 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.

### ***Other Matters***

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

November 13, 2018

*Plodzik & Sanderson  
Professional Association*

## **Management's Discussion and Analysis For the Fiscal Year 2017**

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 \$53,404,827 (*net position*).
- The Town's change in net position was a decrease of \$3,398,328.
- At the close of the current year, the Town's governmental funds reported a combined ending fund balance of \$13,387,559. Approximately 51% (\$6,843,877) 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 \$6,843,877, which is a decrease of 15.5% (\$1,247,046) in relationship to the 2017 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 pages 21-42.

**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.

<b>Town of Seabrook</b> <b>Net Assets as of December 31, 2017 and 2016</b>			
		Governmental Activities	
		2017	2016
Current and other assets	\$	23,185,354	\$ 27,864,486
Capital assets, net		62,300,861	59,741,551
<b>Total assets</b>		<b>85,486,215</b>	<b>87,606,037</b>
Related to Pensions		3,288,744	4,852,125
<b>Total Deferred outflow or resources</b>		<b>3,288,744</b>	<b>4,852,125</b>
Current liabilities		9,047,832	8,456,222
Long-term liabilities		25,269,434	26,525,255
<b>Total liabilities</b>		<b>34,317,266</b>	<b>34,981,477</b>
Related to pensions		641,865	566,127
Unavailable Revenue - Prop Tax		408,769	21,563
Unavailable Revenue - Wtr/Swr		1,967	-
Unavailable Revenue - grants		265	265
<b>Total Deferred outflow or resources</b>		<b>1,052,866</b>	<b>587,955</b>
Net assets:			
Invested in capital assets, net of related debt		54,597,032	55,021,947
Restricted		1,682,287	2,020,436
Unrestricted		(2,874,492)	(153,653)
<b>Total net assets</b>	<b>\$</b>	<b>53,404,827</b>	<b>\$ 56,888,730</b>

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 resources exceeded liabilities and deferred inflows of resources by \$53,404,827 as of December 31, 2017.

The Town's capital assets, net of related debt, at the end of 2017 were \$54,597,032. Capital assets are items such as land, buildings, equipment, and infrastructure (roads and bridges). This portion of the Town's net position (102%) reflects its investment in capital assets, less any related debt used to acquire those assets. The Town uses these capital assets to provide services to its citizens. Consequently, these assets are not available for future spending.

Long-term liabilities decreased by \$1,255,821. This was due to the following factors: a decrease in bond debt of \$369,348; a decrease in capital leases of \$494,176; an increase in compensated absences (vested sick leave and accrued vacation leave) of \$346,487, an increase in other postemployment benefits of \$122,341; and a decrease of \$861,125 in net pension liability.

The Town reported \$15,489 in net position restricted for perpetual care, representing the permanent trust funds. The Town also reported \$1,682,287 which is restricted for the road improvements, donations, drug forfeiture, library, and capital project. Total restricted net position is \$1,682,287.

The balance of unrestricted net position totaling a deficit \$2,874,492. The unrestricted net position represents negative 5.4% of the Town's total net.

### **Net position**

*Net investment in Capital Assets:* The largest portion of the Town's net position 102.23% reflects its net investment in capital assets.

*Restricted Net Position:* 3.15% 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 -5.38% 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 13.

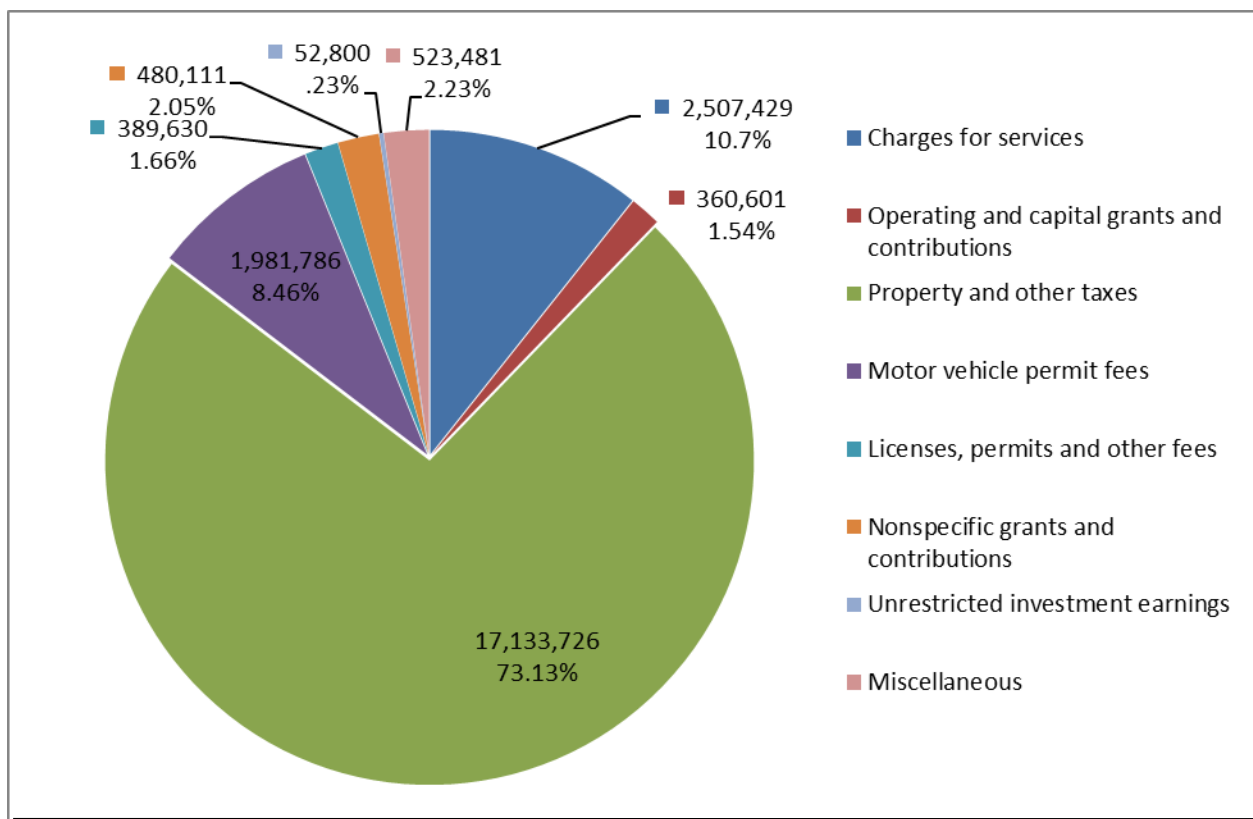
Town of Seabrook		
Changes in Net Assets for year ended December 31, 2017 and 2016		
	Governmental Activities	
<b>Revenues</b>		
Program revenues:	<b>2017</b>	<b>2016</b>
Charges for services	\$ 2,507,429	\$ 2,148,086
Operating and capital grants and contributions	360,601	220,172
General revenues:		
Property and other taxes	17,133,725	16,310,707
Motor vehicle permit fees	1,981,786	1,889,543
Licenses, permits and other fees	389,630	373,284
Grants and contributions not restricted to specific programs	480,111	530,767
Unrestricted investment earnings	52,800	52,521
Miscellaneous	523,481	458,601
<b>Total revenues</b>	<b>\$ 23,429,563</b>	<b>\$ 21,983,681</b>
<b>Expenses</b>		
General governmental	\$ 3,816,092	\$ 3,534,307
Public safety	10,633,391	10,321,208
Highways and streets	3,531,557	2,410,318
Sanitation	3,774,272	4,442,766
Water distributions and treatments	2,285,728	2,937,938
Health	247,411	212,822
Welfare	324,184	307,126
Culture and recreation	1,919,830	1,641,584
Conservation	9,899	8,771
Interest on long-term debt	285,527	306,964
<b>Total expenses</b>	<b>\$ 26,827,891</b>	<b>\$ 26,123,804</b>
Increase (Decrease) in net assets	(3,398,328)	(4,140,123)
Net assets, beginning of year as restated	56,803,155	61,028,853
<b>Net assets, end of year</b>	<b>\$ 53,404,827</b>	<b>\$ 56,888,730</b>

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

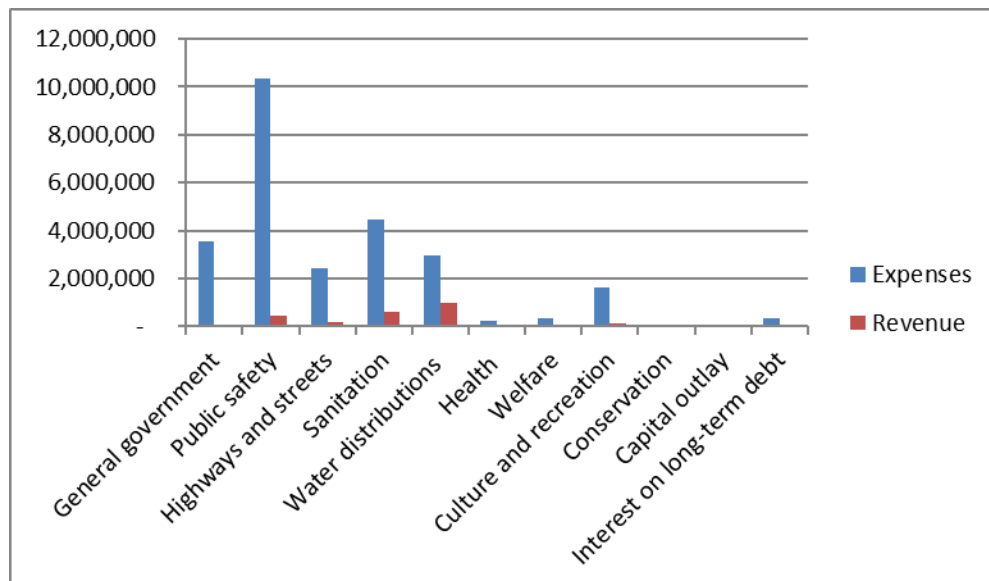
## Governmental Activities

Net position decreased in 2017 by \$3,398,328. This decrease was due mainly to revenue reduction.

The total cost of Governmental activities this year was \$26,827,891. However, as shown in the Statement of Activities, the amount that our taxpayers ultimately financed for these activities through Town property taxes was only \$17,133,725. The overall tax rate in 2017 increased to (\$16.25/\$1000) from previous year of 2016 at (\$14.79/\$1000). Those who directly benefited from the programs paid \$2,507,429, and other governments and organizations subsidized certain programs in the amount of \$360,601. The Town paid for the remaining governmental activities with \$3,427,808 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 \$13,387,559, which decreased \$1,760,690 from the prior year. Of the \$13,387,559 in combined ending fund balance, \$6,543,682 has been designated for specific uses. The remaining fund balance of \$6,843,877 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 \$6,843,877. 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 28% of total General Fund expenditures, while total fund balance represents 46% of that same amount.

The unassigned fund balance of the Town's General Fund decreased by \$1,217,658, or 14.3%, from the prior year. Key factors in this change are as follows:

Unassigned fund balance used to offset tax rate	\$(2,000,000)
Amount voted from fund balance	(270,000)
Excess of revenues over budget estimates	1,258,709
Decrease in fund balance non-spendable	11,173
Increase in fund balance restricted	(154,325)
Decrease in fund balance committed	22,360
Total	<u><u>\$(1,132,083)</u></u>

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

##### Capital assets

The Town's capital assets for its governmental activities as of December 31, 2017 are \$62,300,861 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>2017</u>	<u>2016</u>
Land	\$ 3,811,948	\$ 3,811,948
Buildings and improvements	39,820,901	39,589,872
Improvements other than buildings	1,056,573	1,056,573
Equipment and vehicles	10,365,175	9,236,255
Construction in progress	157,638	35,801
Infrastructure	73,541,042	73,259,886
Total	<u>128,753,277</u>	<u>126,990,335</u>
Accumulated Depreciation	<u>(66,452,416)</u>	<u>(63,401,035)</u>
<b>Total Capital Assets</b>	<u><u>\$ 62,300,861</u></u>	<u><u>\$ 63,589,300</u></u>

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

Additional information on the long-term liabilities can be found in Note 14 in the Notes to the Basic Financial Statements.

### **Long-term Liabilities Payable as of December 31, 2017**

Long-term Liabilities Payable as of 2016	\$	26,525,255
Additional Debt		468,828
Debt retired		<u>-1,724,649</u>
Long-term Liabilities Payable as of 2017	\$	<u>25,269,434</u>

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

New Hampshire Employment Security reports Seabrook's unemployment rate for June 2018 at 2.8%, the State's unemployment rate at 2.7%. The National unemployment rate is at 4.3%. These same rates for July, 2017 were 3.6%, 2.7%, 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, 2017*

	Governmental Activities
<b>ASSETS</b>	
Cash and cash equivalents	\$ 18,960,301
Investments	1,962,384
Taxes receivables (net)	1,515,677
Account receivables (net)	638,560
Intergovernmental receivable	5,998
Prepaid items	73,966
Tax deeded property, subject to resale	28,468
Capital assets:	
Land and construction in progress	3,969,586
Other capital assets, net of depreciation	58,331,275
Total assets	<u>85,486,215</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Related to pensions	<u>3,288,744</u>
<b>LIABILITIES</b>	
Accounts payable	549,809
Accrued salaries and benefits	316,034
Accrued interest payable	106,035
Intergovernmental payable	8,075,954
Long-term liabilities:	
Due within one year	1,075,137
Due in more than one year	24,194,297
Total liabilities	<u>34,317,266</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Unavailable revenue - property taxes	408,769
Unavailable revenue - water and sewer	1,967
Grants	265
Related to pensions	641,865
Total deferred inflows of resources	<u>1,052,866</u>
<b>NET POSITION</b>	
Net investment in capital assets	54,597,032
Restricted	1,682,287
Unrestricted	<u>(2,874,492)</u>
Total net position	<u><u>\$ 53,404,827</u></u>

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, 2017*

		Program Revenues		Net (Expense)
		Charges	Operating	Revenue and
		for	Grants and	Change In
	Expenses	Services	Contributions	Net Position
General government	\$ 3,816,092	\$ 32,305	\$ -	\$ (3,783,787)
Public safety	10,633,391	697,027	35,816	(9,900,548)
Highways and streets	3,531,557	-	324,785	(3,206,772)
Sanitation	3,774,272	628,586	-	(3,145,686)
Water distribution and treatment	2,285,728	1,024,179	-	(1,261,549)
Health	247,411	-	-	(247,411)
Welfare	324,184	-	-	(324,184)
Culture and recreation	1,919,830	125,332	-	(1,794,498)
Conservation	9,899	-	-	(9,899)
Interest on long-term debt	285,527	-	-	(285,527)
Total governmental activities	<u>\$ 26,827,891</u>	<u>\$ 2,507,429</u>	<u>\$ 360,601</u>	<u>(23,959,861)</u>
General revenues:				
Taxes:				
Property				17,005,488
Other				128,237
Motor vehicle permit fees				1,981,786
Licenses and other fees				389,630
Grants and contributions not restricted to specific programs				480,111
Unrestricted investment earnings				52,800
Miscellaneous				523,481
Total general revenues				<u>20,561,533</u>
Change in net position				(3,398,328)
Net position, beginning, as restated (see Note 20)				56,803,155
Net position, ending				<u>\$ 53,404,827</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, 2017**

	General	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 15,392,136	\$ 1,875,225	\$ 17,267,361
Investments	5,014	15,140	20,154
Receivables, net of allowance for uncollectible:			
Taxes	1,525,677	-	1,525,677
Accounts	349,692	288,868	638,560
Intergovernmental receivable	-	5,998	5,998
Interfund receivable	195,170	176,012	371,182
Prepaid items	73,966	-	73,966
Tax deeded property, subject to resale	28,468	-	28,468
Restricted assets:			
Cash and cash equivalents	1,692,940	-	1,692,940
Investments	1,942,230	-	1,942,230
Total assets	<u>\$ 21,205,293</u>	<u>\$ 2,361,243</u>	<u>\$ 23,566,536</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 532,106	\$ 17,703	\$ 549,809
Accrued salaries and benefits	298,881	17,153	316,034
Intergovernmental payable	8,075,954	-	8,075,954
Interfund payable	151,012	220,170	371,182
Total liabilities	<u>9,057,953</u>	<u>255,026</u>	<u>9,312,979</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - Property taxes	863,766	-	863,766
Unavailable revenue - Water and sewer	1,967	-	1,967
Grants	-	265	265
Total deferred inflows of resources	<u>865,733</u>	<u>265</u>	<u>865,998</u>
<b>FUND BALANCES</b>			
Nonspendable	102,434	15,354	117,788
Restricted	1,903,496	357,190	2,260,686
Committed	2,419,631	1,733,408	4,153,039
Assigned	12,169	-	12,169
Unassigned	6,843,877	-	6,843,877
Total fund balances	<u>11,281,607</u>	<u>2,105,952</u>	<u>13,387,559</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 21,205,293</u>	<u>\$ 2,361,243</u>	<u>\$ 23,566,536</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, 2017**

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

Total fund balances of governmental funds (Exhibit C-1)		\$ 13,387,559
Capital assets used in governmental activities are not financial resources, therefore, are not reported in the funds.		
Cost	\$ 128,753,277	
Less accumulated depreciation	<u>(66,452,416)</u>	
		62,300,861
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	\$ 3,288,744	
Deferred inflows of resources related to pensions	<u>(641,865)</u>	
		2,646,879
Interfund receivables and payables between governmental funds are eliminated on the Statement of Net Position.		
Receivables	\$ (371,182)	
Payables	<u>371,182</u>	
		-
Long term revenues (taxes) are not available to pay current-period expenditures and therefore, are reported as deferred inflows of resources in the governmental funds.		454,997
Allowance for uncollectible property taxes that is recognized on a full accrual basis, but not on the modified accrual basis.		(10,000)
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(106,035)
Long-term liabilities are not due and payable in the current period, therefore, are not reported in the funds.		
Bonds	\$ 7,016,080	
Unamortized bond premium	21,750	
Capital leases	665,999	
Compensated absences	1,271,799	
Other postemployment benefits	1,180,749	
Net pension liability	<u>15,113,057</u>	
		<u>(25,269,434)</u>
Net position of governmental activities (Exhibit A)		<u><u>\$ 53,404,827</u></u>

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

**EXHIBIT C-3**  
**TOWN OF SEABROOK, NEW HAMPSHIRE**  
**Governmental Funds**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**For the Fiscal Year Ended December 31, 2017**

	General	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>			
Taxes	\$ 17,106,811	\$ -	\$ 17,106,811
Licenses and permits	2,316,866	54,550	2,371,416
Intergovernmental	804,896	35,816	840,712
Charges for services	1,733,788	773,641	2,507,429
Miscellaneous	544,782	31,499	576,281
Total revenues	<u>22,507,143</u>	<u>895,506</u>	<u>23,402,649</u>
<b>EXPENDITURES</b>			
Current:			
General government	3,411,993	-	3,411,993
Public safety	10,005,176	694,218	10,699,394
Highways and streets	1,841,073	-	1,841,073
Water distribution and treatment	1,679,404	-	1,679,404
Sanitation	3,457,538	-	3,457,538
Health	234,327	-	234,327
Welfare	324,353	-	324,353
Culture and recreation	1,711,766	59,371	1,771,137
Conservation	1,984	-	1,984
Debt service:			
Principal	367,898	-	367,898
Interest	294,162	-	294,162
Capital outlay	1,013,298	66,778	1,080,076
Total expenditures	<u>24,342,972</u>	<u>820,367</u>	<u>25,163,339</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,835,829)</u>	<u>75,139</u>	<u>(1,760,690)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	164,951	102,223	267,174
Transfers out	(102,223)	(164,951)	(267,174)
Total other financing sources (uses)	<u>62,728</u>	<u>(62,728)</u>	<u>-</u>
Net change in fund balances	(1,773,101)	12,411	(1,760,690)
Fund balances, beginning, as restated (see Note 20)	13,054,708	2,093,541	15,148,249
Fund balances, ending	<u>\$ 11,281,607</u>	<u>\$ 2,105,952</u>	<u>\$ 13,387,559</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, 2017**

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

Net change in fund balances of governmental funds (Exhibit C-3) \$ (1,760,690)

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	\$ 1,917,793	
Depreciation expense	(3,162,706)	
		(1,244,913)

The net effect of various miscellaneous transactions involving capital assets  
(i.e., sales and donations) is to decrease net position. (43,526)

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

Transfers in	\$ (267,174)	
Transfers out	267,174	
		-

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	\$ 21,914	
Change in allowance for uncollectible property taxes	5,000	
		26,914

The issuance of long-term debt provides current financial resources to governmental  
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.

Repayment of bond principal	\$ 367,898	
Repayment of capital leases	494,176	
Amortization of bond premium	1,450	
		863,524

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

Decrease in accrued interest expense	\$ 7,185	
Increase in compensated absences payable	(346,487)	
Increase in postemployment benefits payable	(122,341)	
Net increase in net pension liability and deferred outflows and inflows related to pensions	(777,994)	
		(1,239,637)

Changes in net position of governmental activities (Exhibit B) \$ (3,398,328)

**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, 2017**

	Budgeted Amounts			Variance
	Original	Final	Actual	Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 16,913,816	\$ 16,913,816	\$ 17,133,725	\$ 219,909
Licenses and permits	1,884,610	1,884,610	2,316,866	432,256
Intergovernmental	681,845	681,845	804,896	123,051
Charges for services	129,255	129,255	156,834	27,579
Miscellaneous	348,764	348,764	403,361	54,597
Total revenues	19,958,290	19,958,290	20,815,682	857,392
<b>EXPENDITURES</b>				
Current:				
General government	3,605,542	3,605,542	3,370,793	234,749
Public safety	8,993,996	8,993,996	9,767,890	(773,894)
Highways and streets	1,710,424	1,710,424	1,611,075	99,349
Water distribution and treatment	113,000	113,000	52,234	60,766
Sanitation	1,663,815	1,663,815	1,691,113	(27,298)
Health	231,532	231,532	234,327	(2,795)
Welfare	341,665	341,665	324,353	17,312
Culture and recreation	1,697,260	1,697,260	1,569,525	127,735
Conservation	3,618	3,618	1,984	1,634
Debt service:				
Principal	367,898	367,898	367,898	-
Interest	296,352	296,352	294,162	2,190
Capital outlay	969,800	1,158,982	1,013,298	145,684
Total expenditures	19,994,902	20,184,084	20,298,652	(114,568)
Excess (deficiency) of revenues over (under) expenditures	(36,612)	(225,794)	517,030	742,824
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	60,400	249,582	370,245	120,663
Transfers out	(2,293,788)	(2,293,788)	(1,898,566)	395,222
Total other financing sources (uses)	(2,233,388)	(2,044,206)	(1,528,321)	515,885
Net change in fund balances	\$ (2,270,000)	\$ (2,270,000)	(1,011,291)	\$ 1,258,709
Decrease in nonspendable fund balance			11,173	
Increase in restricted fund balance			(154,325)	
Decrease in committed fund balance			22,360	
Unassigned fund balance, beginning, as restated (see Note 20)			8,423,431	
Unassigned fund balance, ending			\$ 7,291,348	

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, 2017*

	Private Purpose Trust	Agency
<b>ASSETS</b>		
Cash and cash equivalents	\$ 32,288	\$ 1,127,355
Investments	1,135,133	180,811
Intergovernmental receivable	75,539	-
Total assets	<u>1,242,960</u>	<u>1,308,166</u>
<b>LIABILITIES</b>		
Intergovernmental payable	-	182,485
Due to others	-	1,125,681
Total liabilities	<u>-</u>	<u>1,308,166</u>
<b>NET POSITION</b>		
Held in trust for specific purposes	<u>\$ 1,242,960</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, 2017**

	Private Purpose Trust
<b>ADDITIONS</b>	
<b>Contributions:</b>	
New funds	\$ 112,067
<b>Investment income:</b>	
Interest	32,037
Net increase in fair value of investments	56,910
Total additions	201,014
<b>DEDUCTIONS</b>	
Scholarships	131,000
Change in net position	70,014
Net position, beginning, as restated (see Note 20)	1,172,946
Net position, ending	\$ 1,242,960

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, 2017**

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***TOWN OF SEABROOK, NEW HAMPSHIRE***  
***NOTES TO THE BASIC FINANCIAL STATEMENTS***  
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**TOWN OF SEABROOK, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2017**

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

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

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

***1-A Reporting Entity***

The Town of Seabrook is a municipal corporation governed by an elected 3-member Board of Selectmen and Town Manager. 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 Basis of Accounting, and Measurement Focus***

The accounts of the Town are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

***Government-wide Financial Statements*** – The Town's government-wide financial statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of governmental activities for the Town accompanied by a total column. Fiduciary activities of the Town are not included in these statements.

These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the Town's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows. The types of transactions reported as program revenues for the Town are reported in two categories: 1) charges for services and 2) operating grants and contributions.

Certain eliminations have been made to interfund activities, payables, and receivables. All internal balances in the Statement of Net Position have been eliminated.

***Governmental Fund Financial Statements*** – Include a balance sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balances for all major governmental funds and nonmajor funds aggregated. An accompanying statement is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net position and changes in net position presented in the government-wide financial statements. The Town has presented all major funds that met those qualifications.

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, with the exception of reimbursement-based grants, which use a period of one year. 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. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current 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.

**TOWN OF SEABROOK, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2017**

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.

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, water distribution and treatment, sanitation, culture and recreation, debt service, and capital outlay. Under GASB Statement No. 54 guidance the library, water, sewer, and expendable trust funds are consolidated in the general fund.

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.

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

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-C 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.

### ***1-D Restricted Assets***

Certain Town assets are classified as restricted assets because their use is restricted by statutory limitation, and/or they are earmarked for a specific purpose.

### ***1-E Investments***

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

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

- Obligations of the United States government,
- The public deposit investment pool established pursuant to RSA 383:22,

**TOWN OF SEABROOK, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2017**

- 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.

**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. 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 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.

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.

**Investments in Certain External Investment Pools** – In accordance with GASB Statement No. 79, the 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.

### ***1-F 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-G Prepaid Items***

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

**TOWN OF SEABROOK, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2017**

***1-H Capital Assets***

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

Capital assets are defined by the Town as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of one year. Such assets are carried at historical cost or estimated historical cost. When the cost of the capital assets cannot be determined from available records, estimated historical cost is used. Donated capital assets received on or prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value.

The costs of normal maintenance and repairs are charged to operations as incurred. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

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

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

***1-I 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-J 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 12, 2017 and November 20, 2017 and due on July 3, 2017 and December 29, 2017. 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, 2017 utilized in the setting of the tax rate was as follows:

For the New Hampshire education tax	\$ 1,565,034,610
For all other taxes	\$ 2,596,500,410

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The tax rates and amounts assessed for the year ended December 31, 2017 were as follows:

	Per \$1,000 of Assessed Valuation	Property Taxes Assessed
Municipal portion	\$ 6.67	\$ 17,309,362
School portion:		
State of New Hampshire	2.31	3,609,848
Local	6.35	16,498,709
County portion	0.92	2,392,527
Total	<u>\$ 16.25</u>	<u>\$ 39,810,446</u>

***1-K 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, 2017.

***1-L 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) 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-M 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.

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

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments that would normally be liquidated with expendable available financial resources are recorded during the year as expenditures in the governmental funds. Claims and judgments are recorded in the government-wide financial statements as an expense when the related liabilities are incurred.

***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 extent of the constraints placed on a government’s fund balances are 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 the 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 best practices recommendation of the NH Department of Revenue Administration and generally accepted accounting practices 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 2017, \$2,000,000 of the beginning general fund unassigned fund balance was applied for this purpose and \$270,000 was voted from unassigned fund balance for various projects.

**2-B Budgetary Reconciliation to GAAP Basis**

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

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

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

Revenues and other financing sources:	
Per Exhibit D (budgetary basis)	\$ 21,185,927
Adjustment:	
Basis difference:	
GASB Statement No. 54:	
To record miscellaneous income of the blended funds	1,718,375
To eliminate transfers between blended funds	(205,294)
Change in deferred tax revenue relating to 60-day revenue recognition	(21,914)
Change in allowance for uncollectible property taxes	(5,000)
Per Exhibit C-3 (GAAP basis)	<u>\$ 22,672,094</u>
	(Continued)



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*Budgetary reconciliation to GAAP basis continued:*

Expenditures and other financing uses:	
Per Exhibit D (budgetary basis)	\$ 22,197,218
Adjustment:	
Basis differences:	
Encumbrances, beginning	335,100
Encumbrances, ending	(12,169)
GASB Statement No. 54:	
To record expenditures of the blended funds during the year	3,721,389
To eliminate transfers between general and blended funds	(1,796,343)
Per Exhibit C-3 (GAAP basis)	<u><u>\$ 24,445,195</u></u>

**DETAILED NOTES ON ALL FUNDS**

**NOTE 3 – CASH AND CASH EQUIVALENTS**

The Town's deposits are entirely covered by federal depository insurance (FDIC) or by collateral held by the Town's agent in the Town's name. The FDIC currently insures the first \$250,000 of the Town's deposits at each financial institution, per case custodian. Deposit balances over \$250,000 are insured by the collateral. As of year-end, the carrying amount of the Town's deposits was \$20,119,944 and the bank balances totaled \$18,439,660. Petty cash totaled \$3,507.

Cash and cash equivalents reconciliation:

Cash per Statement of Net Position (Exhibit A)	\$ 18,960,301
Cash per Statement of Net Position - Fiduciary Fund (Exhibit E-1)	1,159,643
Total cash and cash equivalents	<u><u>\$ 20,119,944</u></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.

**NOTE 4 – RESTRICTED ASSETS**

Cash and/or investments are classified as restricted for the following purposes:

Cash and cash equivalents:	
General fund:	
Library	\$ 617,924
Capital reserve funds	17,305
Escrow accounts	1,010,151
Sewer	47,560
Total restricted cash and cash equivalents	<u>1,692,940</u>
Investments:	
General fund:	
Capital reserve funds	<u>1,942,230</u>
Total restricted assets	<u><u>\$ 3,635,170</u></u>

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**NOTE 5 – INVESTMENTS**

Note 1-E 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 and maturities as of December 31, 2017:

	Valuation Measurement Method	Fair Value
Investments type:		
Corporate bonds	Level 1	\$ 2,526,381
Equity mutual funds	Level 1	746,933
New Hampshire Public Deposit Investment I	Level 2	5,014
Total fair value		<u>\$ 3,278,328</u>

**Interest Rate Risk** – This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The Town's formal investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. This risk is considered a systematic risk affecting the entire market that cannot be diversified.

**Custodial Credit Risk** – This is the risk that in the event of the failure of the counterparty (e.g. broker/dealer) to honor a transaction, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town considers this risk to be a nonsystematic risk which is a risk unique to a specific asset that can be reduced through diversification.

Investment reconciliation:

Investments per Statement of Net Position (Exhibit A)	\$ 1,962,384
Investments per Statement of Net Position - Fiduciary Funds (Exhibit E-1)	1,315,944
Total investments	<u>\$ 3,278,328</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, 2017. The amount has been reduced by an allowance for an estimated uncollectible amount of \$10,000. Taxes receivable by year are as follows:

	As reported on:	
	Exhibit A	Exhibit C-1
Property:		
Levy of 2017	\$ 1,162,556	\$ 1,162,556
Unredeemed (under tax lien):		
Levy of 2016	209,552	209,552
Levy of 2015	121,261	121,261
Levies of 2014 and prior	32,308	32,308
Less: allowance for estimated uncollectible taxes	(10,000) *	-
Net taxes receivable	<u>\$ 1,515,677</u>	<u>\$ 1,525,677</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).

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**NOTE 7 – OTHER RECEIVABLES**

Receivables at December 31, 2017, 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, 2017 for the Town's individual major fund and nonmajor funds in the aggregate including applicable allowances for uncollectible accounts are as follows:

	General Fund	Nonmajor Funds	Total
Receivables:			
Accounts	\$ 349,692	\$ 1,420,996	\$ 1,770,688
Less: allowance for uncollectibles	-	(1,132,128)	(1,132,128)
Net total receivables	<u>\$ 349,692</u>	<u>\$ 288,868</u>	<u>\$ 638,560</u>

**NOTE 8 – CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2017 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	121,837	-	157,638
Total capital assets not being depreciated	<u>3,847,749</u>	<u>121,837</u>	<u>-</u>	<u>3,969,586</u>
Being depreciated:				
Land improvements	1,056,573	-	-	1,056,573
Buildings and building improvements	39,589,872	231,029	-	39,820,901
Equipment and vehicles	9,236,255	1,283,771	(154,851)	10,365,175
Infrastructure	73,259,886	281,156	-	73,541,042
Total capital assets being depreciated	<u>123,142,586</u>	<u>1,795,956</u>	<u>(154,851)</u>	<u>124,783,691</u>
Total all capital assets	<u>126,990,335</u>	<u>1,917,793</u>	<u>(154,851)</u>	<u>128,753,277</u>
Less accumulated depreciation:				
Land improvements	(704,243)	(28,955)	-	(733,198)
Buildings and building improvements	(17,501,187)	(969,796)	-	(18,470,983)
Equipment and vehicles	(5,967,661)	(597,081)	111,325	(6,453,417)
Infrastructure	(39,227,944)	(1,566,874)	-	(40,794,818)
Total accumulated depreciation	<u>(63,401,035)</u>	<u>(3,162,706)</u>	<u>111,325</u>	<u>(66,452,416)</u>
Net book value, capital assets being depreciated	<u>59,741,551</u>	<u>(1,366,750)</u>	<u>(43,526)</u>	<u>58,331,275</u>
Net book value, all governmental activities capital assets	<u>\$ 63,589,300</u>	<u>\$ (1,244,913)</u>	<u>\$ (43,526)</u>	<u>\$ 62,300,861</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	\$ 76,465
Public safety	387,213
Highways and streets	1,681,838
Sanitation	590,965
Water distribution and treatment	297,466
Culture and recreation	120,842
Conservation	7,917
Total depreciation expense	<u>\$ 3,162,706</u>

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**NOTE 9 – INTERFUND BALANCES AND TRANSFERS**

**Interfund Balances** - The composition of interfund balances as of December 31, 2017 is as follows:

Receivable Fund	Payable Fund	Amount
General	Nonmajor	\$ 195,170
Nonmajor	General	151,012
Nonmajor	Nonmajor	25,000
		<u>\$ 371,182</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.

**Interfund Transfers** - The composition of interfund transfers for the year ended December 31, 2017 is as follows:

	Transfers In:		
	General Fund	Nonmajor Fund	Total
Transfers out:			
General fund	\$ -	\$ 102,223	\$ 102,223
Nonmajor funds	164,951	-	164,951
Total	<u>\$ 164,951</u>	<u>\$ 102,223</u>	<u>\$ 267,174</u>

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 \$8,258,439 at December 31, 2017 consist of the following:

General fund:	
Balance of the FY 17-18 district assessment due to the:	
Seabrook School District	\$ 5,649,521
Winnacunnet Cooperative School District	2,234,036
Amounts due to the New Hampshire Retirement System	192,397
Total general fund	<u>8,075,954</u>
Agency fund:	
Balance of capital reserve funds due to the Seabrook School District	182,485
Total intergovernmental payables due	<u>\$ 8,258,439</u>

**NOTE 11 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

Deferred outflows of resources of \$3,288,744 in the government wide activities at December 31, 2017 consists of deferred amounts related to pensions. See Note 15 for further information on pension related deferrals.

Deferred inflows of resources are as follows:

	Government-wide	General Fund	Nonmajor Governmental Funds
Deferred property taxes not collected within 60 days of fiscal year-end	\$ -	\$ 454,997	\$ -
Local grant revenue collected in advance of eligible expenditures being made	265	-	265
Property taxes paid in advance of the issuance of warrants	408,769	408,769	-
Water and sewer fees collected in advance	1,967	1,967	-
Amounts related to pensions	641,865	-	-
Total deferred inflows of resources	<u>\$ 1,052,866</u>	<u>\$ 865,733</u>	<u>\$ 265</u>

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**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, 2017
Capital lease obligations:		
Trackless Sidewalk Tractor	3.71%	\$ 83,849
Fire Ladder Truck	2.04%	448,526
Ambulance	2.35%	133,624
Total capital lease obligations		<u>\$ 665,999</u>

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	(391,492)
Total capital lease equipment	<u>\$ 810,063</u>

The annual requirements to amortize the capital leases payable as of December 31, 2017, including interest payments, are as follows:

Fiscal Year Ending December 31,	Governmental Activities
2018	\$ 300,726
2019	300,726
2020	69,590
2021	22,942
Total requirements	693,984
Less: interest	27,985
Present value of remaining payments	<u>\$ 665,999</u>

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

**NOTE 13 – SHORT-TERM DEBT**

Changes in the Town's short-term borrowings during the year ended December 31, 2017 consisted of the following:

Governmental Activities	Original Issue	Interest Rate	Balance January 1, 2017	Additions	Deletions	Balance December 31, 2017
Tax anticipation note	\$ 2,000,000	4.15%	<u>\$ -</u>	<u>\$ 2,000,000</u>	<u>\$ (2,000,000)</u>	<u>\$ -</u>

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

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**NOTE 14 – LONG-TERM LIABILITIES**

Changes in the Town's long-term liabilities consisted of the following for the year ended December 31, 2017:

	Balance January 1, 2017	Additions	Reductions	Balance December 31, 2017	Due Within One Year
Bonds payable:					
General obligation bonds	\$ 7,383,978	\$ -	\$ (367,898)	\$ 7,016,080	\$ 381,132
Premium	23,200	-	(1,450)	21,750	1,450
Total bonds payable	7,407,178	-	(369,348)	7,037,830	382,582
Capital leases	1,160,175	-	(494,176)	665,999	285,312
Compensated absences	925,312	346,487	-	1,271,799	407,200
Pension related liability	15,974,182	-	(861,125)	15,113,057	
Net other postemployment benefits	1,058,408	122,341	-	1,180,749	
Total long-term liabilities	<u>\$ 26,525,255</u>	<u>\$ 468,828</u>	<u>\$ (1,724,649)</u>	<u>\$ 25,269,434</u>	<u>\$ 1,075,104</u>

Long-term bonds are comprised of the following:

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at December 31, 2017	Current Portion
General obligation bonds payable:						
Water treatment facility	\$ 5,997,345	2008	2037	4.00-5.25%	\$ 4,330,000	\$ 215,000
Drinking water state revolving loan	\$ 5,000,000	2011	2031	2.86%	1,966,080	116,132
Water treatment facility	\$ 971,000	2012	2032	2.75-4.00%	720,000	50,000
					<u>7,016,080</u>	<u>381,132</u>
Bond premium					21,750	1,450
Total					<u>\$ 7,037,830</u>	<u>\$ 382,582</u>

The annual requirements to amortize all general obligation bonds outstanding as of December 31, 2017, including interest payments, are as follows:

Fiscal Year Ending December 31,	Principal	Interest	Total
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	335,018	181,519	516,537
2023-2027	1,853,127	745,445	2,598,572
2028-2032	2,023,068	426,216	2,449,284
2033-2037	1,400,000	108,658	1,508,658
Totals	<u>\$ 7,016,080</u>	<u>\$ 2,288,578</u>	<u>\$ 9,304,658</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.

**Bonds/Notes Authorized and Unissued** – Bonds and notes authorized and unissued as of December 31, 2017 were as follows:

Town Meeting Vote of	Purpose	Unissued Amount
March 2017	Repairing sheet pilings at the harbor	\$ 1,200,000
March 2017	Planning for asset management plan for Town's water & sewer	60,000
		<u>\$ 1,260,000</u>

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**NOTE 15 – 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  $\frac{1}{4}$  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.

**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 2017, the Town contributed the following amounts:

Period	Police	Fire	All Other Employees
January 1, 2017 thru June 30, 2017	26.38%	29.16%	11.17%
July 1, 2017 thru December 31, 2017	29.43%	31.89%	11.38%

The contribution requirements for the fiscal years 2015, 2016, and 2017 were \$1,167,187, \$1,232,252, and \$1,411,204, respectively, which were paid in full in each year.

**Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions:** At December 31, 2017 the Town reported a liability of \$15,113,057 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2017, the Town's proportion was 0.30730133% which was an increase of 0.00689896% from its proportion measured as of June 30, 2016.

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For the year ended December 31, 2017, the Town recognized pension expense of \$1,928,663. At December 31, 2017 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	\$ 1,213,958	\$ 257,047
Changes in assumptions	1,517,550	-
Net difference between projected and actual investment earnings on pension plan investments	-	192,472
Differences between expected and actual experience	34,268	192,346
Contributions subsequent to the measurement date	522,968	-
Total	<u>\$ 3,288,744</u>	<u>\$ 641,865</u>

The \$522,968 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, 2018. 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,	
2018	\$ 603,718
2019	926,703
2020	761,987
2021	(168,497)
Totals	<u>\$ 2,123,911</u>

**Actuarial Assumptions:** The collective total pension liability was determined by a roll forward of the actuarial valuation as of June 30, 2016, using the following actuarial assumptions which, accordingly apply to 2017 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.

The actuarial assumptions used in the June 30, 2016 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.



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Following is a table presenting target allocations and long-term rates of return for 2017:

Asset Class	Target Allocation	Weighted average long-term expected real rate of return <u>2017</u>
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%	4.50%
Emerging Int'l Equities	7.00%	6.25%
Total international equity	20.00%	
Core Bonds	5.00%	0.75%
Short Duration	2.00%	(0.25%)
Global Multi-Sector Fixed Income	11.00%	2.11%
Absolute Return Fixed Income	7.00%	1.26%
Total fixed income	25.00%	
Private equity	5.00%	6.25%
Private debt	5.00%	4.75%
Opportunistic	5.00%	2.84%
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, 2017	\$ 19,910,695	\$ 15,113,057	\$ 11,181,584

**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 16 – 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 Town's contractual agreements.

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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 2017:

Annual required contribution	\$ 156,306
Interest on net OPEB obligation	42,336
Adjustment to annual required contribution	<u>(21,025)</u>
Annual OPEB cost (expense)	177,617
Contributions made	<u>(55,276)</u>
Increase in net OPEB obligation	122,341
Net OPEB obligation - beginning of year	1,058,408
Net OPEB Obligation - end of year	<u><u>\$ 1,180,749</u></u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2017 and the eight 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, 2017	\$ 156,306	\$ 21,025	13.45%	\$ 1,180,749
December 31, 2016	\$ 148,696	\$ 21,025	14.14%	\$ 1,058,408
December 31, 2015	\$ 141,270	\$ 21,025	14.18%	\$ 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	\$ 103,232	\$ 24,592	25.30%	\$ 688,525
December 31, 2011	\$ 103,232	\$ 17,206	6.45%	\$ 590,652
December 31, 2010	\$ 103,232	\$ 8,126	3.16%	\$ 399,627
December 31, 2009	\$ 103,232	\$ -	0.00%	\$ 194,127

As of January 1, 2017, the date of the most recent actuarial valuation, the actuarial accrued liability (AAL) for benefits was \$1,600,049, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,600,049. The covered payroll (annual payroll of active employees covered by the plan) was \$11,010,285 during fiscal year 2017, and the ratio of the UAAL to the covered payroll was 14.53%.

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

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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, 2017 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, 2017 was 30 years.

**NOTE 17 – ENCUMBRANCES**

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at December 31, 2017 and are as follows:

General fund:	
Highways and streets	\$ 3,500
Health	8,669
Total encumbrances	<u>\$ 12,169</u>

**NOTE 18 – GOVERNMENTAL ACTIVITIES NET POSITION**

Governmental activities net position reported on the government-wide Statement of Net Position at December 31, 2017 include the following:

Net investment in capital assets:	
Net book value, all capital assets	\$ 62,300,861
Less:	
General obligation bonds payable	(7,016,080)
Unamortized bond premiums	(21,750)
Capital leases payable	(665,999)
Total net investment in capital assets	<u>54,597,032</u>
Restricted net position:	
Road improvements	1,010,564
Donations	19,999
Security bonds	10,000
Drug forfeiture	9,649
Library	616,586
Perpetual care - nonexpendable	15,354
Perpetual care - expendable	135
Total restricted net position	<u>1,682,287</u>
Unrestricted	<u>(2,874,492)</u>
Total net position	<u>\$ 53,404,827</u>

**NOTE 19 – GOVERNMENTAL FUND BALANCES**

Governmental fund balances reported on the fund financial statements at December 31, 2017 include the following:

	General Fund	Nonmajor Funds	Total Governmental Funds
<b>Nonspendable:</b>			
Prepaid items	\$ 73,966	\$ -	\$ 73,966
Tax deeded property	28,468	-	28,468
Permanent fund - principal balance	-	15,354	15,354
Total nonspendable fund balance	<u>102,434</u>	<u>15,354</u>	<u>117,788</u>

*(Continued)*

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*Governmental fund balances continued:*

	General	Nonmajor	Total
	Fund	Funds	Governmental
			Funds
<b>Restricted:</b>			
Road improvements	1,010,564	-	1,010,564
Donations	19,999	-	19,999
Security bonds	10,000	-	10,000
Drug forfeiture	9,649	-	9,649
State Highway Block Grant	148,051	-	148,051
Library	616,586	-	616,586
Sewer	88,647	-	88,647
Permanent - income balance	-	135	135
D'Alessandro Trust	-	357,055	357,055
Total restricted fund balance	1,903,496	357,190	2,260,686
<b>Committed:</b>			
Expendable trust	1,730,186	-	1,730,186
Nonlapsing appropriations	689,445	-	689,445
Conservation commission	-	198,095	198,095
Transportation	-	27,767	27,767
Recreation	-	75,693	75,693
Police outside detail	-	298,594	298,594
Ambulance	-	1,028,288	1,028,288
Recycling	-	104,971	104,971
Total committed fund balance	2,419,631	1,733,408	4,153,039
<b>Assigned:</b>			
Encumbrances	12,169	-	12,169
<b>Unassigned</b>	6,843,877	-	6,843,877
Total governmental fund balances	\$ 11,281,607	\$ 2,105,952	\$ 13,387,559

**NOTE 20 – PRIOR PERIOD ADJUSTMENTS**

Net position/fund balance at January 1, 2017 was restated to give retroactive effect to the following prior period adjustments:

	Government-wide	General	General	Private
	Statements	Fund - Budgetary	Fund - GAAP	Purpose
		(Schedule 3)	(Exhibit C-3)	Trust
To adjust recorded interfund for cable franchise fees owed	\$ -	\$ -	\$ -	\$ 73,132
To record amounts due for legal settlement of prior balances	(85,575)	(85,575)	(85,575)	-
Net position/fund balance, as previously reported	56,888,730	8,509,006	13,140,283	1,099,814
Net position/fund balance, as restated	\$ 56,803,155	\$ 8,423,431	\$ 13,054,708	\$ 1,172,946

**NOTE 21 – RISK MANAGEMENT**

The Town is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. During fiscal year 2017, the Town was a member of the New Hampshire Public Risk Management Exchange (Primex<sup>3</sup>) Workers' Compensation and Property/Liability Programs. This entity is considered a public entity risk pool, currently operating as common risk management and insurance programs for member Towns and cities.

The New Hampshire Public Risk Management Exchange (Primex<sup>3</sup>) Workers' Compensation and Property/Liability Programs are pooled risk management programs under RSAs 5-B and 281-A. Coverage was provided from January 1, 2017 to December 31, 2017 by Primex<sup>3</sup>, 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, 2017 was \$397,099 for workers' compensation and \$213,311 for property/liability.

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**NOTE 22 – 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 23 – 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 November 13, 2018, the date the December 31, 2017 financial statements were available to be issued, and the following events were noted:

The Town settled litigation with local businesses which required the Town to return prior years of fees collected. Because this litigation related to prior years these amounts are recorded as accounts payable in the general fund at December 31, 2017. See also Note 20 on restatement of beginning fund balance and net position amounts due to the settlement agreement.

At the March 2018 annual Town meeting a warrant article was approved to establish a revolving fund for public safety communications, equipment and/or software. Also, at the same meeting a total of \$480,000 of December 31, 2017 unassigned general fund balance was voted to be used to fund 2018 warrant articles.

***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, 2017*

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, 2017	January 1, 2017	\$ -	\$ 1,600,049	\$ 1,600,049	0.00%	\$ 11,010,285	14.53%
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, 2017*

<u>Fiscal Year End</u>	<u>Valuation Date</u>	<u>Town's Proportion of Net Pension Liability</u>	<u>Proportionate Share of Net Pension Liability</u>	<u>Covered Payroll</u>	<u>Town Proportionate Share of Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
December 31, 2017	June 30, 2017	0.30730133%	\$ 15,113,057	\$ 4,185,317	361.10%	62.66%
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, 2017*

Fiscal Year End	Valuation Date	Contractually Required Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
December 31, 2017	June 30, 2017	\$ 1,125,778	\$ 1,125,778	\$ -	\$ 4,185,317	26.90%
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	\$ -	\$ 3,883,602	23.26%
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.

**TOWN OF SEABROOK, NEW HAMPSHIRE**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE FISCAL YEAR ENDED**  
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***Schedule of Funding Progress for Other Postemployment Benefits (OPEB)***

This schedule is presented to show information for 10 years. However, information is only presented for years which information is available.

***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, 2017, and preceding four years.

**Methods and Assumptions Used to Determine Contribution Rates for Fiscal Year 2017:**

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage-of-Payroll, Closed
Remaining Amortization Period	22 Years beginning July 1, 2017 (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	3.56% 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.
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These schedules are presented to show information for 10 years. However, information is only presented for years which information is available.

***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, 2017*

	Estimated	Actual	Variance Positive (Negative)
Taxes:			
Property	\$ 16,796,541	\$ 17,005,488	\$ 208,947
Yield	-	18	18
Excavation	275	275	-
Interest and penalties on taxes	117,000	127,944	10,944
Total from taxes	<u>16,913,816</u>	<u>17,133,725</u>	<u>219,909</u>
Licenses, permits, and fees:			
Business licenses, permits, and fees	52,285	40,166	(12,119)
Motor vehicle permit fees	1,700,000	1,927,236	227,236
Building permits	67,325	135,656	68,331
Other	65,000	213,808	148,808
Total from licenses, permits, and fees	<u>1,884,610</u>	<u>2,316,866</u>	<u>432,256</u>
Intergovernmental:			
State:			
Meals and rooms distribution	455,111	455,111	-
Highway block grant	176,734	324,785	148,051
Other	50,000	25,000	(25,000)
Total from intergovernmental	<u>681,845</u>	<u>804,896</u>	<u>123,051</u>
Charges for services:			
Income from departments	<u>129,255</u>	<u>156,834</u>	<u>27,579</u>
Miscellaneous:			
Sale of municipal property	37,600	78,913	41,313
Interest on investments	35,000	35,565	565
Contributions and donations	23,150	28,160	5,010
Other	253,014	260,723	7,709
Total from miscellaneous	<u>348,764</u>	<u>403,361</u>	<u>54,597</u>
Other financing sources:			
Transfers in	<u>249,582</u>	<u>370,245</u>	<u>120,663</u>
Total revenues and other financing sources	20,207,872	<u>\$ 21,185,927</u>	<u>\$ 978,055</u>
Unassigned fund balance used to reduce tax rate	2,000,000		
Amounts voted from fund balance	270,000		
Total revenues, other financing sources, and use of fund balance	<u>\$ 22,477,872</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, 2017**

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
General government:					
Executive	\$ -	\$ 800,788	\$ 828,215	\$ -	\$ (27,427)
Election and registration	-	427,485	309,918	-	117,567
Financial administration	-	1,157,034	1,103,903	-	53,131
Legal	-	225,000	175,495	-	49,505
Planning and zoning	-	86,904	108,222	-	(21,318)
General government buildings	41,200	135,688	147,051	-	29,837
Cemeteries	-	111,924	115,565	-	(3,641)
Insurance, not otherwise allocated	-	660,719	623,624	-	37,095
Total general government	41,200	3,605,542	3,411,993	-	234,749
Public safety:					
Police	-	4,613,228	4,936,677	-	(323,449)
Fire	237,286	4,048,013	4,715,092	-	(429,793)
Building inspection	-	171,770	166,499	-	5,271
Emergency management	-	160,985	186,908	-	(25,923)
Total public safety	237,286	8,993,996	10,005,176	-	(773,894)
Highways and streets:					
Administration	12,500	1,620,424	1,565,324	3,500	64,100
Highways and streets	-	-	9,021	-	(9,021)
Street lighting	-	90,000	45,730	-	44,270
Total highways and streets	12,500	1,710,424	1,620,075	3,500	99,349
Water distribution and treatment	-	113,000	52,234	-	60,766
Sanitation:					
Administration	-	26,600	30,078	-	(3,478)
Solid waste collection	16,445	1,637,215	1,677,480	-	(23,820)
Total sanitation	16,445	1,663,815	1,707,558	-	(27,298)
Health:					
Administration	8,669	86,056	89,786	8,669	(3,730)
Pest control	-	145,476	144,541	-	935
Total health	8,669	231,532	234,327	8,669	(2,795)
Welfare:					
Administration	-	106,928	113,803	-	(6,875)
Vendor payments	-	234,737	210,550	-	24,187
Total welfare	-	341,665	324,353	-	17,312
Culture and recreation:					
Parks and recreation	19,000	1,046,442	1,038,264	-	27,178
Library	-	616,518	515,548	-	100,970
Patriotic purposes	-	34,300	32,834	-	1,466
Other	-	-	1,879	-	(1,879)
Total culture and recreation	19,000	1,697,260	1,588,525	-	127,735
Conservation	-	3,618	1,984	-	1,634

(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, 2017**

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Debt service:					
Principal of long-term debt	-	367,898	367,898	-	-
Interest on long-term debt	-	292,352	286,956	-	5,396
Interest on tax anticipation notes	-	4,000	7,206	-	(3,206)
Total debt service	-	664,250	662,060	-	2,190
Capital outlay	-	1,158,982	1,013,298	-	145,684
Other financing uses:					
Transfers out	-	2,293,788	1,898,566	-	395,222
Total appropriations, expenditures, other financing uses, and encumbrances	\$ 335,100	\$ 22,477,872	\$ 22,520,149	\$ 12,169	\$ 280,654

**SCHEDULE 3**  
**TOWN OF SEABROOK, NEW HAMPSHIRE**  
**Major General Fund**  
**Schedule of Changes in Unassigned Fund Balance**  
**For the Fiscal Year Ended December 31, 2017**

Unassigned fund balance, beginning, as restated, see Note 20 (Non-GAAP Budgetary Basis)		\$ 8,423,431
Changes:		
Unassigned fund balance used to reduce 2017 tax rate		(2,000,000)
Amounts voted from fund balance		(270,000)
2017 Budget summary:		
Revenue surplus (Schedule 1)	\$ 978,055	
Unexpended balance of appropriations (Schedule 2)	280,654	
2017 Budget surplus		1,258,709
Decrease in nonspendable fund balance		11,173
Increase in restricted fund balance		(154,325)
Decrease in committed fund balance		22,360
Unassigned fund balance, ending (Non-GAAP Budgetary Basis)		7,291,348
<b>Reconciliation of Non-GAAP Budgetary Basis to GAAP Basis:</b>		
To comply with generally accepted accounting principles by deferring property taxes not collected within 60 days of fiscal year-end		(454,997)
To remove allowance for uncollectible property taxes which are deferred		10,000
To cover water fund unassigned deficit fund balance		(2,474)
Unassigned fund balance, ending (GAAP basis Exhibit C-1)		\$ 6,843,877

**SCHEDULE 4**  
**TOWN OF SEABROOK, NEW HAMPSHIRE**  
**Nonmajor Governmental Funds**  
**Combining Balance Sheet**  
**December 31, 2017**

	Special Revenue Funds			
	Conservation Commission	Transportation	Recreation Revolving	Police Outside Detail
<b>ASSETS</b>				
Cash and cash equivalents	\$ 198,095	\$ 92,807	\$ 79,973	\$ 255,342
Investments	-	-	-	-
Accounts receivable, net of allowance for uncollectable	-	-	-	44,794
Intergovernmental receivable	-	-	-	-
Interfund receivable	-	-	-	-
Total assets	<u>\$ 198,095</u>	<u>\$ 92,807</u>	<u>\$ 79,973</u>	<u>\$ 300,136</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ -	\$ 4,149	\$ -
Accrued salaries and benefits	-	-	-	1,542
Interfund payable	-	65,040	131	-
Total liabilities	<u>-</u>	<u>65,040</u>	<u>4,280</u>	<u>1,542</u>
<b>Deferred Inflows of Resources:</b>				
Grants	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balances:</b>				
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	198,095	27,767	75,693	298,594
Total fund balances	<u>198,095</u>	<u>27,767</u>	<u>75,693</u>	<u>298,594</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 198,095</u>	<u>\$ 92,807</u>	<u>\$ 79,973</u>	<u>\$ 300,136</u>



Special Revenue Funds				Capital Project Fund		
Grants	Ambulance Revolving	Recycling Revolving	D'Alessandro Trust	Water Treatment Plant	Permanent Fund	Total
\$ 42,257	\$ 804,252	\$ 104,971	\$ 285,898	\$ 11,281	\$ 349	\$ 1,875,225
-	-	-	-	-	15,140	15,140
-	244,074	-	-	-	-	288,868
5,998	-	-	-	-	-	5,998
-	-	-	73,789	102,223	-	176,012
<u>\$ 48,255</u>	<u>\$ 1,048,326</u>	<u>\$ 104,971</u>	<u>\$ 359,687</u>	<u>\$ 113,504</u>	<u>\$ 15,489</u>	<u>\$ 2,361,243</u>
\$ -	\$ 4,427	\$ -	\$ 2,632	\$ 6,495	\$ -	\$ 17,703
-	15,611	-	-	-	-	17,153
47,990	-	-	-	107,009	-	220,170
<u>47,990</u>	<u>20,038</u>	<u>-</u>	<u>2,632</u>	<u>113,504</u>	<u>-</u>	<u>255,026</u>
265	-	-	-	-	-	265
-	-	-	-	-	15,354	15,354
-	-	-	357,055	-	135	357,190
-	1,028,288	104,971	-	-	-	1,733,408
<u>-</u>	<u>1,028,288</u>	<u>104,971</u>	<u>357,055</u>	<u>-</u>	<u>15,489</u>	<u>2,105,952</u>
<u>\$ 48,255</u>	<u>\$ 1,048,326</u>	<u>\$ 104,971</u>	<u>\$ 359,687</u>	<u>\$ 113,504</u>	<u>\$ 15,489</u>	<u>\$ 2,361,243</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, 2017**

	Special Revenue Funds			
	Conservation Commission	Transportation	Recreation Revolving	Police Outside Detail
<b>Revenues:</b>				
Licenses and permits	\$ -	\$ 54,550	\$ -	\$ -
Intergovernmental	-	-	-	-
Charges for services	-	-	39,321	325,384
Miscellaneous	1,787	595	20,005	-
Total revenues	1,787	55,145	59,326	325,384
<b>Expenditures:</b>				
Current:				
Public safety	-	-	-	257,146
Culture and recreation	-	-	59,371	-
Capital outlay	-	-	-	-
Total expenditures	-	-	59,371	257,146
Excess (deficiency) of revenues over (under) expenditures	1,787	55,145	(45)	68,238
<b>Other financing sources (uses):</b>				
Transfers in	-	-	-	-
Transfers out	-	(60,000)	-	-
Total other financing sources (uses)	-	(60,000)	-	-
Net change in fund balances	1,787	(4,855)	(45)	68,238
Fund balances, beginning	196,308	32,622	75,738	230,356
Fund balances, ending	\$ 198,095	\$ 27,767	\$ 75,693	\$ 298,594

Special Revenue Funds				Capital Project Fund		
Grants	Ambulance Revolving	Recycling Revolving	D'Alessandro Trust	Water Treatment Plant	Permanent Fund	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 54,550
35,816	-	-	-	-	-	35,816
-	363,770	45,166	-	-	-	773,641
-	6,047	656	882	385	1,142	31,499
35,816	369,817	45,822	882	385	1,142	895,506
35,816	362,978	-	38,278	-	-	694,218
-	-	-	-	-	-	59,371
-	-	-	-	66,778	-	66,778
35,816	362,978	-	38,278	66,778	-	820,367
-	6,839	45,822	(37,396)	(66,393)	1,142	75,139
-	-	-	-	102,223	-	102,223
-	-	-	-	(104,615)	(336)	(164,951)
-	-	-	-	(2,392)	(336)	(62,728)
-	6,839	45,822	(37,396)	(68,785)	806	12,411
-	1,021,449	59,149	394,451	68,785	14,683	2,093,541
\$ -	\$ 1,028,288	\$ 104,971	\$ 357,055	\$ -	\$ 15,489	\$ 2,105,952



## **PLODZIK & SANDERSON**

*Professional Association/Accountants & Auditors*

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

### ***INDEPENDENT AUDITOR'S COMMUNICATION OF MATERIAL WEAKNESS AND 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, 2017, 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 material weakness and another deficiency 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 consider the following deficiency in internal control to be a material weakness:

#### ***General Ledger Maintenance***

It was determined that the Town's general ledger is not being properly reconciled and maintained, this condition existed and was commented on in the prior period. 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.

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:

#### ***Ambulance Reconciliations***

Testing of the ambulance revolving fund determined that significant reconciliation and adjustments were needed to bring account balances to actual amounts. The general ledger is not being recorded on an accrual basis and monthly adjustments to agree revenue and receivables are not being made. It was further noted that approval of write offs of accounts receivables are not being formally noted for approval by the Board of Selectmen. The ambulance fee policy has not been updated since 2007. The Town's general ledger should be recorded on an accrual basis and receivables and revenues for this fund should be reconciled with the outside service provider at least monthly. The Board of Selectmen or Town Manager should be indicating formal approval of all accounts written off. This lack of accurate reporting causes a misstatement in the general ledger and does not provide accurate information for decision making purposes. We recommend that the Finance Office be provided with copies of

***Town of Seabrook***

***Independent Auditor's Communication of Material Weakness and Significant Deficiency***

the monthly reports from the outside service provider and that the general ledger be reconciled to these reports monthly. All accounts determined to be written off should be formally approved to do so and documented in a public Selectmen's meeting. The ambulance fee policy should be updated, and more detail included to document the proper procedures over the operation of this fund.

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.

November 13, 2018

*Plodzik & Sanderson  
Professional Association*