

DRAFT - 11/13/2024

**TOWN OF SEABROOK,
NEW HAMPSHIRE**

ANNUAL FINANCIAL REPORT

**AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2023**

TOWN OF SEABROOK, NEW HAMPSHIRE

ANNUAL FINANCIAL REPORT

AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2023

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PLODZIK & SANDERSON

Professional Association/Certified Public Accountants

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 Select Board and Town Manager
Town of Seabrook
Seabrook, New Hampshire

Report on the Audit of the Financial Statements

Disclaimer of Opinions

We were engaged to audit the financial statements of the governmental activities, business-type activities, each major governmental and proprietary fund, and the aggregate remaining fund information of the Town of Seabrook, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Town of Seabrook's basic financial statements as listed in the table of contents.

We do not express an opinion on the accompanying financial statements of the Town of Seabrook, as of December 31, 2023. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements.

Basis for Disclaimer of Opinions

We were unable to confirm or verify, through performance of audit procedures, the intergovernmental revenues included in the governmental activities and the major general fund, for an amount of \$1,950,476. Additionally, the engagement team was unable to obtain sufficient support and perform audit procedures over various fund balance sheets accounts in the governmental funds and proprietary funds. As a result of this matter, we were unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded receivables, and the elements making up the statements of activities, the statements of revenues, expenditures, and changes in fund balance for governmental funds, nor the statements of revenues, expenses, and changes in net position for the proprietary funds.

Emphasis of Matter – Change in Accounting Principle

As discussed in Note 2-C to the financial statements, in the year ending December 31, 2023, the Town adopted new accounting guidance, GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinion is not modified with respect to this matter.

Emphasis of Matter – Misuse of Town Resources

As discussed in Note 25 to the financial statements, we became aware of the misuse of Town resources during the period under audit. This matter is of such significance that it is necessary to draw attention to it in our report.

Responsibilities of Management for the Financial Statements

The Town of Seabrook's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Seabrook's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibility is to conduct an audit of the Town of Seabrook's financial statements in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and to issue an auditor's report. However, because of the matter described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are required to be independent of the Town of Seabrook and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the following be presented to supplement the basic financial statements:

- Schedule of the Town's Proportionate Share of Net Pension Liability,
- Schedule of Town Contributions – Pensions,
- Schedule of the Town's Proportionate Share of Net Other Postemployment Benefits Liability,
- Schedule of Town Contributions – Other Postemployment Benefits,
- Schedule of Changes in the Town's Total Other Postemployment Benefits Liability and Related Ratios, and
- Notes to the Required Supplementary Information

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

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinions on the basic financial statements are not affected by this missing information.

Supplementary 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 and the Schedule of Expenditures of Federal Awards, as required by *Title 2 U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund schedules and the Schedule of Expenditures of Federal Awards are the responsibility of management and was derived from and relates 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, when possible, 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, when available, 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. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report, it is inappropriate to, and we do not express an opinion on the combining and individual fund schedules and the Schedule of Expenditures of Federal Awards.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated _____, 2024 on our consideration of the Town of Seabrook's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Seabrook's internal control over financial reporting and compliance.

, 2024
Concord, New Hampshire

PLODZIK & SANDERSON
Professional Association

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EXHIBIT A
TOWN OF SEABROOK, NEW HAMPSHIRE
Statement of Net Position
December 31, 2023

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 11,207,656	\$ 3,846,650	\$ 15,054,306
Investments	2,020,878	-	2,020,878
Taxes receivables (net)	16,061,948	-	16,061,948
Account receivables (net)	565,258	901,831	1,467,089
Lease receivables	769,961	-	769,961
Intergovernmental receivable	196,826	234,051	430,877
Internal balances	1,835,270	(1,835,270)	-
Prepaid items	159,874	-	159,874
Tax deeded property, subject to resale	13,561	-	13,561
Capital assets:			
Land and construction in progress	4,282,101	680,370	4,962,471
Other capital assets, net of depreciation	40,225,532	9,796,947	50,022,479
Total assets	<u>77,338,865</u>	<u>13,624,579</u>	<u>90,963,444</u>
DEFERRED OUTFLOWS OF RESOURCES			
Amounts related to pensions	4,142,580	-	4,142,580
Amounts related to other postemployment benefits	152,751	-	152,751
Total deferred outflows of resources	<u>4,295,331</u>	<u>-</u>	<u>4,295,331</u>
LIABILITIES			
Accounts payable	641,893	283,586	925,479
Accrued salaries and benefits	430,481	43,254	473,735
Accrued interest payable	8,762	127,044	135,806
Intergovernmental payable	12,002,762	-	12,002,762
Long-term liabilities:			
Due within one year	494,365	578,409	1,072,774
Due in more than one year	25,600,121	7,381,014	32,981,135
Total liabilities	<u>39,178,384</u>	<u>8,413,307</u>	<u>47,591,691</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	1,209,299	8,070	1,217,369
Amounts related to leases	738,353	-	738,353
Amounts related to pensions	44,157	-	44,157
Amounts related to other postemployment benefits	56,237	-	56,237
Total deferred inflows of resources	<u>2,048,046</u>	<u>8,070</u>	<u>2,056,116</u>
NET POSITION			
Net investment in capital assets	43,683,068	2,776,805	46,459,873
Restricted	3,944,374	2,426,397	6,370,771
Unrestricted	(7,219,676)	-	(7,219,676)
Total net position	<u>\$ 40,407,766</u>	<u>\$ 5,203,202</u>	<u>\$ 45,610,968</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, 2023

	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental activities:							
General government	\$ 7,088,806	\$ 17,422	\$ 1,950,476	\$ -	\$ (5,120,908)	\$ -	\$ (5,120,908)
Public safety	13,286,030	814,450	12,500	-	(12,459,080)	-	(12,459,080)
Highways and streets	3,719,748	-	173,896	699,025	(2,846,827)	-	(2,846,827)
Sanitation	1,825,343	44,863	-	-	(1,780,480)	-	(1,780,480)
Water distribution and treatment	204,221	-	52,024	-	(152,197)	-	(152,197)
Health	233,033	-	-	-	(233,033)	-	(233,033)
Welfare	260,949	-	-	-	(260,949)	-	(260,949)
Culture and recreation	1,754,124	139,039	-	-	(1,615,085)	-	(1,615,085)
Conservation	10,138	-	-	-	(10,138)	-	(10,138)
Interest on long-term debt	53,644	-	-	-	(53,644)	-	(53,644)
Total governmental activities	<u>28,436,036</u>	<u>1,015,774</u>	<u>2,188,896</u>	<u>699,025</u>	<u>(24,532,341)</u>	<u>-</u>	<u>(24,532,341)</u>
Business-type activities:							
Sewer	2,719,509	1,487,102	443,899	-	-	(788,508)	(788,508)
Water	2,428,492	2,489,656	-	-	-	61,164	61,164
Total business-type activities	<u>5,148,001</u>	<u>3,976,758</u>	<u>443,899</u>	<u>-</u>	<u>-</u>	<u>(727,344)</u>	<u>(727,344)</u>
Total	<u>\$ 33,584,037</u>	<u>\$ 4,992,532</u>	<u>\$ 2,632,795</u>	<u>\$ 699,025</u>	<u>(24,532,341)</u>	<u>(727,344)</u>	<u>(25,259,685)</u>
General revenues:							
Taxes:							
Property					21,629,749	-	21,629,749
Other					205,222	-	205,222
Motor vehicle permit fees					2,105,068	-	2,105,068
Licenses and other fees					449,723	-	449,723
Grants and contributions not restricted to specific programs					935,988	-	935,988
Unrestricted investment earnings					628,093	-	628,093
Miscellaneous					1,075,799	16,239	1,092,038
Total general revenues					<u>27,029,642</u>	<u>16,239</u>	<u>27,045,881</u>
Transfers					<u>(1,370,257)</u>	<u>1,370,257</u>	<u>-</u>
Total general revenues and transfers					<u>25,659,385</u>	<u>1,386,496</u>	<u>27,045,881</u>
Change in net position					<u>1,127,044</u>	<u>659,152</u>	<u>1,786,196</u>
Net position, beginning, as restated (see Note 21)					<u>39,280,722</u>	<u>4,544,050</u>	<u>43,824,772</u>
Net position, ending					<u>\$ 40,407,766</u>	<u>\$ 5,203,202</u>	<u>\$ 45,610,968</u>

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EXHIBIT C-1
TOWN OF SEABROOK, NEW HAMPSHIRE
Governmental Funds
Balance Sheet
December 31, 2023

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 5,557,378	\$ 3,805,431	\$ 9,362,809
Investments	5,619	18,121	23,740
Receivables, net of allowance for uncollectible:			
Taxes	16,128,660	-	16,128,660
Accounts	31,755	533,503	565,258
Lease receivable	769,961	-	769,961
Intergovernmental receivable	-	196,826	196,826
Interfund receivable	2,222,540	63,240	2,285,780
Prepaid items	159,874	-	159,874
Tax deeded property, subject to resale	13,561	-	13,561
Restricted assets:			
Cash and cash equivalents	1,844,847	-	1,844,847
Investments	1,997,138	-	1,997,138
Total assets	<u>\$ 28,731,333</u>	<u>\$ 4,617,121</u>	<u>\$ 33,348,454</u>
LIABILITIES			
Accounts payable	\$ 600,066	\$ 41,827	\$ 641,893
Accrued salaries and benefits	430,238	243	430,481
Intergovernmental payable	12,002,762	-	12,002,762
Interfund payable	-	450,510	450,510
Total liabilities	<u>13,033,066</u>	<u>492,580</u>	<u>13,525,646</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	516,781	-	516,781
Unavailable revenue - state aid	357,740	-	357,740
Unavailable revenue - grants	-	842,858	842,858
Unavailable revenue - leases	738,353	-	738,353
Total deferred inflows of resources	<u>1,612,874</u>	<u>842,858</u>	<u>2,455,732</u>
FUND BALANCES			
Nonspendable	173,435	13,607	187,042
Restricted	3,092,691	838,076	3,930,767
Committed	4,852,897	2,430,000	7,282,897
Assigned	238,676	-	238,676
Unassigned	5,727,694	-	5,727,694
Total fund balances	<u>14,085,393</u>	<u>3,281,683</u>	<u>17,367,076</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 28,731,333</u>	<u>\$ 4,617,121</u>	<u>\$ 33,348,454</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

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EXHIBIT C-2

TOWN OF SEABROOK, NEW HAMPSHIRE

Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position December 31, 2023

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

Total fund balances of governmental funds (Exhibit C-1) \$ 17,367,076

Capital assets used in governmental activities are not current financial resources,
therefore, are not reported in the governmental funds.

Cost	\$ 119,994,699	
Less accumulated depreciation	(75,487,066)	
		44,507,633

Differences between expected and actual experiences, assumption changes and net
differences between projected and actual earnings and contributions subsequent to
the measurement date for the post-retirement benefits (pension and OPEB) are
recognized as deferred outflows of resources and deferred inflows of resources on
on the Statement of Net Position.

Deferred outflows of resources related to pensions	\$ 4,142,580	
Deferred inflows of resources related to pensions	(44,157)	
Deferred outflows of resources related to OPEB	152,751	
Deferred inflows of resources related to OPEB	(56,237)	
		4,194,937

Interfund receivables and payables between governmental funds are
eliminated on the Statement of Net Position.

Receivables	\$ (450,510)	
Payables	450,510	
		-

Property taxes not collected within 60 days of fiscal year-end are not available to pay for
current period expenditures, and therefore are deferred in the governmental funds.

Deferred property taxes	\$ 508,080	
Allowance for uncollectible taxes	(66,712)	
		441,368

Interest on long-term debt is not accrued in governmental funds.

Accrued interest payable		(8,762)
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Long-term liabilities are not due and payable in the current period,
therefore, are not reported in the governmental funds.

Bonds	\$ 540,000	
Note	209,138	
Unamortized bond premium	75,427	
Compensated absences	2,199,354	
Net pension liability	20,405,817	
Other postemployment benefits	2,664,750	
		(26,094,486)

Net position of governmental activities (Exhibit A)		<u>\$ 40,407,766</u>
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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, 2023

	General	Other Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	\$ 21,790,579	\$ 21,875	\$ 21,812,454
Licenses and permits	2,554,791	61,585	2,616,376
Intergovernmental	2,967,004	898,405	3,865,409
Charges for services	153,892	861,882	1,015,774
Miscellaneous	1,406,549	194,258	1,600,807
Total revenues	<u>28,872,815</u>	<u>2,038,005</u>	<u>30,910,820</u>
EXPENDITURES			
Current:			
General government	7,035,526	23,750	7,059,276
Public safety	11,908,178	238,111	12,146,289
Highways and streets	1,409,884	84,670	1,494,554
Water distribution and treatment	152,197	52,024	204,221
Sanitation	1,671,076	124,677	1,795,753
Health	232,645	-	232,645
Welfare	258,531	-	258,531
Culture and recreation	1,599,349	88,438	1,687,787
Conservation	1,146	-	1,146
Debt service:			
Principal	30,000	-	30,000
Interest	59,381	-	59,381
Capital outlay	749,366	1,430,344	2,179,710
Total expenditures	<u>25,107,279</u>	<u>2,042,014</u>	<u>27,149,293</u>
Excess of revenues over expenditures	<u>3,765,536</u>	<u>(4,009)</u>	<u>3,761,527</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	80,000	-	80,000
Transfers out	(1,370,257)	(80,000)	(1,450,257)
Total other financing sources (uses)	<u>(1,290,257)</u>	<u>(80,000)</u>	<u>(1,370,257)</u>
Net change in fund balances	2,475,279	(84,009)	2,391,270
Fund balances, beginning, as restated (see Note 21)	11,610,114	3,365,692	14,975,806
Fund balances, ending	<u>\$ 14,085,393</u>	<u>\$ 3,281,683</u>	<u>\$ 17,367,076</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

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EXHIBIT C-4
TOWN OF SEABROOK, NEW HAMPSHIRE
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds to the Statement of Activities
For the Fiscal Year Ended December 31, 2023

Net change in fund balances of governmental funds (Exhibit C-3)		\$ 2,391,270
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures, while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Depreciation expense exceeded capital outlay expenditure in the current year, as follows:		
Capitalized capital outlay	\$ 2,034,967	
Disposal of capital assets	(424)	
Depreciation expense	<u>(2,632,108)</u>	(597,565)
Transfers in and out between governmental funds are eliminated on the Statement of Activities.		
Transfers in	\$ (80,000)	
Transfers out	<u>80,000</u>	-
Revenue in the Statement of Activities that does not provide current financial resources is not reported as revenue in the governmental funds.		
Change in deferred tax revenue	\$ 69,229	
Change in allowance for uncollectible property taxes	<u>(46,712)</u>	22,517
Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		
Repayment of bond principal	\$ 30,000	
Repayment of note payable	88,308	
Amortization of bond premium	<u>4,190</u>	122,498
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	\$ 1,547	
Increase in compensated absences	(23,002)	
Net change in net pension liability and deferred outflows and inflows of resources related to pensions	(981,411)	
Net change in net other postemployment benefits liability and deferred outflows and inflows of resources related to other postemployment benefits	<u>191,190</u>	(811,676)
Changes in net position of governmental activities (Exhibit B)		<u>\$ 1,127,044</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

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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, 2023

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 23,330,290	\$ 23,330,290	\$ 21,813,096	\$ (1,517,194)
Licenses and permits	2,433,900	2,433,900	2,554,791	120,891
Intergovernmental receivable	1,016,550	1,016,550	2,967,004	1,950,454
Charges for services	113,065	113,065	153,892	40,827
Miscellaneous	1,090,000	1,090,000	1,155,472	65,472
Total revenues	27,983,805	27,983,805	28,644,255	660,450
EXPENDITURES				
Current:				
General government	4,290,922	7,795,937	7,123,283	672,654
Public safety	14,160,363	11,768,303	11,930,426	(162,123)
Highways and streets	2,005,169	1,565,594	1,413,360	152,234
Water distribution and treatment	140,000	140,000	152,197	(12,197)
Sanitation	1,793,320	1,428,276	1,703,697	(275,421)
Health	305,343	244,683	232,645	12,038
Welfare	323,512	270,465	262,740	7,725
Culture and recreation	1,943,995	1,749,366	1,607,267	142,099
Conservation	3,618	3,618	1,146	2,472
Debt service:				
Principal	523,742	30,000	30,000	-
Interest	309,317	59,369	59,381	(12)
Capital outlay	1,419,500	1,019,500	749,366	270,134
Total expenditures	27,218,801	26,075,111	25,265,508	809,603
Excess of revenues over expenditures	765,004	1,908,694	3,378,747	1,470,053
OTHER FINANCING SOURCES (USES)				
Transfers in	480,400	480,400	457,830	(22,570)
Transfers out	(1,276,404)	(2,420,094)	(1,535,257)	884,837
Total other financing sources (uses)	(796,004)	(1,939,694)	(1,077,427)	862,267
Net change in fund balances	\$ (31,000)	\$ (31,000)	2,301,320	\$ 2,332,320
Decrease in nonspendable fund balance			60,919	
Decrease in restricted fund balance			140,823	
Decrease in committed fund balance			38,454	
Unassigned fund balance, beginning, as restated (see Note 21)			3,595,938	
Unassigned fund balance, ending			\$ 6,137,454	

The Notes to the Basic Financial Statements are an integral part of this statement.

DRAFT - 11/13/2024

EXHIBIT E-1
TOWN OF SEABROOK, NEW HAMPSHIRE
Proprietary Funds
Statement of Net Position
December 31, 2023

	Business-type Activities		
	Enterprise Funds		Total
	Water	Sewer	Enterprise Funds
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,763,203	\$ 2,083,447	\$ 3,846,650
Receivables, net of allowance for uncollectible:			
Accounts receivable	563,525	338,306	901,831
Intergovernmental receivable	-	234,051	234,051
Internal balances	97,390	164,181	261,571
Noncurrent assets:			
Capital assets:			
Land and construction in progress	237,895	442,475	680,370
Other capital assets, net of depreciation	8,594,122	1,202,825	9,796,947
Total assets	<u>11,256,135</u>	<u>4,465,285</u>	<u>15,721,420</u>
LIABILITIES			
Current liabilities:			
Accounts payable	46,298	237,288	283,586
Accrued salaries and benefits	21,677	21,577	43,254
Accrued interest payable	127,044	-	127,044
Internal balances	-	2,096,841	2,096,841
Long term liabilities:			
Due within one year	554,686	23,723	578,409
Due in more than one year	7,297,367	83,647	7,381,014
Total liabilities	<u>8,047,072</u>	<u>2,463,076</u>	<u>10,510,148</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - overpayments	<u>5,437</u>	<u>2,633</u>	<u>8,070</u>
NET POSITION			
Net investment in capital assets	1,131,505	1,645,300	2,776,805
Restricted	<u>2,072,121</u>	<u>354,276</u>	<u>2,426,397</u>
Total net position	<u>\$ 3,203,626</u>	<u>\$ 1,999,576</u>	<u>\$ 5,203,202</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

DRAFT - 11/13/2024

EXHIBIT E-2
TOWN OF SEABROOK, NEW HAMPSHIRE
Proprietary Funds
Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended December 31, 2023

	Business-type Activities		
	Enterprise Funds		Total
	Water	Sewer	Enterprise Funds
Operating revenues:			
User charges	\$ 2,489,656	\$ 1,487,102	\$ 3,976,758
Miscellaneous	16,239	-	16,239
Total operating revenues	<u>2,505,895</u>	<u>1,487,102</u>	<u>3,992,997</u>
Operating expenses:			
Salaries and wages	1,331,319	1,160,767	2,492,086
Operation and maintenance	181,351	1,177,231	1,358,582
Contractual services	97,564	141,616	239,180
Materials and supplies	218,973	180,128	399,101
Other	2,457	8,852	11,309
Depreciation	349,647	50,915	400,562
Total operating expenses	<u>2,181,311</u>	<u>2,719,509</u>	<u>4,900,820</u>
Operating gain (loss)	<u>324,584</u>	<u>(1,232,407)</u>	<u>(907,823)</u>
Nonoperating revenues (expenses):			
Intergovernmental revenues	-	443,899	443,899
Interest expense	(247,181)	-	(247,181)
Total nonoperating revenues (expenses)	<u>(247,181)</u>	<u>443,899</u>	<u>196,718</u>
Other financing sources:			
Transfers in	<u>981,585</u>	<u>388,672</u>	<u>1,370,257</u>
Change in net position	1,058,988	(399,836)	659,152
Net position, beginning as restated (see Note 21)	2,144,638	2,399,412	4,544,050
Net position, ending	<u>\$ 3,203,626</u>	<u>\$ 1,999,576</u>	<u>\$ 5,203,202</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

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EXHIBIT E-3
TOWN OF SEABROOK, NEW HAMPSHIRE
Proprietary Funds
Statement of Cash Flows
For the Fiscal Year ended December 31, 2023

	Business-type Activities		
	Enterprise Funds		Total Enterprise Funds
	Water	Sewer	
Cash flows from operating activities:			
Receipts from customers and users	\$ 2,514,492	\$ 1,492,432	\$ 4,006,924
Payments to employees	(1,319,978)	(1,008,515)	(2,328,493)
Payments to suppliers	(500,345)	(1,507,827)	(2,008,172)
Net cash provided by (used for) operating activities	694,169	(1,023,910)	(329,741)
Cash flows from capital and related financing activities:			
Principal paid on long term debt	(524,021)	(19,755)	(543,776)
Acquisition and construction of fixed assets	(478,294)	(695,533)	(1,173,827)
Interest paid	(249,948)	(317)	(250,265)
Intergovernmental	-	345,462	345,462
Interfund transfer	980,631	1,305,658	2,286,289
Net cash used for capital and related financing activities	(271,632)	935,515	663,883
Net increase (decrease) in cash	422,537	(88,395)	334,142
Cash, beginning	1,340,666	2,171,842	3,512,508
Cash, ending	\$ 1,763,203	\$ 2,083,447	\$ 3,846,650
<i>Reconciliation of Operating Gain (Loss) to Net Cash Provided by (Used For) Operating Activities</i>			
Operating gain (loss)	\$ 324,584	\$ (1,232,407)	\$ (907,823)
Adjustments to reconcile operating gain to net cash provided by operating activities:			
Depreciation expense	349,647	50,915	400,562
Changes in other receivables	6,638	4,989	11,627
Changes in accounts payable	2,592	139,214	141,806
Changes in accrued payroll	886	(698)	188
Changes in compensated absences payable	7,863	13,736	21,599
Changes in deferred inflows of resources	1,959	341	2,300
Total adjustments	369,585	208,497	578,082
Net cash provided by (used for) operating activities	\$ 694,169	\$ (1,023,910)	\$ (329,741)

The Notes to the Basic Financial Statements are an integral part of this statement.

DRAFT - 11/13/2024

EXHIBIT F-1
TOWN OF SEABROOK, NEW HAMPSHIRE
Fiduciary Funds
Statement of Fiduciary Net Position
December 31, 2023

	Private Purpose Trust Funds	All Custodial Funds	Total
ASSETS			
Cash and cash equivalents	\$ 56,909	\$ 1,285,552	\$ 1,342,461
Investments	1,412,765	522,534	1,935,299
Intergovernmental receivable	-	11,490,801	11,490,801
Total assets	<u>1,469,674</u>	<u>13,298,887</u>	<u>14,768,561</u>
LIABILITIES			
Due to school district	-	11,490,801	11,490,801
NET POSITION			
Restricted	<u>\$ 1,469,674</u>	<u>\$ 1,808,086</u>	<u>\$ 3,277,760</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

DRAFT - 11/13/2024

EXHIBIT F-2
TOWN OF SEABROOK, NEW HAMPSHIRE
Fiduciary Funds
Statement of Changes in Fiduciary Net Position
For the Fiscal Year Ended December 31, 2023

	Private Purpose Trust Funds	All Custodial Funds	Total
ADDITIONS			
Contributions	\$ 38,386	\$ 130,000	\$ 168,386
Investment earnings	109,592	69,524	179,116
Tax collections for other governments	-	25,959,407	25,959,407
State fees collected	-	719,723	719,723
Total additions	<u>147,978</u>	<u>26,878,654</u>	<u>27,026,632</u>
DEDUCTIONS			
Scholarships	44,000	45,000	89,000
Administrative expenses	4,936	-	4,936
Payments of taxes to other governments	-	25,959,407	25,959,407
Payments of State fees	-	719,723	719,723
Total deductions	<u>48,936</u>	<u>26,724,130</u>	<u>26,773,066</u>
Change in net position	99,042	154,524	253,566
Net position, beginning, as restated (see Note 21)	<u>1,370,632</u>	<u>1,653,562</u>	<u>3,024,194</u>
Net position, ending	<u>\$ 1,469,674</u>	<u>\$ 1,808,086</u>	<u>\$ 3,277,760</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

NOTES TO THE BASIC FINANCIAL STATEMENTS

**AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2023**

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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, 2023**

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NOTES TO THE BASIC FINANCIAL STATEMENTS

**AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2023**

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 U.S. Generally Accepted Accounting Principles (GAAP) 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 three-member Select Board 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 Statement No. 14, *The Financial Reporting Entity* (as amended). 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 and business-type 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 three categories: 1) charges for services and 2) operating grants and contributions, and 3) capital 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. Accompanying statements are 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. 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.

NOTES TO THE BASIC FINANCIAL STATEMENTS

**AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2023**

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, sanitation, culture and recreation, debt service and capital outlay. Under GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* guidance, the library, escrow, 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 Fund – 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 permanent funds including 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 reports eleven nonmajor governmental funds.

Proprietary Fund Financial Statements – Include a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Net Position, and a Statement of Cash Flows for each major proprietary fund and for the non-major funds aggregated.

Proprietary funds are reported using the “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflows of resources, liabilities (whether current or noncurrent), and deferred inflows of resources are included on the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Net Position presents increases (revenues) and decreases (expenses) in total 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.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

The Town reports the following major proprietary funds:

Water Fund – accounts for the activities related to the operation of the water treatment plant, wells, and water system.

Sewer Fund – accounts for the activities related to the operation of the sewer treatment plant, pumping station, and sewer lines.

Fiduciary Fund Financial Statements – Include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. The Town’s fiduciary funds are private purpose trust and custodial funds, which are custodial in nature and do not involve measurement of results of operations. These funds are accounted for on a spending or “economic resources” measurement focus and the accrual basis of accounting as are the proprietary funds explained above.

The Town 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

**AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2023**

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, bond covenants or they are earmarked for a specific purpose such as developer's cash deposits.

1-E Statement of Cash Flows

For purposes of the Statement of Cash Flows, the Town considers all highly liquid investments (including restricted assets) with a maturity when purchased of three months or less and all local government investment pools to be cash equivalents.

1-F Investments

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

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

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

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

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 – Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets. A quoted price for an identical asset or liability in an active market (e.g. an equity security traded on a major exchange) provides the most reliable fair value measurement and, if available, should be used to measure the fair value in that particular market.

Level 2 – The categorization of an asset/liability as Level 1 requires that it is traded in an active market. If an instrument is not traded in an active market, it may fall to Level 2. Level 2 inputs are inputs that are observable, either directly or indirectly, but do not qualify as Level 1.

Level 3 – Reporting entities may use unobservable inputs to measure fair value if relevant observable inputs are not available, thereby allowing for situations in which there is little, if any market activity for the asset or liability at the measurement date. These unobservable inputs are considered Level 3.

NOTES TO THE BASIC FINANCIAL STATEMENTS

**AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2023**

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, *Certain External Investment Pools and Pool Participants*, the Town held investments with the New Hampshire Public Deposit Investment Pool (NHPDIP). 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-G Receivables

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

1-H Prepaid Items

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

1-I Capital Assets

Capital assets are reported in the applicable governmental or business-type activities column in the government-wide financial statements but are not reported in the fund financial statements. 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 recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. When purchased, such assets are recorded as expenditures in a governmental fund and capitalized as assets in the government-wide Statement of Net Position. Capital assets of the proprietary fund are capitalized in the fund and the cost basis for the proprietary fund capital assets is the same as that used for general capital assets.

Major outlays for capital assets and improvements are capitalized as projects are constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets of the Town are depreciated (except for land and construction on progress which are not depreciated) using the straight-line method over the following estimated useful lives:

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

**AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2023**

1-J Interfund Activities

Interfund activities are reported as follows:

Interfund Receivables and Payables – Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds” (i.e., the current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business activities are reported in the government-wide financial statements as “internal balances.” 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 proprietary funds, transfers are reported after nonoperating revenues and expenses. In the government-wide financial statements, all interfund transfers between individual governmental funds have been eliminated.

1-K Property Taxes

Property tax billings occur semi-annually and are based on the assessed inventory values as of April 1 of each year. Warrants for the year were issued on May 15, 2023 and December 11, 2023, and due on July 3, 2023 and January 19, 2024. For any regular property taxes issued, the interest accrues at a rate of 8% on bills outstanding after the due date and 14% 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 taxes 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, 2023 utilized in the setting of the tax rate was as follows:

Total assessment valuation with utilities	\$ 3,476,040,200
Total assessment valuation without utilities	\$ 2,171,380,850

The tax rates and amounts assessed for the year ended December 31, 2023 were as follows:

	Per \$1,000 of Assessed Valuation	Property Taxes Assessed
Municipal portion	\$7.05	\$ 24,497,911
School portion:		
State of New Hampshire	\$1.53	3,326,539
Local	\$5.74	19,964,262
County portion	\$0.77	2,668,606
Total	<u>\$15.09</u>	<u>\$ 50,457,318</u>

1-L Accounts Payable

Accounts payable represent the gross amount of expenditures or expenses incurred as a result of normal operations, but for which no actual payment has yet been issued to vendors/providers as of December 31, 2023.

NOTES TO THE BASIC FINANCIAL STATEMENTS

**AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2023**

1-M Deferred Outflows/Inflows of Resources

Deferred outflows of resources, a separate financial statement element, represents a consumption of net position or fund balance that applies to a future period(s) and thus will not be recognized as an outflow of resources (expenses) until then. The Town has two items that qualify for reporting in this category. Deferred outflows related to pensions and deferred outflows related to OPEB are reported in the government-wide Statement of Net Position for various estimate differences that will be amortized and recognized over future years.

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. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. The Town has three types of items which qualify for reporting in this category. Deferred inflows of resources related to pensions and OPEB are reported in the government-wide Statement of Net Position for various estimate differences that will be amortized and recognized over future years. In addition, unavailable revenues from grants arises when the related eligible expenditures will not be made until the subsequent period.

1-N Compensated Absences

General leave for the Town includes vacation, sick and retirement stipend pay. General leave is based on an employee's length of employment and is earned ratably during the span of employment. Upon retirement or termination, employees are paid full value for any accrued general leave earned as set forth by the Town's personnel policy.

Vested or accumulated general leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated general leave that are not expected to be liquidated with expendable available resources are maintained separately and represent a reconciling item between the fund and government-wide presentations.

1-O Leases

The Town is a lessee for a noncancellable lease of land for cell phone towers with T-Mobile and Verizon. The Town recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements.

At the commencement of a lease, the Town initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the Town determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The Town uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Town generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the Town is reasonably certain to exercise.

The Town monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability. Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

1-P Long-term Obligations

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities, business-type activities, or proprietary fund Statements 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 bond premium.

NOTES TO THE BASIC FINANCIAL STATEMENTS

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

In accordance with GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, the Town utilizes the following classifications to categorize the financial transactions:

Direct Borrowings – financial transactions for a note or a loan where the Town negotiates certain terms with a single lender and are not offered for public sale.

Direct Placements – financial transactions for the sale of bonds where the Town engages with a single buyer or limited number of buyers without a public offering.

1-Q 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 prepared by New Hampshire Retirement System, and audited by the plan's independent auditors, require management to make a number of estimates and assumptions related to the reported amounts. Due to the inherent nature and uncertainty of these estimates, actual results could differ, and the differences may be material.

1-R Postemployment Benefits Other Than Pensions (OPEB)

The Town maintains two separate other postemployment benefit plans, as follows:

New Hampshire Retirement System Plan – For the purposes of measuring the total other postemployment benefit (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the New Hampshire Retirement System OPEB Plan (the plan) and additions to/deductions from the plan's fiduciary net position has been determined on the same basis as they are reported by the New Hampshire Retirement System. For this purpose, the plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except money market investments and participating interest earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Single Employer Plan – For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information has been determined based on the Town's actuarial report. For this purpose, benefit payments are recognized when due and payable in accordance with benefit terms.

1-S Net Position/Fund Balances

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

Net investment in capital assets – Consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets

Restricted net position – Results when constraints placed on net position use are either externally imposed by a third party (statutory, bond covenant, or granting agency) or are imposed by law through constitutional provisions or enabling legislation. The Town typically uses restricted assets first, as appropriate opportunities arise, but reserves the right to selectively defer the use until a further project.

NOTES TO THE BASIC FINANCIAL STATEMENTS

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Unrestricted net position – Consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

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 – 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 – 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 – 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 – 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 Select Board through the budgetary process.

Unassigned – Amounts that are available for any purpose. Positive amounts are reported only in the general fund.

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

The Town's fund balance policy indicates that the Town will strive to maintain a level of fund balance between 5% and 17 % of total annual budget plus school and county appropriations.

1-T 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/expenditures during the period reported. These estimates include assessing the collectability of accounts receivable, and the useful lives of capital assets, net pension liability, other postemployment benefit liability, and deferred outflows and inflows of resources related to both pension and other postemployment benefits, 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. 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.

NOTES TO THE BASIC FINANCIAL STATEMENTS

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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 2023, none of the beginning general fund unassigned fund balance was applied for this purpose and \$31,000 was voted from unassigned fund balance as a transfer to the capital reserve funds.

2-B Budgetary Reconciliation to GAAP Basis

While the Town reports financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual is presented for the major governmental fund which had a budget. Differences between the budgetary basis and GAAP basis of accounting for the general fund are as follows:

Revenues and other financing sources:	
Per Exhibit D (budgetary basis)	\$ 29,102,085
Adjustments:	
Basis differences:	
GASB Statement No. 54:	
To record income of the blended funds	237,325
To eliminate transfers between blended expendable trust and general funds	(377,830)
To eliminate lease receivable revenue	13,752
Change in deferred tax revenue relating to 60-day revenue recognition recognized as revenue on the GAAP basis, but not on the budgetary basis	(22,517)
Per Exhibit C-3 (GAAP basis)	<u><u>\$ 28,952,815</u></u>
Expenditures and other financing uses:	
Per Exhibit D (budgetary basis)	\$ 26,800,765
Adjustments:	
Basis differences:	
Encumbrances, beginning	95,664
Encumbrances, ending	(238,676)
GASB Statement No. 54:	
To record expenditures of the blended funds during the year	(15,217)
To eliminate transfers between general and blended expendable trust funds	(165,000)
Per Exhibit C-3 (GAAP basis)	<u><u>\$ 26,477,536</u></u>

2-C Accounting Change

Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements*, was implemented during fiscal year 2023. The objective of this Statement is to better meet information needs of financial statement users by (a) establishing uniform accounting and financial reporting requirement for subscription-based information technology arrangements (SBITAs); (b) improving the comparability of financial statements among governments that have entered into SBITAs; and (c) enhancing the understandability, reliability, relevance, and consistency of information about SBITAs. This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription assets (an intangible asset), and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards of SBITA are based on the standards established in Statement No. 87, *Leases*, as amended. The Town has assessed all potential agreements that may be applicable for reporting under GASB Statement No. 96 and have determined that none of the agreements have met the requirements of the pronouncement.

NOTES TO THE BASIC FINANCIAL STATEMENTS

**AS OF AND FOR THE FISCAL YEAR ENDED
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DETAILED NOTES ON ALL FUNDS

NOTE 3 – CASH AND CASH EQUIVALENTS

At December 31, 2023, the reported amount of the Town's deposits was \$16,396,767 and the bank balance was \$13,331,940. Of the bank balance \$12,473,631 was covered by federal depository insurance or by collateral held by the Bank of New York in the Town's name, and \$858,310 was uninsured and uncollateralized.

Cash and cash equivalents reconciliation:

Cash per Statement of Net Position (Exhibit A)	\$ 15,054,306
Cash per Statement of Fiduciary Net Position - Fiduciary Fund (Exhibit F-1)	<u>1,342,461</u>
Total cash and cash equivalents	<u><u>\$ 16,396,767</u></u>

NOTE 4 – RESTRICTED ASSETS

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

Cash and cash equivalents:	
General fund:	
Library	\$ 193,098
Expendable trust funds	7,735
Escrow accounts	<u>1,644,014</u>
Total restricted cash and cash equivalents	<u><u>1,844,847</u></u>
Investments:	
General fund:	
Library	474,814
Expendable trust funds	<u>1,522,324</u>
Total restricted investments	<u><u>1,997,138</u></u>
Total restricted assets	<u><u>\$ 3,841,985</u></u>

NOTE 5 – INVESTMENTS

Note 1-G describes statutory requirements covering the investment of the Town funds. The Town holds investments that are measured at fair value on a recurring basis. Because investing is not a core part of the Town's mission, the Town determines that the disclosures related to these investments only need to be disaggregated by major type. The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Town has the following recurring fair value measurements as of December 31, 2023:

	Valuation Measurement Method	Reported Balance
Investments type:		
Equity exchange traded funds	Level 1	\$ 637,503
Equity mutual funds	Level 1	467,581
Fixed income mutual funds	Level 1	<u>2,845,474</u>
Total fair value		3,950,558
Investments carried at amortized cost:		
New Hampshire Public Deposit Investment Pool		<u>5,619</u>
Total investments		<u><u>\$ 3,956,177</u></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 does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Town has the following remaining maturities as of December 31, 2023:

NOTES TO THE BASIC FINANCIAL STATEMENTS

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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. All the Town's investments are held by third parties in the Town's name. The Town does not have custodial credit risk policies for investments.

Investment reconciliation:

Investments per Statement of Net Position (Exhibit A)	\$ 2,020,878
Investments per Statement of Fiduciary Net Position - Fiduciary Fund (Exhibit F-1)	1,935,299
Total investments	<u>\$ 3,956,177</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, 2023. The amount has been reduced by an allowance for an estimated uncollectible amount of \$66,712. Taxes receivable by year are as follows:

	As reported on:	
	Exhibit A	Exhibit C-1
Property:		
Levy of 2023	\$ 15,723,158	\$ 15,723,158
Unredeemed (under tax lien):		
Levy of 2022	186,169	186,169
Levy of 2021	123,247	123,247
Levies of 2020 and prior	95,598	95,598
Excavation	488	488
Less: allowance for estimated uncollectible taxes	(66,712) *	-
Net taxes receivable	<u>\$ 16,061,948</u>	<u>\$ 16,128,660</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-B. However, the allowance is recognized under the full accrual basis of accounting (Exhibits A and B).

NOTE 7 – OTHER RECEIVABLES

Receivables at December 31, 2023, 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, 2023 for the Town's proprietary funds, individual governmental major fund and nonmajor funds in the aggregate including applicable allowances for uncollectible accounts are as follows:

	Governmental Activities	Business-type Activities	Governmental Funds		Fiduciary Funds
			General	Nonmajor	
Receivables:					
Accounts	\$ 869,742	\$ 901,831	\$ 31,755	\$ 837,987	\$ -
Intergovernmental	196,826	234,051	-	196,826	11,490,801 ¹
Gross receivables	1,066,568	1,135,882	31,755	1,034,813	11,490,801
Less: allowance for uncollectibles	(304,484)	-	-	(304,484)	-
Net total receivables	<u>\$ 762,084</u>	<u>\$ 1,135,882</u>	<u>\$ 31,755</u>	<u>\$ 730,329</u>	<u>\$ 11,490,801</u>

¹ Fiduciary Funds - Intergovernmental receivables represent property taxes collected on behalf of the Winnacunnet Cooperative and Seabrook School Districts. These amounts are collected and are part of the Town's general fund cash at year-end. The general fund reports an offsetting intergovernmental payable for this amount at year-end.

NOTES TO THE BASIC FINANCIAL STATEMENTS

**AS OF AND FOR THE FISCAL YEAR ENDED
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NOTE 8 – PREPAID ITEMS

Prepaid items at December 31, 2023 consisted of the following:

	General Fund
Gas and diesel	\$ 143,739
Miscellaneous	16,135
Total	<u>\$ 159,874</u>

NOTE 9 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2023 is as follows:

	Balance, beginning	Additions	Deletions	Balance, ending
Governmental activities:				
At cost:				
Not being depreciated:				
Land	\$ 4,282,101	\$ -	\$ -	\$ 4,282,101
Construction in progress	281,168	-	(281,168)	-
Total capital assets not being depreciated	<u>4,563,269</u>	<u>-</u>	<u>(281,168)</u>	<u>4,282,101</u>
Being depreciated:				
Improvement other than buildings	1,895,880	1,711,512	-	3,607,392
Buildings and building improvements	25,083,911	-	-	25,083,911
Machinery, equipment, and vehicles	11,677,448	262,619	(121,612)	11,818,455
Infrastructure	74,860,836	342,004	-	75,202,840
Total capital assets being depreciated	<u>113,518,075</u>	<u>2,316,135</u>	<u>(121,612)</u>	<u>115,712,598</u>
Total all capital assets	<u>118,081,344</u>	<u>2,316,135</u>	<u>(402,780)</u>	<u>119,994,699</u>
Less accumulated depreciation:				
Improvement other than buildings	(853,129)	(54,348)	-	(907,477)
Buildings and building improvements	(15,236,772)	(518,320)	-	(15,755,092)
Machinery, equipment, and vehicles	(8,513,703)	(572,306)	121,188	(8,964,821)
Infrastructure	(48,372,542)	(1,487,134)	-	(49,859,676)
Total accumulated depreciation	<u>(72,976,146)</u>	<u>(2,632,108)</u>	<u>121,188</u>	<u>(75,487,066)</u>
Net book value, capital assets being depreciated	<u>40,541,929</u>	<u>(315,973)</u>	<u>(424)</u>	<u>40,225,532</u>
Net book value, all governmental activities capital assets	<u>\$ 45,105,198</u>	<u>\$ (315,973)</u>	<u>\$ (281,592)</u>	<u>\$ 44,507,633</u>
Business-type activities:				
At cost:				
Not being depreciated:				
Construction in progress	\$ 607,714	\$ 544,756	\$ (472,100)	\$ 680,370
Being depreciated:				
Improvement other than buildings	207,032	-	-	207,032
Buildings and building improvements	16,102,457	-	-	16,102,457
Machinery, equipment, and vehicles	803,252	240,399	(30,186)	1,013,465
Infrastructure	424,071	860,772	-	1,284,843
Total capital assets being depreciated	<u>17,536,812</u>	<u>1,101,171</u>	<u>(30,186)</u>	<u>18,607,797</u>
Total all capital assets	<u>18,144,526</u>	<u>1,645,927</u>	<u>(502,286)</u>	<u>19,288,167</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

**AS OF AND FOR THE FISCAL YEAR ENDED
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Capital assets continued:

	Balance, beginning	Additions	Deletions	Balance, ending
Less accumulated depreciation:				
Improvement other than buildings	(22,848)	(13,475)	-	(36,323)
Buildings and building improvements	(7,831,354)	(304,873)	-	(8,136,227)
Machinery, equipment, and vehicles	(572,032)	(47,334)	30,186	(589,180)
Infrastructure	(14,240)	(34,880)	-	(49,120)
Total accumulated depreciation	(8,440,474)	(400,562)	30,186	(8,810,850)
Net book value, capital assets being depreciated	9,096,338	700,609	-	9,796,947
Net book value, all business-type activities capital assets	<u>\$ 9,704,052</u>	<u>\$ 1,245,365</u>	<u>\$ (472,100)</u>	<u>\$ 10,477,317</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:

Governmental activities:

General government	\$ 34,400
Public safety	473,612
Highways and streets	1,999,111
Sanitation	29,590
Culture and recreation	86,403
Conservation	8,992
Total depreciation expense	<u>\$ 2,632,108</u>

Business-type activities:

Water	\$ 349,647
Sewer	50,915
Total depreciation expense	<u>\$ 400,562</u>

NOTE 10 – INTERFUND BALANCES AND TRANSFERS

Interfund Balances - The composition of interfund balances as of December 31, 2023 is as follows:

	Interfund payables:		
	Governmental Funds	Proprietary Fund	
	Nonmajor Funds	Sewer	Total
Interfund receivables:			
Governmental funds:			
General fund	\$ 165,739	\$ 2,056,801	\$ 2,222,540
Nonmajor funds	25,000	38,240	63,240
Proprietary funds:			
Sewer	164,181	-	164,181
Water	95,590	1,800	97,390
Total	<u>\$ 450,510</u>	<u>\$ 2,096,841</u>	<u>\$ 2,547,351</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.

NOTES TO THE BASIC FINANCIAL STATEMENTS

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Interfund Transfers - The composition of interfund transfers for the year ended December 31, 2023 is as follows:

	Transfers In:			
	Governmental			
	Fund	Proprietary Fund		
	General	Water	Sewer	Total
Transfers out:				
General fund	\$ -	\$ 981,585	\$ 388,672	\$ 1,370,257
Nonmajor funds	80,000	-	-	80,000
Total	\$ 80,000	\$ 981,585	\$ 388,672	\$ 1,450,257

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 11 – INTERGOVERNMENTAL PAYABLES

Amounts due to other governments of at December 31, 2023 consist of:

	Governmental Activities	General Fund	Fidciary Funds
Property taxes due to the Winnacunnet Cooperative School District	\$ -	\$ -	\$ 3,934,829 ³
Property taxes due to the Seabrook School District	-	-	7,555,972 ³
Balance due to the New Hampshire State Retirement System	511,961	511,961	-
Property taxes due to the custodial funds	11,490,801 ²	11,490,801	-
Total intergovernmental payables due	<u>\$ 12,002,762</u>	<u>\$ 12,002,762</u>	<u>\$ 11,490,801</u>

² Property taxes due to the custodial funds represent amounts collected by the Town on behalf of Winnacunnet Cooperative and Seabrook School Districts and are reported as a component of general fund cash at year-end.

³ Property taxes due to the Winnacunnet Cooperative and Seabrook School Districts represent amounts collected by the Town that will be paid to the School District in incremental payments based upon an agreed schedule in the next calendar year.

NOTE 12 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Deferred outflows of resources are as follows:

	Governmental Activities
Amounts related to pensions (see Note 16)	\$ 4,142,580
Amounts related to other postemployment benefits (see Note 17)	152,751
Total governmental activities	<u>4,295,331</u>

Deferred inflows of resources are as follows:

	Governmental Funds					
	Governmental Activities	Business-type Activities	General Fund	Nonmajor Governmental Funds	Proprietary Funds	
					Water	Sewer
Deferred property taxes not collected within 60 days of fiscal year-end	\$ -	\$ -	\$ 508,080	\$ -	\$ -	\$ -
Overpayments of property taxes	8,701	-	8,701	-	-	-
State aid received in advance of eligible expenditures being made	357,740	-	357,740	-	-	-
Federal grant revenue collected in advance of eligible expenditures being made	842,858	-	-	842,858	-	-

(Continued)

NOTES TO THE BASIC FINANCIAL STATEMENTS

**AS OF AND FOR THE FISCAL YEAR ENDED
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Deferred inflows of resources continued:

	Governmental Funds					
	Governmental Activities	Business-type Activities	General Fund	Nonmajor Governmental Funds	Proprietary Funds	
					Water	Sewer
Overpayments of bills	-	8,070	-	-	5,437	2,633
Amounts related to pensions, see Note 16	44,157	-	-	-	-	-
Amounts related to OPEB, see Note 17	56,237	-	-	-	-	-
Amounts related to leases, see Note 13	738,353	-	738,353	-	-	-
Total deferred inflows of resources	<u>\$ 2,048,046</u>	<u>\$ 8,070</u>	<u>\$ 1,612,874</u>	<u>\$ 842,858</u>	<u>\$ 5,437</u>	<u>\$ 2,633</u>

NOTE 13 – LEASE RECEIVABLES

The Town had the following lease receivables as of December 31, 2023:

	Original Amount	Issue Date	Interest Rate	Maturity Date	Receivable at December 31, 2023
Lease receivables:					
T-mobile	\$ 332,371	2014	2.15%	2029	\$ 256,438
Verizon	\$ 570,589	2015	2.55%	2035	513,523
					<u>\$ 769,961</u>

The annual requirements to amortize all lease receivable outstanding as of December 31, 2023 are as follows:

Fiscal Year Ending December 31,	Principal
2024	\$ 72,831
2025	77,292
2026	81,941
2027	86,785
2028	91,832
2029-2033	271,272
2034-2035	88,008
Totals	<u>\$ 769,961</u>

NOTE 14 – SHORT-TERM DEBT

Changes in the Town's short-term operational borrowings during the year ended December 31, 2023 consisted of the following:

Governmental Activities	Original Issue	Interest Rate	Balance January 1, 2023	Additions	Deletions	Balance December 31, 2023
Tax anticipation Note	<u>\$ 1,000,000</u>	8.02%	<u>\$ -</u>	<u>\$ 1,000,000</u>	<u>\$ (1,000,000)</u>	<u>\$ -</u>

The purpose of the short-time borrowings was to provide for interim financing of general fund operations. The Town paid \$668 in interest on the short-term debt during the year.

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NOTE 15 – LONG-TERM LIABILITIES

Changes in the Town's long-term liabilities consisted of the following for the year ended December 31, 2023:

	Balance January 1, 2023 (as restated)	Additions	Reductions	Balance December 31, 2023	Due Within One Year	Due In More Than One Year
Governmental activities:						
Bonds payable:						
Direct placement	\$ 570,000	\$ -	\$ (30,000)	\$ 540,000	\$ 30,000	\$ 510,000
Note payable - direct borrowing	297,446	-	(88,308)	209,138	81,411	127,727
Premium	79,617	-	(4,190)	75,427	4,190	71,237
Total bonds and notes payables	947,063	-	(122,498)	824,565	115,601	708,964
Compensated absences	2,176,352	56,239	(33,237)	2,199,354	378,764	1,820,590
Net pension liability	20,887,722	-	(481,905)	20,405,817	-	20,405,817
Net other postemployment benefits	2,858,174	-	(193,424)	2,664,750	-	2,664,750
Total long-term liabilities	<u>\$ 26,869,311</u>	<u>\$ 56,239</u>	<u>\$ (831,064)</u>	<u>\$ 26,094,486</u>	<u>\$ 494,365</u>	<u>\$ 25,600,121</u>
Business-type activities:						
Bonds payable:						
Direct placements - water	\$ 7,896,195	\$ -	\$ (493,742)	\$ 7,402,453	\$ 507,573	\$ 6,894,880
Note payable - direct borrowing sewer	19,756	-	(19,756)	-	-	-
Note payable - direct borrowing water	43,827	-	(30,279)	13,548	13,548	-
Premium	301,945	-	(17,434)	284,511	17,434	267,077
Total bonds and notes payables	8,261,723	-	(561,211)	7,700,512	538,555	7,161,957
Compensated absences-water	143,678	7,863	-	151,541	16,131	135,410
Compensated absences- sewer	93,634	13,736	-	107,370	23,723	83,647
Total long-term liabilities	<u>\$ 8,499,035</u>	<u>\$ 21,599</u>	<u>\$ (561,211)</u>	<u>\$ 7,959,423</u>	<u>\$ 578,409</u>	<u>\$ 7,381,014</u>

Long-term bonds/notes are comprised of the following:

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at December 31, 2023	Current Portion
Governmental activities:						
Bond payable:						
Direct placement:						
Radio equipment	\$ 601,500	2021	2041	1.59%	\$ 540,000	\$ 30,000
Notes payable - direct borrowings:						
Rubbish truck	\$ 198,340	2020	2027	1.25%	117,527	28,300
2020 Chevy Silverado	\$ 42,741	2020	2024	2.01%	11,327	11,327
2019 Wheel loader	\$ 164,424	2020	2025	2.98%	66,870	32,944
Ford 150	\$ 33,850	2021	2025	2.28%	13,414	8,840
Total notes payable					209,138	81,411
Bond premium					75,427	4,190
Total governmental activities					<u>\$ 824,565</u>	<u>\$ 115,601</u>

(Continued)

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Long term bonds/notes continued:

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at December 31, 2023	Current Portion
Business - type activities:						
Bonds payable:						
Direct placements:						
Water treatment facility	\$ 5,997,345	2008	2037	1.00-5.25%	\$ 3,295,000	\$ 170,000
Drinking water state revolving loan	\$ 5,000,000	2011	2031	2.86%	1,217,453	137,573
Water treatment facility	\$ 971,000	2012	2032	2.75-4.00%	420,000	50,000
Town pier and water tank	\$ 2,921,200	2020	2040	2.15%	2,470,000	150,000
Total direct placements					<u>7,402,453</u>	<u>507,573</u>
Notes payable - direct borrowings:						
2021 Chevy Silverado	\$ 21,132	2020	2024	2.00%	13,548	13,548
Bond premium					284,511	17,434
Total					<u>\$ 7,700,512</u>	<u>\$ 538,555</u>

The annual requirements to amortize all general obligation bonds/notes outstanding as of December 31, 2023, including interest payments, are as follows:

Governmental activities:

Fiscal Year Ending December 31,	Bond - Direct Placement			Notes - Direct Borrowings		
	Principal	Interest	Total	Principal	Interest	Total
2024	\$ 30,000	\$ 18,375	\$ 48,375	\$ 81,411	\$ 5,600	\$ 87,011
2025	30,000	16,845	46,845	67,508	3,160	70,668
2026	30,000	15,315	45,315	29,736	1,316	31,052
2027	30,000	13,785	43,785	30,483	571	31,054
2028	30,000	12,255	42,255	-	-	-
2029-2033	150,000	41,025	191,025	-	-	-
2034-2038	150,000	17,925	167,925	-	-	-
2039-2041	90,000	2,835	92,835	-	-	-
Totals	<u>\$ 540,000</u>	<u>\$ 138,360</u>	<u>\$ 678,360</u>	<u>\$ 209,138</u>	<u>\$ 10,647</u>	<u>\$ 219,785</u>

Business -type activities:

Fiscal Year Ending December 31,	Bonds - Direct Placements			Notes - Direct Borrowings		
	Principal	Interest	Total	Principal	Interest	Total
2024	\$ 507,573	\$ 248,652	\$ 756,225	\$ 13,548	\$ 407	\$ 13,955
2025	516,513	229,989	746,502	-	-	-
2026	530,565	211,268	741,833	-	-	-
2027	539,734	191,076	730,810	-	-	-
2028	554,023	171,254	725,277	-	-	-
2029-2033	2,604,045	538,004	3,142,049	-	-	-
2034-2038	1,860,000	151,594	2,011,594	-	-	-
2039-2040	290,000	7,178	297,178	-	-	-
Totals	<u>\$ 7,402,453</u>	<u>\$ 1,749,015</u>	<u>\$ 9,151,468</u>	<u>\$ 13,548</u>	<u>\$ 407</u>	<u>\$ 13,955</u>

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

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Bonds Authorized and Unissued – Bonds and notes authorized and unissued as of December 31, 2023 were as follows:

Per Town Meeting Vote of	Purpose	Unissued Amount
March 2017	Asset management plan for Town water and sewer	\$ 60,000

NOTE 16 – 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 – Benefit formulas and eligibility requirements for the Pension Plan are set by state law (RSA 100-A). 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.

Group I benefits are provided based on creditable service and average final salary for the highest of either three or five years, depending on when service commenced.

Group II benefits are provided based on age, years of creditable service and benefit multiplier depending on vesting status as of 1/1/12. The maximum retirement allowance for Group II members vested by 1/1/12 (45 years of age with 20 years of service or age 60 regardless of years of creditable service) is the average final compensation multiplied by 2.5% multiplied by creditable service. For Group II members not vested by 1/1/12 the benefit is calculated the same way but the multiplier used in the calculation will change depending on age and years of creditable service as follows:

Years of Creditable Service as of 1/1/12	Minimum Age	Minimum Service	Benefit Multiplier
At least 8 but less than 10 years	46	21	2.4%
At least 6 but less than 8 years	47	22	2.3%
At least 4 but less than 6 years	48	23	2.2%
Less than 4 years	49	24	2.1%

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. Group I members are required to contribute 7% of earnable compensation and group II members (police and fire) are required to contribute 11.55% and 11.80% respectively. For the period of January 1, 2023 to June 30, 2023, the Town contributed 30.67% for police, 29.78% for fire and 13.75% for other employees. For the period of July 1, 2023 to December 31, 2023, the Town contributed 28.68% for police, 27.75% for fire and 13.27% for other employees. The contribution requirement for the fiscal year 2023 was \$2,258,380, which was paid in full.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions – At December 31, 2023 the Town reported a liability of \$20,405,817 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, 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

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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, 2023, the Town's proportion was 0.36% which was the same as its proportion measured as of June 30, 2022.

For the year ended December 31, 2023, the Town recognized pension expense of \$3,196,762. At December 31, 2023 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	\$ 1,726,046	\$ 35,956
Changes in assumptions	537,070	-
Net difference between projected and actual investment earnings on pension plan investments	295,103	-
Differences between expected and actual experience	521,414	8,201
Contributions subsequent to the measurement date	1,062,947	-
Total	<u>\$ 4,142,580</u>	<u>\$ 44,157</u>

The \$1,062,947 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 December 31, 2024. 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,	
2024	\$ 1,355,027
2025	274,267
2026	1,439,339
2027	(33,157)
Thereafter	-
Totals	<u>\$ 3,035,476</u>

Actuarial Assumptions – The collective total pension liability was determined by a roll forward of the actuarial valuation as of June 30, 2021, using the following actuarial assumptions which, accordingly apply to 2023 measurements:

Inflation:	2.0%
Salary increases:	5.4% average, including inflation
Wage inflation:	2.75% (2.25% for teachers)
Investment rate of return:	6.75% net of pension plan investment expense, including inflation

Mortality rates were based on the Pub-2010 Health Retiree Mortality Tables with credibility adjustments for each group (Police and Fire combined) and projected fully generational mortality improvements using Scale MP-2019.

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2015 – June 30, 2019.

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 2023:

Asset Class	Target Allocation	30 Year Return
Broad US Equity (1)	30.00%	5.40%
Global Ex-US Equity (2)	20.00%	5.65%
Total public equity	50.00%	
Real Estate Equity	10.00%	4.00%
Private Equity	10.00%	6.65%
Total private market equity	20.00%	
Private Debt	5.00%	5.05%
Core U.S. Fixed Income (3)	25.00%	2.15%
Total	100.00%	

Discount Rate – The discount rate used to measure the collective total pension liability was 6.75%. 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 6.75% 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 (5.75%) or 1-percentage point higher (7.75%) than the current rate:

Actuarial Valuation Date	1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
June 30, 2023	\$ 27,688,224	\$ 20,405,817	\$ 14,183,447

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 17 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

17-A New Hampshire Retirement System (NHRS)

Plan Description – The New Hampshire Retirement System (NHRS or the System) administers a cost-sharing multiple-employer other postemployment benefit plan medical subsidy healthcare plan (OPEB Plan). For additional system information, please refer to the 2022 Comprehensive Annual Financial Report, which can be found on the system's website at www.nhrs.org.

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Benefits Provided - Benefit amounts and eligibility requirements for the OPEB Plan are set by state law (RSA 100-A:52, RSA 100-A:52-a and RSA 100-A:52-b), and members are designated in statute by type. The four membership types are Group II, Police Officers and Firefighters; Group I, Teachers; Group I, Political Subdivision Employees; and Group I, State Employees. The OPEB Plan provides a medical insurance subsidy to qualified retired members. The medical insurance subsidy is a payment made by NHRS to the former employer or its insurance administrator toward the cost of health insurance for a qualified retiree, his/her qualified spouse, and his/her certified dependent children with a disability who are living in the household and being

cared for by the retiree. If the health insurance premium amount is less than the medical subsidy amount, then only the health insurance premium amount will be paid. If the health insurance premium amount exceeds the medical subsidy amount, then the retiree or other qualified person is responsible for paying any portion that the employer does not pay.

Group I benefits are based on creditable service, age and retirement date. Group II benefits are based on hire date, age and creditable service. The OPEB plan is closed to new entrants.

Maximum medical subsidy rates paid during fiscal year 2023 were as follows:

For qualified retirees not eligible for Medicare, the amounts were \$375.56 for a single-person plan and \$751.12 for a two-person plan.

For those qualified retirees eligible for Medicare, the amounts were \$236.84 for a single-person plan and \$473.68 for a two-person plan.

Contributions – The OPEB Plan is funded by allocating to the 401(h) subtrust the lesser of: 25% of all employer contributions made in accordance with RSA 100-A:16 or the percentage of employer contributions determined by the actuary to be the minimum rate necessary to maintain the benefits provided under RSA 100-A:53-b, RSA 100-A:53-c, and RSA 100-A:53-d. For fiscal year 2023, the minimum rates determined by the actuary to maintain benefits were the lesser of the two options and were used to determine the employer contributions due to the 401(h) subtrust. The State Legislature has the authority to establish, amend and discontinue the contribution requirements of the OPEB Plan. Administrative costs are allocated to the OPEB Plan based on fund balances. For the period of January 1, 2023 to June 30, 2023, the Town contributed 3.21% for police and fire, and 0.31% for other employees. For the period of July 1, 2023 to December 31, 2023, the Town contributed 2.60% for police and fire, and 0.26% for other employees. The contribution requirement for the fiscal year 2023 was \$224,634, which was paid in full.

OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB – At December 31, 2023, the Town reported a liability of \$1,817,832 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2022. The Town's proportion of the net OPEB liability was based on a projection of the Town's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating towns and school districts, actuarially determined. At June 30, 2023, the Town's proportion was 0.53% which was the same as its proportion measured as of June 30, 2022.

For the year ended December 31, 2023, the Town recognized OPEB expense of \$44,245. At December 31, 2023, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings on OPEB plan investments	\$ 2,185	\$ -
Contributions subsequent to the measurement date	97,580	-
Total	<u>\$ 99,765</u>	<u>\$ -</u>

The \$97,580 reported as deferred outflows of resources related to OPEB results from the Town contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

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Fiscal Year Ending December 31,	
2024	\$ (362)
2025	(2,760)
2026	5,906
2027	(599)
Thereafter	-
Totals	<u>\$ 2,185</u>

Actuarial Assumptions – The total OPEB liability in this report is based on an actuarial valuation performed as of June 30, 2022 and a measurement date of June 30, 2023. The total OPEB liability was determined using the following actuarial assumptions applied to all periods included in the measurement, unless otherwise specified:

Price inflation:	2.0% per year
Wage inflation:	2.75% (2.25% for teachers)
Salary increases:	5.4% average, including inflation
Investment rate of return:	6.75% net of OPEB plan investment expense, including inflation

Mortality rates were based on the Pub-2010 Health Retiree Mortality Tables with credibility adjustments for each group (Police and Fire combined) and projected fully generational mortality improvements using Scale MP-2019.

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2015 – June 30, 2019.

Long-term Rates of Return – The long-term expected rate of return on OPEB plan investment was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rate of return net of investment expenses by the target asset allocation percentage and by adding expected inflation. Following is a table presenting target allocations and long-term rates of return for 2023:

Asset Class	Target Allocation	30 Year Geometric Return
Broad US Equity (1)	30.00%	5.40%
Global Ex-US Equity (2)	20.00%	5.65%
Total public equity	50.00%	
Real Estate Equity	10.00%	4.00%
Private Equity	10.00%	6.65%
Total private market equity	20.00%	
Private Debt	5.00%	5.05%
Core U.S. Fixed Income (3)	25.00%	2.15%
Total	100.00%	

Discount Rate – The discount rate used to measure the total OPEB liability as of June 30, 2023 was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made under the current statute RSA 100-A:16 and that plan member contributions will be made under RSA 100-A:16. Based on those assumptions, the OPEB Plan's fiduciary net position was projected to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB Plan investments was applied to all periods of projected benefit payments to determine the collective total OPEB liability.

Sensitivity of the Town's Proportionate Share of the OPEB Liability to Changes in the Discount Rate – The following table presents the Town's proportionate share of the OPEB liability calculated using the discount rate of 6.75% as well as what the Town's proportionate share of the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.75%) or 1-percentage point higher (7.75%) than the current rate:

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Actuarial Valuation Date	1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
June 30, 2023	\$ 1,974,344	\$ 1,817,832	\$ 1,681,280

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

17-B Town of Seabrook Retiree Health Benefit Program

Plan Description – GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, requires governments to account for other postemployment benefits (OPEB) on an accrual basis, rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially determined expense on the Statement of Activities when a future retiree earns their postemployment benefits, rather than when they use their postemployment benefit. The postemployment benefit liability is recognized on the Statement of Net Position over time.

Benefits Provided – The Town provides postemployment healthcare benefits for certain eligible retirees. The Town provides medical benefits to its eligible retirees.

Employees Covered by Benefit Terms – At January 1, 2022, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	30
Active employees	124
Total participants covered by OPEB plan	<u>154</u>

Total OPEB Liability – The Town’s total OPEB liability of \$846,918 was measured as of December 31, 2023, and was determined by an actuarial valuation of January 1, 2022.

Actuarial Assumptions and Other Inputs – The total OPEB liability was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate:	3.88%
Healthcare Cost Trend Rates:	
Current Year Trend	6.75%
Second Year Trend	6.50%
Decrement	0.25%
Ultimate Trend	4.50%
Year Ultimate Trend is Reached	2034

The selected discount rate is based on the prescribed discount interest rate methodology under GASB No. 74/75 using an average of two 20-year municipal bond indices (e.g., S&P Municipal Bond 20 Year High Grade Rate Index - 4.00% and Fidelity GO AA 20 Years – 3.77%) as of December 31, 2022.

Mortality rates were based on Society of Actuaries Pub-2010 Public Retirement Plans Healthy Male and Female Total Dataset Headcount-Weighted Mortality tables based on Employee and Healthy Annuitant Tables for both pre- and post-retirement projected with mortality improvements using the most current Society of Actuaries Mortality Improvement Scale MP-2021.

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Changes in the Total OPEB Liability

	December 31,	
	2022	2023
OPEB liability beginning of year	\$ 930,124	\$ 848,458
Changes for the year:		
Service cost	17,428	19,012
Interest	36,670	31,594
Assumption changes and difference between actual and expected experience	(30,061)	16,193
Benefit payments	(105,703)	(68,339)
OPEB liability end of year	<u>\$ 848,458</u>	<u>\$ 846,918</u>

Sensitivity of the Town's OPEB Liability to Changes in the Discount Rate – The January 1, 2022 actuarial valuation was prepared using a discount rate of 3.88%. If the discount rate were 1% higher than what was used the OPEB liability would increase to \$898,063 or by 6.04%. If the discount rate were 1% lower than what was used the OPEB liability would decrease to \$798,598 or by 5.71%.

	Discount Rate		
	1% Decrease	Baseline 3.88%	1% Increase
Total OPEB Liability	<u>\$ 898,063</u>	<u>\$ 846,918</u>	<u>\$ 798,598</u>

Sensitivity of the Town's OPEB Liability to Changes in the Healthcare Cost Trend Rates – The January 1, 2022 actuarial valuation was prepared using an initial trend rate of 6.75%. If the trend rate were 1% higher than what was used the OPEB liability would increase to \$936,352 or by 10.56%. If the trend rate were 1% lower than what was used the OPEB liability would decrease to \$770,102 or by 9.07%.

	Healthcare Cost Trend Rates		
	1% Decrease	Baseline	1% Increase
	5.75% Year 1	6.75% Year 1	7.75% Year 1
	Decreasing to 3.50%	Decreasing to 4.50%	Decreasing to 5.50%
Total OPEB Liability	<u>\$ 770,102</u>	<u>\$ 846,918</u>	<u>\$ 936,352</u>

OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB – For the year ended December 31, 2023, the Town recognized OPEB expense of \$52,946. At December 31, 2023, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	<u>\$ 52,986</u>	<u>\$ 56,237</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending December 31,	
2024	\$ 2,340
2025	2,340
2026	2,340
2027	(4,610)
2028	(4,674)
Thereafter	(987)
Totals	<u>\$ (3,251)</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

**AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2023**

NOTE 18 - ENCUMBRANCES

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at December 31, 2023 are as follows:

General fund:	
General government	\$ 112,442
Public safety	25,908
Highways and streets	10,881
Sanitation	76,943
Welfare	5,286
Culture and recreation	7,216
Total general fund	<u>\$ 238,676</u>

NOTE 19 – GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES AND FIDUCIARY FUNDS NET POSITION

Governmental and business-type activities and fiduciary fund net position reported on the Statements of Net Position at December 31, 2023 include the following:

	Governmental Activities	Business-type Activities	Total	Fiduciary Funds
Net investment in capital assets:				
Net book value, all capital assets	\$ 44,507,633	\$ 10,477,317	\$ 54,984,950	\$ -
Less:				
General obligation bonds payable	(540,000)	(7,402,453)	(7,942,453)	-
Unamortized bond premiums	(75,427)	(284,511)	(359,938)	-
Note payable	(209,138)	(13,548)	(222,686)	-
Total net investment in capital assets	<u>43,683,068</u>	<u>2,776,805</u>	<u>46,459,873</u>	<u>-</u>
Restricted net position:				
Perpetual care - nonexpendable	13,607	-	13,607	-
Perpetual care - expendable	4,698	-	4,698	-
Road improvements	1,644,014	-	1,644,014	-
Unspent bond proceed	718,490	-	718,490	-
Drug forfeiture	9,197	-	9,197	-
Channel 22	60,000	-	60,000	-
Library	660,990	-	660,990	-
Capital projects	299,567	-	299,567	-
D'Alessandro trust	112,446	-	112,446	-
Water	-	2,072,121	2,072,121	-
Sewer	-	354,276	354,276	-
Communications	421,365	-	421,365	-
School trust funds	-	-	-	525,189
Escrow accounts	-	-	-	1,282,897
Individuals, organizations, and other governments	-	-	-	1,469,674
Total restricted net position	<u>3,944,374</u>	<u>2,426,397</u>	<u>6,370,771</u>	<u>3,277,760</u>
Unrestricted	<u>(7,219,676)</u>	<u>-</u>	<u>(7,219,676)</u>	<u>-</u>
Total net position	<u>\$ 40,407,766</u>	<u>\$ 5,203,202</u>	<u>\$ 45,610,968</u>	<u>\$ 3,277,760</u>

TOWN OF SEABROOK, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2023

NOTE 20 – GOVERNMENTAL FUND BALANCES

Governmental fund balances reported on the fund financial statements at December 31, 2023 include the following:

	General Fund	Nonmajor Funds	Total Governmental Funds
Nonspendable:			
Prepaid items	\$ 159,874	\$ -	\$ 159,874
Tax deeded property	13,561	-	13,561
Permanent fund - principal balance	-	13,607	13,607
Total nonspendable fund balance	<u>173,435</u>	<u>13,607</u>	<u>187,042</u>
Restricted:			
Road improvements	1,644,014	-	1,644,014
Library	660,990	-	660,990
Drug forfeiture	9,197	-	9,197
Capital expenditures	718,490	299,567	1,018,057
Channel 22	60,000	-	60,000
D'Alessandro trust	-	112,446	112,446
Communications	-	421,365	421,365
Permanent - income balance	-	4,698	4,698
Total restricted fund balance	<u>3,092,691</u>	<u>838,076</u>	<u>3,930,767</u>
Committed:			
Expendable trust	1,112,939	-	1,112,939
Nonlapsing appropriations	3,739,958	-	3,739,958
Conservation	-	237,681	237,681
Ambulance	-	1,509,942	1,509,942
Transportation	-	20,259	20,259
Recreation	-	26,163	26,163
Police detail	-	531,278	531,278
Recycling	-	104,677	104,677
Total committed fund balance	<u>4,852,897</u>	<u>2,430,000</u>	<u>7,282,897</u>
Assigned:			
Encumbrances	238,676	-	238,676
Unassigned	<u>5,727,694</u>	<u>-</u>	<u>5,727,694</u>
Total governmental fund balances	<u>\$ 14,085,393</u>	<u>\$ 3,281,683</u>	<u>\$ 17,367,076</u>

NOTE 21 – PRIOR PERIOD ADJUSTMENTS

Net position/fund balance at January 1, 2023 was restated to give retroactive effect to the following prior period adjustments:

	Governmental Activities	Business-type Activities	Proprietary Fund Water Fund	Governmental Funds General Fund (Exhibit C-3)	General Fund (Schedule 3)	Private Purpose Trust
Restatement to opening fund balance/net position for:						
Restate lease receivable and deferred inflows related to leases	\$ (70,818)	\$ -	\$ -	\$ (70,818)	\$ -	\$ -
Reclassification finance purchase to water fund	26,571	(26,571)	(26,571)	-	-	-

(Continued)

NOTES TO THE BASIC FINANCIAL STATEMENTS

**AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2023**

Prior period adjustments continued:

	Governmental Activities	Business-type Activities	Proprietary Fund Water Fund	Governmental Funds General Fund (Exhibit C-3)	General Fund (Schedule 3)	Private Purpose Trust
Restate interfund that will not be reimbursed with the trust fund	-	-	-	-	(466,197)	-
Restate for outstanding check not recorded	-	-	-	-	-	(40,500)
Net position/fund balance as previously reported	39,324,969	4,570,621	2,171,209	11,680,932	4,062,135	1,411,132
Net position/fund balance as restated	<u>\$ 39,280,722</u>	<u>\$ 4,544,050</u>	<u>\$ 2,144,638</u>	<u>\$ 11,610,114</u>	<u>\$ 3,595,938</u>	<u>\$ 1,370,632</u>

NOTE 22 – 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 2023, the Town was a member of the New Hampshire Public Risk Management Exchange (Primex³) Workers' Compensation and Property/Liability Programs.

The New Hampshire Public Risk Management Exchange (Primex³) Workers' Compensation and Property/Liability Programs are pooled risk management programs under RSAs 5-B and 281-A. Coverage was provided from January 1, 2023 to December 31, 2023 by Primex³, which retained \$2,000,000 of each workers' compensation loss, \$500,000 of each liability loss, and for each property loss it is based upon the Town's property schedule on file with Primex³. The Board has decided to self-insure the aggregate exposure and has allocated funds based on actuarial analysis for that purpose. The workers' compensation section of the self-insurance membership agreement permits Primex³ to make additional assessments to members should there be a deficiency in contributions for any member year, not to exceed the member's annual contribution. GASB Statement No. 10 requires members of a pool with a sharing risk to disclose if such an assessment is probable, and a reasonable estimate of the amount, if any. In fiscal year 2023 the Town paid \$270,689 and \$430,192 respectively, to Primex for property, liability and worker's compensation. At this time, Primex³ foresees no likelihood of any additional assessment for this or any prior year.

The Town continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 23 – TAX ABATEMENTS

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

The Town has no such abatements for 2023.

NOTE 24 – CONTINGENT LIABILITIES

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.

NOTES TO THE BASIC FINANCIAL STATEMENTS

**AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2023**

NOTE 25 – 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 ____, 2024, the date the December 31, 2023 financial statements were available to be issued, and noted the following event occurred that requires recognition or disclosure:

On October 4, 2024, a local news outlet reported the arrest of Town employees for the misuse of Town resources. The engagement team meet with members of Town Management. As a result of this meeting, additional procedures were performed. The results of those procedures are included in the results of this audit. The legal matter remains open at the time of the report issuance.

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, 2023
Unaudited

Fiscal year-end	December 31, 2014	December 31, 2015	December 31, 2016	December 31, 2017	December 31, 2018	December 31, 2019	December 31, 2020	December 31, 2021	December 31, 2022	December 31, 2023
Measurement date	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022	June 30, 2023
Town's:										
Proportion of the net pension liability	0.28%	0.27%	0.30%	0.31%	0.31%	0.30%	0.30%	0.32%	0.36%	0.36%
Proportionate share of the net pension liability	\$ 10,620,503	\$ 10,666,965	\$ 15,974,182	\$ 15,113,057	\$ 14,745,597	\$ 14,580,482	\$ 19,126,383	\$ 14,368,357	\$ 20,887,722	\$ 20,405,817
Covered payroll	\$ 3,871,031	\$ 3,833,602	\$ 4,301,631	\$ 4,185,317	\$ 4,387,923	\$ 5,024,735	\$ 5,078,953	\$ 5,803,969	\$ 7,469,524	\$ 7,396,067
Proportionate share of the net pension liability as a percentage of its covered payroll	274.36%	278.25%	371.35%	361.10%	336.05%	290.17%	376.58%	247.56%	279.64%	275.90%
Plan fiduciary net position as a percentage of the total pension liability	66.32%	65.47%	58.30%	62.66%	64.73%	65.59%	58.72%	72.22%	65.12%	67.18%

EXHIBIT H
TOWN OF SEABROOK, NEW HAMPSHIRE
Schedule of Town Contributions - Pensions
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended December 31, 2023
Unaudited

Fiscal year-end	December 31, 2014	December 31, 2015	December 31, 2016	December 31, 2017	December 31, 2018	December 31, 2019	December 31, 2020	December 31, 2021	December 31, 2022	December 31, 2023
Measurment date	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022	June 30, 2023
Contractually required contributions	\$ 917,932	\$ 903,349	\$ 1,075,678	\$ 1,125,778	\$ 1,294,305	\$ 1,318,706	\$ 1,328,415	\$ 1,838,616	\$ 2,096,935	\$ 2,258,380
Contributions in relation to the contractually required contributions	(917,932)	(903,349)	(1,075,678)	(1,125,778)	(1,294,305)	(1,318,706)	(1,328,415)	(1,838,616)	(2,096,935)	(2,258,380)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered payroll	\$ 3,871,031	\$ 3,833,602	\$ 4,301,631	\$ 4,185,317	\$ 4,387,923	\$ 5,024,735	\$ 5,078,953	\$ 6,547,325	\$ 7,433,082	\$ 7,721,584
Contributions as a percentage of covered payroll	23.71%	23.56%	25.01%	26.90%	29.50%	26.24%	26.16%	28.08%	28.21%	29.25%

**NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION –
PENSION LIABILITY
FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2023**

***Schedule of the Town's Proportionate Share of Net Pension Liability and
Schedule of Town Contributions - Pensions***

Changes in Benefit Terms – There were no changes in benefit terms for the current period.

Changes in Assumptions – There were no changes in assumptions for the current period.

Methods and Assumptions Used to Determine Contribution Rates – A full list of the methods and assumptions used to determine the contribution rates can be found in the most recent actuarial valuation report. This report can be located at www.nhrs.org.

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, 2023. These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

DRAFT - 11/13/2024

EXHIBIT I

TOWN OF SEABROOK, NEW HAMPSHIRE

Schedule of the Town's Proportionate Share of the Net Other Postemployment Benefits Liability New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan For the Fiscal Year Ended December 31, 2023

Unaudited

Fiscal year-end	December 31, 2016	December 31, 2017	December 31, 2018	December 31, 2019	December 31, 2020	December 31, 2021	December 31, 2022	December 31, 2023
Measurement date	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022	June 30, 2023
Town's proportion of the net OPEB liability	0.30%	0.30%	0.45%	0.45%	0.41%	0.44%	0.53%	0.53%
Town's proportionate share of the net OPEB liability (asset)	\$ 1,436,916	\$ 1,392,675	\$ 2,069,659	\$ 1,954,109	\$ 1,787,303	\$ 1,771,247	\$ 2,009,716	\$ 1,817,832
Town's covered payroll	\$ 4,301,631	\$ 4,185,317	\$ 4,387,923	\$ 5,024,735	\$ 5,078,953	\$ 5,803,969	\$ 7,469,524	\$ 7,396,067
Town's proportionate share of the net OPEB liability (asset) as a percentag of its covered payroll	33.40%	33.28%	47.17%	38.89%	35.19%	30.52%	26.91%	24.58%
Plan fiduciary net position as a percentag of the total OPEB liability	5.21%	7.91%	7.53%	7.75%	7.74%	11.06%	10.64%	10.75%

The Notes to the Required Supplementary Information – Other Postemployment Benefit Liability is an integral part of this schedule.

DRAFT - 11/13/2024

EXHIBIT J

TOWN OF SEABROOK, NEW HAMPSHIRE

Schedule of Town Contributions - Other Postemployment Benefits

New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan

For the Fiscal Year Ended December 31, 2023

Unaudited

Fiscal year-end	December 31, 2016	December 31, 2017	December 31, 2018	December 31, 2019	December 31, 2020	December 31, 2021	December 31, 2022	December 31, 2023
Measurement date	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022	June 30, 2023
Contractually required contribution	\$ 172,470	\$ 180,529	\$ 199,952	\$ 203,411	\$ 189,536	\$ 223,997	\$ 222,810	\$ 224,634
Contributions in relation to the contractually required contribution	(172,470)	(180,529)	(199,952)	(203,411)	(189,536)	(223,997)	(222,810)	(224,634)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered payroll	\$ 4,301,631	\$ 4,185,317	\$ 4,387,923	\$ 5,024,735	\$ 5,078,953	\$ 6,547,325	\$ 7,433,082	\$ 7,721,584
Contributions as a percentage of covered payroll	4.01%	4.31%	4.56%	4.05%	3.73%	3.42%	3.00%	2.91%

The Notes to the Required Supplementary Information – Other Postemployment Benefit Liability is an integral part of this schedule.

DRAFT - 11/13/2024

EXHIBIT K

TOWN OF SEABROOK, NEW HAMPSHIRE

Schedule of Changes in the Town's Total Other Postemployment Benefits Liability and Related Ratios

Retiree Health Benefit Program

For the Fiscal Year Ended December 31, 2023

Unaudited

	December 31,					
	2018	2019	2020	2021	2022	2023
OPEB liability, beginning of year	\$ 987,896	\$ 983,052	\$ 1,067,501	\$ 974,849	\$ 930,124	\$ 848,458
Changes for the year:						
Service cost	14,423	16,273	19,610	20,087	17,428	19,012
Interest	36,481	30,443	20,829	19,148	36,670	31,594
Assumption changes and difference between actual and expected experience	-	95,650	(60,360)	(2,314)	(30,061)	16,193
Benefit payments	(55,748)	(57,917)	(72,731)	(81,646)	(105,703)	(68,339)
OPEB liability, end of year	<u>\$ 983,052</u>	<u>\$ 1,067,501</u>	<u>\$ 974,849</u>	<u>\$ 930,124</u>	<u>\$ 848,458</u>	<u>\$ 846,918</u>
Covered payroll	<u>\$ 7,475,688</u>	<u>\$ 7,475,688</u>	<u>\$ 7,672,841</u>	<u>\$ 7,672,841</u>	<u>\$ 6,961,026</u>	<u>\$ 8,654,884</u>
Total OPEB liability as a percentage of covered payroll	13.15%	14.28%	12.71%	12.12%	12.19%	9.79%

The Notes to the Required Supplementary Information – Other Postemployment Benefit Liability is an integral part of this schedule.

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION –
OTHER POSTEMPLOYMENT BENEFIT LIABILITY
FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2023**

***Schedule of the Town's Proportionate Share of Net Other Postemployment Benefits Liability and
Schedule of Town Contributions – Other Postemployment Benefits***

Changes in Benefit Terms – There were no changes in benefit terms for the current period.

Changes in Assumptions – There were no changes in assumptions for the current period.

Methods and Assumptions Used to Determine Contribution Rates – A full list of the methods and assumptions used to determine the contribution rates can be found in the most recent actuarial valuation report. This report can be located at www.nhrs.org.

As required by GASB Statement No. 75, Exhibits I and J represent the actuarial determined costs associated with the Town's other postemployment benefits at December 31, 2023. These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

Schedule of Changes in Town's Total Other Postemployment Benefits Liability and Related Ratios

Changes in Benefit Terms – There were no changes in benefit terms for the current period.

Changes in Assumptions – There were no changes in assumptions for the current period.

As required by GASB Statement No. 75, Exhibit K represents the actuarial determined costs associated with the Town's other postemployment benefits at December 31, 2023. The schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

DRAFT - 11/13/2024

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, 2023

	Estimated	Actual	Variance Positive (Negative)
Taxes:			
Property	\$ 23,240,700	\$ 21,629,749	\$ (1,610,951)
Land use change	4,500	91,875	87,375
Timber	90	-	(90)
Excavation	-	576	576
Interest and penalties on taxes	85,000	90,896	5,896
Total from taxes	23,330,290	21,813,096	(1,517,194)
Licenses, permits, and fees:			
Business licenses, permits, and fees	15,000	22,565	7,565
Motor vehicle permit fees	2,100,000	2,105,068	5,068
Building permits	160,375	222,854	62,479
Other	158,525	204,304	45,779
Total from licenses, permits, and fees	2,433,900	2,554,791	120,891
Intergovernmental:			
State:			
Meals and rooms distribution	792,632	792,632	-
Highway block grant	173,918	173,896	(22)
Federal:			
FEMA	-	1,950,476	1,950,476
Other governments:			
Seabrook School District - School Resource Officer	50,000	50,000	-
Total from intergovernmental	1,016,550	2,967,004	1,950,454
Charges for services:			
Income from departments	113,065	153,892	40,827
Miscellaneous:			
Sale of municipal property	401,750	410,337	8,587
Interest on investments	300,000	345,174	45,174
Other	388,250	399,961	11,711
Total from miscellaneous	1,090,000	1,155,472	65,472
Other financing sources:			
Transfers in	480,400	457,830	(22,570)
Total revenues and other financing sources	28,464,205	\$ 29,102,085	\$ 637,880
Amounts voted from fund balance	31,000		
Total revenues, other financing sources, and use of fund balance	\$ 28,495,205		

See Independent Auditor's Report.

DRAFT - 11/13/2024

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, 2023

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
General government:					
Executive	\$ 1,236	\$ 806,843	\$ 787,729	\$ 3,156	\$ 17,194
Election and registration	-	362,142	338,284	5,521	18,337
Financial administration	18,609	1,091,604	1,090,327	11,318	8,568
Legal	-	230,000	173,117	-	56,883
Personnel administration	-	4,186,198	3,582,526	81,809	521,863
Planning and zoning	-	103,512	73,116	-	30,396
General government buildings	4,619	162,422	184,399	8,425	(25,783)
Cemeteries	221	150,275	129,507	2,213	18,776
Insurance, not otherwise allocated	-	702,941	676,521	-	26,420
Total general government	24,685	7,795,937	7,035,526	112,442	672,654
Public safety:					
Police	3,311	5,740,978	5,962,302	13,316	(231,329)
Fire	349	5,762,114	5,699,501	12,487	50,475
Building inspection	-	121,449	106,047	105	15,297
Emergency management	-	143,762	140,328	-	3,434
Total public safety	3,660	11,768,303	11,908,178	25,908	(162,123)
Highways and streets:					
Administration	5,703	1,440,594	1,283,270	10,478	152,549
Street lighting	1,702	125,000	126,614	403	(315)
Total highways and streets	7,405	1,565,594	1,409,884	10,881	152,234
Sanitation:					
Administration	-	30,600	46,079	-	(15,479)
Solid waste collection	44,322	1,397,676	1,624,997	76,943	(259,942)
Total sanitation	44,322	1,428,276	1,671,076	76,943	(275,421)
Water distribution and treatment	-	140,000	152,197	-	(12,197)
Health:					
Administration	-	97,270	86,782	-	10,488
Pest control	-	147,413	145,102	-	2,311
Health agencies	-	-	761	-	(761)
Total health	-	244,683	232,645	-	12,038
Welfare:					
Administration and direct assistance	-	78,475	75,203	-	3,272
Vendor payments and other	1,077	191,990	183,328	5,286	4,453
Total welfare	1,077	270,465	258,531	5,286	7,725
Culture and recreation:					
Parks and recreation	11,324	1,181,361	1,048,329	6,788	137,568
Library	-	527,054	523,710	-	3,344
Patriotic purposes	3,191	40,951	42,527	428	1,187
Total culture and recreation	14,515	1,749,366	1,614,566	7,216	142,099
Conservation	-	3,618	1,146	-	2,472

(Continued)

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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, 2023

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Debt service:					
Principal of long-term debt	-	30,000	30,000	-	-
Interest on long-term debt	-	55,369	58,713	-	(3,344)
Interest on tax anticipation notes	-	4,000	668	-	3,332
Total debt service	-	89,369	89,381	-	(12)
Capital outlay	-	1,019,500	749,366	-	270,134
Other financing uses:					
Transfers out	-	2,420,094	1,535,257	-	884,837
Total appropriations, expenditures, other financing uses, and encumbrances	\$ 95,664	\$ 28,495,205	\$ 26,657,753	\$ 238,676	\$ 1,694,440

See Independent Auditor's Report.

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SCHEDULE 3
TOWN OF SEABROOK, NEW HAMPSHIRE
Major General Fund
Schedule of Changes in Unassigned Fund Balance
For the Fiscal Year Ended December 31, 2023

Unassigned fund balance, beginning (Non-GAAP Budgetary Basis), as restated (see Note 21)		\$ 3,595,938
Changes:		
Amounts voted from fund balance		(31,000)
2023 Budget summary:		
Revenue surplus (Schedule 1)	\$ 637,880	
Unexpended balance of appropriations (Schedule 2)	<u>1,694,440</u>	
2023 Budget surplus		2,332,320
Decrease in nonspendable fund balance		60,919
Decrease in restricted fund balance		140,823
Decrease in committed fund balance		<u>38,454</u>
Unassigned fund balance, ending (Non-GAAP Budgetary Basis)		6,137,454
Reconciliation on Non-GAAP Budgetary Basis to GAAP Basis		
To record deferred property taxes not collected within 60 days of the fiscal year-end, not recognized on a budgetary basis		(508,080)
Elimination of the allowance for uncollectible taxes		66,712
To record lease receivable and deferred inflows of resources not recognized on the budgetary basis		<u>31,608</u>
Unassigned fund balance, ending, GAAP basis (Exhibit C-1)		<u><u>\$ 5,727,694</u></u>

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SCHEDULE 4
TOWN OF SEABROOK, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2023

	Special Revenue Funds					
	Conservation Commission	Ambulance Revolving	Transportation	Recreation Revolving	Police Outside Detail	Grants
ASSETS						
Cash and cash equivalents	\$ 237,810	\$ 1,077,609	\$ 20,259	\$ 66,478	\$ 464,196	\$ 941,404
Investments	-	-	-	-	-	-
Accounts receivable, net of allowance for uncollectible	-	466,178	-	-	67,325	-
Due from other governments	-	-	-	-	-	40,759
Interfund receivable	-	-	-	-	-	38,240
Total assets	<u>\$ 237,810</u>	<u>\$ 1,543,787</u>	<u>\$ 20,259</u>	<u>\$ 66,478</u>	<u>\$ 531,521</u>	<u>\$ 1,020,403</u>
AND						
AND FUND BALANCES						
LIABILITIES						
Accounts payable	\$ -	\$ 6,323	\$ -	\$ 15,269	\$ -	\$ -
Accrued salaries and benefits	-	-	-	-	243	-
Interfund payable	129	27,522	-	25,046	-	177,545
Total liabilities	<u>129</u>	<u>33,845</u>	<u>-</u>	<u>40,315</u>	<u>243</u>	<u>177,545</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - grants	-	-	-	-	-	842,858
FUND BALANCES						
Nonspendable	-	-	-	-	-	-
Restricted	-	-	-	-	-	-
Committed	237,681	1,509,942	20,259	26,163	531,278	-
Total fund balances	<u>237,681</u>	<u>1,509,942</u>	<u>20,259</u>	<u>26,163</u>	<u>531,278</u>	<u>-</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 237,810</u>	<u>\$ 1,543,787</u>	<u>\$ 20,259</u>	<u>\$ 66,478</u>	<u>\$ 531,521</u>	<u>\$ 1,020,403</u>

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Special Revenue Funds			Capital Project Fund		
Recycling Revolving	D'Alessandro Trust	Town Communications	Town Pier & Water Tank Projects	Permanent Fund	Total
\$ 138,403	\$ 114,401	\$ 421,365	323,322	\$ 184	\$ 3,805,431
-	-	-	-	18,121	18,121
-	-	-	-	-	533,503
-	-	-	156,067	-	196,826
-	25,000	-	-	-	63,240
<u>\$ 138,403</u>	<u>\$ 139,401</u>	<u>\$ 421,365</u>	<u>\$ 479,389</u>	<u>\$ 18,305</u>	<u>\$ 4,617,121</u>
\$ -	\$ -	\$ -	\$ 20,235	\$ -	\$ 41,827
-	-	-	-	-	243
33,726	26,955	-	159,587	-	450,510
<u>33,726</u>	<u>26,955</u>	<u>-</u>	<u>179,822</u>	<u>-</u>	<u>492,580</u>
-	-	-	-	-	842,858
-	-	-	-	13,607	13,607
-	112,446	421,365	299,567	4,698	838,076
104,677	-	-	-	-	2,430,000
<u>104,677</u>	<u>112,446</u>	<u>421,365</u>	<u>299,567</u>	<u>18,305</u>	<u>3,281,683</u>
<u>\$ 138,403</u>	<u>\$ 139,401</u>	<u>\$ 421,365</u>	<u>\$ 479,389</u>	<u>\$ 18,305</u>	<u>\$ 4,617,121</u>

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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, 2023

	Special Revenue Funds					
	Conservation Commission	Ambulance Revolving	Transportation	Recreation Revolving	Police Outside Detail	Grants
REVENUES						
Taxes	\$ 21,875	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	61,585	-	-	-
Intergovernmental	-	-	-	-	-	199,380
Charges for services	-	614,704	-	53,716	180,011	-
Miscellaneous	6,573	26,094	1,798	22,910	-	-
Total revenues	28,448	640,798	63,383	76,626	180,011	199,380
EXPENDITURES						
Current:						
General government	-	-	-	-	-	-
Public safety	-	113,903	-	-	120,208	4,000
Highways and streets	-	-	-	-	-	84,670
Water distribution and treatment	-	-	-	-	-	52,024
Sanitation	-	-	-	-	-	58,686
Culture and recreation	-	-	-	88,438	-	-
Capital outlay	-	-	-	-	-	-
Total expenditures	-	113,903	-	88,438	120,208	199,380
Excess (deficiency) of revenues over (under) expenditures	28,448	526,895	63,383	(11,812)	59,803	-
OTHER FINANCING USES:						
Transfers out	-	-	(80,000)	-	-	-
Net change in fund balances	28,448	526,895	(16,617)	(11,812)	59,803	-
Fund balances, beginning	209,233	983,047	36,876	37,975	471,475	-
Fund balances, ending	\$ 237,681	\$ 1,509,942	\$ 20,259	\$ 26,163	\$ 531,278	\$ -

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Special Revenue Funds			Capital Project Fund		
Recycling Revolving	D'Alessandro Trust	Town Communications	Town Pier & Water Tank Projects	Permanent Fund	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21,875
-	-	-	-	-	61,585
-	-	-	699,025	-	898,405
13,451	-	-	-	-	861,882
5,968	3,368	90,981	35,186	1,380	194,258
19,419	3,368	90,981	734,211	1,380	2,038,005
-	-	23,750	-	-	23,750
-	-	-	-	-	238,111
-	-	-	-	-	84,670
-	-	-	-	-	52,024
65,991	-	-	-	-	124,677
-	-	-	-	-	88,438
-	-	-	1,430,344	-	1,430,344
65,991	-	23,750	1,430,344	-	2,042,014
(46,572)	3,368	67,231	(696,133)	1,380	(4,009)
-	-	-	-	-	(80,000)
(46,572)	3,368	67,231	(696,133)	1,380	(84,009)
151,249	109,078	354,134	995,700	16,925	3,365,692
\$ 104,677	\$ 112,446	\$ 421,365	\$ 299,567	\$ 18,305	\$ 3,281,683

See Independent Auditor's Report.

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SCHEDULE 6

TOWN OF SEABROOK, NEW HAMPSHIRE

Custodial Funds

Combining Schedule of Fiduciary Net Position

December 31, 2023

	Custodial Funds				Total
	Taxes	School Trust Funds	Escrows	State Fees	
ASSETS					
Cash and cash equivalents	\$ -	\$ 2,655	\$ 1,282,897	\$ -	\$ 1,285,552
Investments	-	522,534	-	-	522,534
Intergovernmental receivables	11,490,801	-	-	-	11,490,801
Total assets	11,490,801	525,189	1,282,897	-	13,298,887
LIABILITIES					
Due to school district	11,490,801	-	-	-	11,490,801
NET POSITION					
Restricted	\$ -	\$ 525,189	\$ 1,282,897	\$ -	\$ 1,808,086

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SCHEDULE 7
TOWN OF SEABROOK, NEW HAMPSHIRE
Custodial Funds
Combining Schedule of Changes in Fiduciary Net Position
For the Fiscal Year Ended December 31, 2023

	Custodial Funds				Total
	Taxes	School Trust Funds	Escrows	State Fees	
Additions:					
Contributions	\$ -	\$ -	\$ 130,000	\$ -	\$ 130,000
Investment earnings	-	40,436	29,088	-	69,524
Tax collections for other governments	25,959,407	-	-	-	25,959,407
State fees collected	-	-	-	719,723	719,723
Total additions	25,959,407	40,436	159,088	719,723	26,878,654
Deductions:					
Benefits paid	-	-	45,000	-	45,000
Payments of taxes to other governments:	25,959,407	-	-	-	25,959,407
Payments of State fees	-	-	-	719,723	719,723
Total deductions	25,959,407	-	45,000	719,723	26,724,130
Change in net position	-	40,436	114,088	-	154,524
Net position, beginning	-	484,753	1,168,809	-	1,653,562
Net position, ending	\$ -	\$ 525,189	\$ 1,282,897	\$ -	\$ 1,808,086

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

Independent Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, the business-type activities, each major governmental and proprietary fund, and the aggregate remaining fund information of the Town of Seabrook as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Town of Seabrook's basic financial statements, and have issued our report thereon dated _____. Our report disclaims an opinion on such financial statements because of the inability to confirm or verify, through performance of audit procedures, the intergovernmental revenues included in the governmental activities and the major general fund, for an amount of \$1,950,476. Additionally, the engagement team was unable to obtain sufficient support and perform audit procedures over various fund balance sheets accounts in the governmental funds and proprietary funds. As a result of this matter, we were unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded receivables, and the elements making up the statements of activities, the statements of revenues, expenditures, and changes in fund balance for governmental funds, nor the statements of revenues, expenses, and changes in net position for the proprietary funds.

Report on Internal Control Over Financial Reporting

In connection with our engagement to audit the financial statements of the Town of Seabrook, 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 described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct,

misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2023-001 through 2023-004 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2023-005 and 2023-006 to be significant deficiencies.

Report on Compliance and Other Matters

In connection with our engagement to audit the financial statements of the Town of Seabrook, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our engagement, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2023-007. Additionally, if the scope of our work had been sufficient to enable us to express opinions on the basic financial statements, other instances of noncompliance or other matters may have been identified and reported herein.

Town of Seabrook's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Town of Seabrook's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Town of Seabrook's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Seabrook's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

, 2024
Concord, New Hampshire

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REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

Disclaimer of Opinion on COVID-19 – Disaster Grants – Public Assistance (Presidentially Declared Disasters)

We have audited the Town of Seabrook's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the Town of Seabrook's major federal program, for the year ended December 31, 2023. The Town of Seabrook's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

We do not express an opinion on the Town of Seabrook's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on COVID-19 – Disaster Grants – Public Assistance (Presidentially Declared Disasters). Because of the significance of the matter described in the Basis for Disclaimer of Opinion on COVID-19 – Disaster Grants – Public Assistance (Presidentially Declared Disasters) section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on COVID-19 – Disaster Grants – Public Assistance (Presidentially Declared Disasters).

Basis for Disclaimer of Opinion on COVID-19 – Disaster Grants – Public Assistance (Presidentially Declared Disasters)

As described in the accompanying schedule of findings and questioned costs, we were unable to obtain audit evidence supporting the Town of Seabrook's compliance with the Activities Allowed or Unallowed and Allowable Costs/Cost Principles requirements applicable to the COVID-19 – Disaster Grants – Public Assistance (Presidentially Declared Disasters) as described in finding number 2023-007. As a result of these matters, we were unable to determine whether the Town of Seabrook complied with the requirements applicable to COVID-19 – Disaster Grants – Public Assistance (Presidentially Declared Disasters).

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Town of Seabrook's federal programs.

Auditor's Responsibilities for the Audit of Compliance for COVID-19 – Disaster Grants – Public Assistance (Presidentially Declared Disasters)

Our responsibility is to conduct an audit of compliance in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance and to issue an auditor's report. However, because of the matter described in the Basis for Disclaimer of Opinion on COVID-19 – Disaster Grants – Public Assistance (Presidentially Declared Disasters) section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on compliance.

We are required to be independent of the Town of Seabrook and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be a material weakness.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2023-007 to be a material weakness.

Government Auditing Standards requires the auditor to perform limited procedures on the Town of Seabrook's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Town of Seabrook's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

, 2024
Concord, New Hampshire

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SCHEDULE I **TOWN OF SEABROOK, NEW HAMPSHIRE** **Schedule of Findings and Questioned Costs** **For the Year Ended December 31, 2023**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:
A Disclaimer of Opinion has been issued for the financial statements as a whole.

Internal control over financial reporting:

- Material weakness(es) identified? X yes no
- Significant deficiency(ies) identified? X yes none reported
- Noncompliance material to financial statements noted? X yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? X yes no
- Significant deficiency(ies) identified? yes X none reported

Type of auditor's report issued on compliance for major federal programs: Disclaimer

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? X yes no

Identification of major federal programs:

 Assistance Listing Number

 Name of Federal Program or Cluster

 97.036

 COVID-19 – Disaster Grants – Public Assistance (Presidentially Declared Disaster)

Dollar threshold used to distinguish between type A and type B programs:

 \$750,000

Auditee qualified as low-risk auditee?

 yes X no

SECTION II - FINANCIAL STATEMENT FINDINGS

2023-001 Absence of an Ethics and Whistleblower Policy (Material Weakness)

Criteria: Best practices in municipal governance, as recommended by the Government Finance Officers Association (GFOA) and commonly expected in New Hampshire public administration, emphasize the importance of ethics and whistleblower policies. These policies are critical to ensuring accountability, ethical conduct, and transparency within government operations. An ethics policy provides employees and officials with clear standards for behavior, while a whistleblower policy offers protection for those who report unethical or illegal actions, thus fostering an environment of integrity and openness.

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Condition: The Town lacks a formal ethics and whistleblower policy. This absence of policy means there are no established guidelines to support ethical behavior or encourage the reporting of misconduct. Without these frameworks, employees and officials may lack clear standards for responsible conduct and protection when raising concerns about unethical or illegal activities.

Cause: The absence of an ethics and whistleblower policy appears to stem from a lack of priority placed on formalizing governance practices within the Town. This may be due to limited resources or competing priorities that have delayed the development and implementation of such policies. Additionally, there may have been an assumption that existing informal policies were sufficient to maintain ethical standards and transparency, reducing the perceived need for a formalized approach.

Effect: The lack of an ethics and whistleblower policy has weakened the Town's framework for accountability, potentially leaving unethical or illegal activities unreported and unaddressed. This absence may undermine public trust in the Town's commitment to transparency and integrity, leading to reputational harm. Without clear policies to guide ethical behavior and protect whistleblowers, employees may feel less secure in raising concerns, which can compromise the overall culture of openness and responsibility within the Town.

Identification as Repeat Finding: This is not a repeat finding.

Recommendation: The Town should develop and adopt formal ethics and whistleblower policies to reinforce standards of ethical conduct and provide protections for individuals who report misconduct. These policies should outline clear expectations for behavior, reporting procedures, and protections against retaliation to encourage a transparent and accountable work environment. The Town may wish to refer to best practices from organizations like the Government Finance Officers Association (GFOA) and seek input from legal or HR professionals to ensure the policies are comprehensive and aligned with municipal governance standards. Regular training on these policies for all employees and officials would further strengthen the Town's commitment to integrity and transparency.

Views of Responsible Officials: Management's views and corrective action plan is included at the end of this report.

2023-002

Non-Compliance with Purchasing Card Policy (Material Weakness)

Criteria: The Town's purchasing card policy is designed to promote efficient and responsible use of public funds. This policy establishes clear guidelines for the assurance and management of purchasing cards to ensure that all transactions align with the Town's financial objectives and ethical standards. It outlines expectations for proper documentation of purchases, including receipts and justifications for expenditures, to provide transparency and accountability in financial practices. Additionally, the policy aims to limit the risk of financial mismanagement by ensuring that only authorized personnel are entrusted with purchasing cards and that there is a systematic approach to monitoring their use. Adherence to these guidelines is essential for safeguarding public resources, fostering trust among taxpayers, and maintaining compliance with applicable regulations and best practices in municipal governance.

Condition: Our review of purchasing card transactions revealed that the Town did not consistently adhere to its purchasing card policy. Specific issues identified include:

- **Excessive Number of Cards Issued:** An unusually high number of purchasing cards were issued to Town employees, exceeding the operational needs of the Town.
- **Lack of Required Approval:** Transactions exceeding \$1,000 require Town Manager approval. Several transactions lacked the required approval, representing a breach of protocol.
- **Insufficient Documentation:** Numerous transactions lacked supporting documentation, such as receipts or descriptions, to justify expenditures, limiting transparency and accountability. This includes receipts being submitted lacking an itemized breakdown of the transaction to verify if the item(s) purchased was appropriate.
- **Personal Items:** Several transactions appeared personal in nature, with no additional documentation submitted by employees to substantiate a business purpose.
- **Unjustified Gift Card Purchases:** Gift cards were purchased with Town funds without tracking or documentation of their business purpose, increasing the risk of misuse.
- **Prohibited Charges:** Multiple transactions for meals and travel were made despite the purchasing card policy's explicit prohibition on these expenditures.

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Cause: The failure to follow the purchasing card policy is attributed to a lack of internal controls, oversight, and accountability.

Effect: The Town's non-compliance with its purchasing card policy has increased the risk of financial misappropriation, eroded public trust, and reduced accountability. The excessive issuance of purchasing cards and insufficient monitoring of expenditures have left Town funds vulnerable to misuse. Additionally, the lack of documentation and tracking for certain expenditures, particularly for gift cards, meals, and travel, further obscures transparency in the management of public funds.

Identification as Repeat Finding: This is not a repeat finding.

Recommendation: The Town should strengthen internal controls over its purchasing card program by implementing a more restrictive issuance process and limiting purchasing cards to essential personnel. The Town Manager and department heads should be required to review and approve all purchases exceeding designated thresholds. Additionally, a systematic process for documenting purchases, including receipts and descriptions, should be enforced, and periodic audits should be conducted to ensure compliance. Lastly, policies related to prohibited items, such as meals and travel, should be strictly enforced, and any exceptions should require documented pre-approval to uphold the integrity of the purchasing card policy.

Views of Responsible Officials: Management's views and corrective action plan is included at the end of this report.

2023-003 Health Reimbursement Arrangement (Material Weakness)

Criteria: The Internal Revenue Service (IRS) stipulates that health reimbursement arrangements (HRAs) should reimburse employees for qualified medical expenses rather than pay medical bills directly. Additionally, IRS regulations advise that funds for HRAs should be kept separate from the general fund to ensure proper tracking and compliance. Maintaining separate accounts prevents the comingling of funds, which can complicate financial reporting and compliance with applicable laws.

Condition: The Town is currently utilizing a purchasing card, overseen by the benefits coordinator, to pay employee medical bills directly. This practice is contrary to IRS regulations regarding HRAs, which require that reimbursements be made to employees for out-of-pocket medical expenses. Furthermore, the Town has been funding the HRA using funds from the general fund, leading to a comingling of funds that obscures the financial management of the HRA.

Cause: The direct payment of employee medical bills stems from a lack of understanding of IRS guidelines regarding HRAs. There may also be insufficient training or oversight regarding the appropriate administration of the HRA. Additionally, the funding of the HRA from the general fund appears to be a result of poor financial management practices, lacking clear policies for the separation of funds.

Effect: By not adhering to IRS rules, the Town risks losing the tax-exempt status of the HRA, which could lead to significant tax penalties for the Town and potential tax liabilities for employees. This non-compliance could also result in increased scrutiny from the IRS, potentially leading to an audit.

Identification as Repeat Finding: This is not a repeat finding.

Recommendation: The Town should immediately cease the practice of paying employee medical bills directly via the purchasing card. Instead, the Town should implement a process for reimbursing employees for qualified medical expenses in accordance with IRS guidelines. Furthermore, the Town should establish a separate funding mechanism for the HRA, distinct from the general fund. This could involve creating a dedicated account or fund specifically for HRA expenditures, ensuring that funds are properly tracked and managed. It is also recommended that the Town conduct a comprehensive review of IRS rules to ensure compliance moving forward. Regular audits of the HRA process should be established to ensure ongoing adherence to these regulations.

Views of Responsible Officials: Management's views and corrective action plan is included at the end of this report.

2023-004 Sewer Fund Deficit (Material Weakness)

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Criteria: According to Governmental Accounting Standards Board (GASB) principles, enterprise funds, such as the Town's sewer fund, are designed to be self-supporting through user fees that should cover the operating, capital, and debt expenditures. Regular rate studies are essential to ensure that user fees are sufficient to meet these costs and maintain financial sustainability.

Condition: As of December 31, 2023, the Town's sewer fund has a deficit of \$1,818,354. This deficit indicates that the fund's expenditures have exceeded its revenues, which contradicts the fundamental principle that enterprise funds should operate independently and be financially self-sustaining.

Cause: The primary cause of the deficit is the failure to adequately adjust user fees in accordance with the costs associated with operating and maintaining the sewer system. Additionally, no comprehensive rate study has been conducted, which has hindered the Town's ability to assess the appropriateness of current sewer rates.

Effect: The deficit in the sewer fund creates an unsustainable financial situation, leading to potential cash flow issues and undermining the purpose of the enterprise fund. This situation may also result in inadequate funding for necessary capital improvements and maintenance of the sewer system, ultimately affecting service delivery to residents. Furthermore, the absence of a rate study raises concerns regarding the Town's ability to meet future financial obligations and manage the sewer fund effectively.

Identification as Repeat Finding: This is not a repeat finding.

Recommendation: We recommend that the Town promptly conduct a comprehensive rate study to evaluate the current user fees associated with the sewer fund. The study should analyze the costs of operations, capital projects, and debt service to determine the appropriate rate structure necessary for the fund to become self-sustaining. Additionally, regular reviews of the sewer rates should be implemented to adapt to changing costs and ensure long-term financial viability.

Views of Responsible Officials: Management's views and corrective action plan is included at the end of this report.

2023-005 Payroll Processing (Significant Deficiency)

Criteria: Best practices in payroll management dictate that timesheets must be reconciled with payroll records to ensure accurate employee compensation. Furthermore, comprehensive documentation of employee pay rates is essential to support compliance and facilitate proper payroll calculations. The Internal Revenue Service (IRS) and the U.S. Department of Labor emphasize the importance of accurate payroll processing to prevent payroll errors that can lead to legal and financial repercussions.

Condition: During our review of payroll practices, it was noted that discrepancies exist between recorded time on employee timesheets and the amounts entered in the payroll system. Specifically, multiple instances were noted where employee's timesheet indicated use of vacation time hours, but the payroll system recorded/showed a higher usage amount. Moreover, a review of pay rates revealed a lack of standardized documentation regarding the various pay rates assigned to employees. This inconsistency raises concerns, as several employees have different rates for the same position, with insufficient evidence maintained to justify the variations in compensation. This lack of documentation on pay rates is also addressed under finding 2023-007 which relates specifically to the major program tested.

Cause: The primary cause of these discrepancies appears to stem from inadequate oversight and review processes related to payroll. The absence of clear policies and procedures for documenting pay rates contributes to confusion regarding employee compensation. Without a robust framework for tracking hours worked and pay rates, errors are more likely to occur, particularly in a dynamic payroll environment where employees may have multiple pay rates.

Effect: The lack of proper reconciliation and documentation practices can lead to significant payroll inaccuracies, resulting in potential overpayments or underpayments to employees. Such errors not only impact employee morale and trust in the payroll system but also exposes the Town to potential legal liabilities if employees perceive they have not been compensated correctly. Additionally, this could lead to issues with regulatory compliance, as already noted under 2023-007.

Identification as Repeat Finding: This is not a repeat finding.

Recommendation: To address these issues, we recommend implementing the following best practices:

- **Review Process:** Establish a formal review process for timesheets prior to their submission into the payroll system. This process should include verification against the payroll records to ensure accuracy in reported hours.
- **Standardized Documentation:** Develop and maintain standardized documentation for employee pay rates. Each employee should receive an annual contract that clearly outlines their total compensation, including all applicable pay rates and any conditions under which those rates may change.
- **Training and Communication:** Conduct regular training sessions for department heads, supervisors, and payroll staff to ensure they are aware of the correct procedures for entering and reviewing payroll information. This training should emphasize the importance of accuracy and compliance with internal policies and external regulations.
- **Monitoring and Auditing:** Implement regular internal audits of payroll practices to ensure compliance with established procedures and to identify any recurring issues promptly.

By adopting these recommendations, the Town can enhance payroll accuracy, improve employee trust, and mitigate potential legal and financial risks associated with payroll errors.

Views of Responsible Officials: Management's views and corrective action plan is included at the end of this report.

2023-006 Documentation of Approval for Adjusting Journal Entries and Budget Transfers (Significant Deficiency)

Criteria: Standard internal control principles dictate that adjusting journal entries and budget transfers require documented approval to establish accountability and maintain the integrity of financial reporting. Controls over these entries are critical for ensuring that transactions accurately reflect financial activity and are free from misstatements, whether due to fraud or error. The Government Finance Officers Association (GFOA) and other recognized organizations recommend that municipalities implement approval processes to strengthen oversight of financial adjustments.

Condition: During the audit, we identified that documentation evidencing approval for adjusting journal entries and budget transfers were either missing or inadequately maintained. Although these entries and transfers were recorded in the general ledger, the Town could not locate corresponding approval records. This absence of supporting documentation limits our ability to verify whether these transactions were reviewed by an authorized official before being entered into the Town's accounting system.

Cause: The lack of supporting documentation appears to be due to gaps in recordkeeping practices. Without a formalized procedure or policy to enforce the retention and accessibility of approval records, there may be inconsistent application of controls over adjusting journal entries and budget transfers. Additionally, reliance on informal or ad hoc processes may result in oversight lapses, as personnel may not consistently document approvals or retain these records.

Effect: The absence of approval documentation for adjusting journal entries and budget transfers introduces a significant risk of financial misstatements in the general ledger. This lack of oversight and verification could result in:

- **Inaccurate Financial Reporting:** Errors or unauthorized entries may go undetected, affecting the accuracy of financial statements and the Town's overall financial position.
- **Reduced Accountability:** When approvals are not documented, it becomes challenging to hold individuals responsible for verifying and authorizing these transactions.
- **Audit Delays and Challenges:** Missing documentation creates additional challenges during audits, as auditors cannot independently verify the appropriateness of the entries, potentially increasing audit costs and delaying financial reporting timeliness.
- **Potential for Fraud:** Insufficient oversight and controls may create an environment where unauthorized transactions could occur, increasing the risk for fraud.

Identification as Repeat Finding: This is not a repeat finding.

Recommendation: To mitigate these risks, we recommend that the Town implement a standardized procedure to ensure all adjusting journal entries and budget transfers are documented, reviewed, and approved before they are recorded in the general ledger. This procedure should include the following elements:

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- **Formalized Approval Process:** Establish a formal review and approval process for all adjusting journal entries and budget transfers. Designate specific personnel authorized to review and approve these entries and outline the level of approval required based on transaction size or complexity.
- **Documentation Standards:** Create a checklist or standardized form for each adjusting journal entry and budget transfer to document the approval. This form should indicate who prepared the entry, who reviewed it, and who approved it, along with the date of each step.
- **Retention and Filing Procedures:** Implement a system to file and store approval documentation, either physically or electronically, to ensure records are organized and accessible for future audits. Consider creating a centralized repository for all adjusting journal entries and budget transfer approvals.
- **Periodic Compliance Reviews:** Conduct periodic internal reviews to verify adherence to these documentation and approval procedures. Designate someone with the Town's finance or audit function to perform routine checks and identify any compliance gaps.
- **Training and Communication:** Educate all relevant personnel on the importance of these procedures to ensure consistent application. Providing regular training and reminders can help reinforce the importance of proper documentation and approval.

Implementing these procedures can help reduce the risk of financial misstatements, increase accountability, and improve the reliability of the Town's financial records.

Views of Responsible Officials: Management's views and corrective action plan is included at the end of this report.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2023-007 Lack of Documentation for Employee Rate of Pay (Material Weakness)

Federal Agency: Department of Homeland Security

Pass-through Agency: New Hampshire Department of Safety

Cluster/Program: COVID-19 – Disaster Grants – Public Assistance (Presidentially Declared Disasters)

Assistance Listing Number: 97.036

Passed-through Identification: 23DR4516PA

Compliance Requirement: Activities Allowed or Unallowed and Allowable Costs/Cost Principles

Type of Finding:

Internal Control over Compliance – Material Weakness

Material Noncompliance

Criteria or Specific Requirement: Federal regulations 2 CFR 200.303 states, the Town, as a recipient of Federal funds, must establish and maintain effective internal controls over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

In addition, under 2 CFR 200.430, it states that charges to federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must (1) be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated, (2) be incorporated into the official records of the non-Federal entity, (3) reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities, and (4) support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award or a federal award and non-Federal award.

Entities must maintain adequate documentation to support payroll charges, including specific details on employee pay rates used for calculating reimbursements. This documentation is necessary to ensure that payroll costs charged to federal programs are reasonable, accurate, and in compliance with applicable laws and regulations.

Condition: During our audit we noted that the Town was reimbursed for overtime hours performed by police and fire personnel who responded to the COVID-19 pandemic during 2020 and 2021. The rate of pay used was reflective of the employee's overtime rate inclusive of fringe benefits. The Town was unable to provide

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documentation verifying the employee's rate of pay used to calculate reimbursement for payroll charges. Specifically, records reflecting the employee's overtime rate inclusive of fringe benefits, were not available for review. In addition, the Town acknowledged that they attempted to recalculate the rate of pay for each employee selected for testing, but it yielded figures that could not be matched to the original source worksheet submitted to the federal agency.

Cause: The Town lacks a standardized process for recording and maintaining documentation for payroll rates, including the breakdown of overtime and fringe benefit components used for federal reimbursement. This is due to inadequate internal controls and oversight in the payroll and accounting processes, as well as limited staff training on federal documentation requirements.

Effect: The inability to verify the overtime rate with fringe benefits used in reimbursement calculations creates a risk of non-compliance with federal requirements, which could lead to questioned costs and potential disallowance of the submitted payroll charges as it may not reflect actual, allowable costs. Additionally, the lack of supporting documentation undermines the Town's ability to substantiate its payroll expenditures and comply with federal grant accounting requirements. Failure to provide adequate documentation could affect future funding eligibility. Consequently, essential payroll records were not retained, resulting in noncompliance with federal grant documentation standards and a disclaimer of opinion on the major program.

Questioned Costs: \$1,947,729

Identification as Repeat Finding: This is not a repeat finding.

Recommendation: We recommend that the Town implement enhanced record-keeping procedures to ensure that all payroll charges, especially complex rates involving overtime and fringe benefits, are documented and verifiable. Specifically, the Town should establish a process to document and track each component of the rate of pay used in reimbursement calculations. This process should involve establishing a systematic approach to linking payroll records with source documents and include clear guidelines for calculating and recording overtime rates inclusive of fringe benefits. Additionally, we advise the Town to establish periodic internal reviews and staff training to ensure payroll charges are fully supported, align with federal requirements, and comply with documentation requirements.

Views of Responsible Officials: Management's views and corrective action plan is included at the end of this report.

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TOWN OF SEABROOK, NEW HAMPSHIRE
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended December 31, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Assistance Listing Number	Pass-Through Grantor's Number	Provided to Subrecipients	Federal Expenditures
U.S. DEPARTMENT OF TREASURY				
Passed Through the State of New Hampshire Department of Environmental Services				
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	CS-334178-04	\$ -	\$ 371,355
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	CW-334178-02	-	72,544
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	CW-334178-03	-	58,686
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	SPL-ARPA-015	-	23,674
<i>PROGRAM TOTAL</i>			-	526,259
U.S. DEPARTMENT OF ENVIRONMENTAL PROTECTION AGENCY				
Passed Through the State of New Hampshire Department of Environmental Services				
Drinking Water State Revolving Fund	66.468	LSL-04	-	28,350
<i>PROGRAM TOTAL</i>			-	28,350
U.S. DEPARTMENT OF HOMELAND SECURITY				
Passed Through the State of New Hampshire Department of Safety				
COVID-19 - Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	23DR4370PA	-	2,747
COVID-19 - Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	23DR4516PA	-	1,947,729
<i>PROGRAM TOTAL</i>			-	1,950,476
Emergency Management Performance Grants	97.042	LEOP	-	4,000
<i>PROGRAM TOTAL</i>			-	4,000
DIRECT FUNDING				
U.S. DEPARTMENT OF COMMERCE				
<i>ECONOMIC DEVELOPMENT CLUSTER</i>				
Investments for Public Works and Economic Development Facilities	11.300	N/A	-	699,025
<i>CLUSTER TOTAL</i>			-	699,025
U.S. DEPARTMENT OF TREASURY				
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	-	84,670
<i>PROGRAM TOTAL</i>			-	84,670
Total Expenditures of Federal Awards			\$ -	\$ 3,292,780

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2023**

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the Town of Seabrook under programs of the federal government for the year ended December 31, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Town of Seabrook, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town of Seabrook.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3. Indirect Cost Rate

The Town of Seabrook has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 4. COVID-19 – Disaster Grants – Public Assistance (Presidentially Declared Disasters)

Non-federal entities must record expenditures on the Schedule of Expenditures of Federal Awards (SEFA) when (1) FEMA has approved the nonfederal entity's project worksheet (PW), and (2) the nonfederal entity has incurred the eligible expenditures. Federal awards expended in years subsequent to the fiscal year in which the PW is approved are to be recorded on the nonfederal entity's SEFA in those subsequent years. The \$1,950,476 reported for COVID-19 – Disaster Grants – Public Assistance (Presidentially Declared Disasters), ALN 97.036, represents expenditures that occurred in prior years which were approved by FEMA during fiscal year 2023.