

**TOWN OF HAMPTON,
NEW HAMPSHIRE**

ANNUAL FINANCIAL REPORT

**AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2007**

TOWN OF HAMPTON, NEW HAMPSHIRE
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PLODZIK & SANDERSON

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INDEPENDENT AUDITOR'S REPORT

To the Members of the Board of Selectmen and Town Manager
Town of Hampton
Hampton, New Hampshire

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Hampton as of and for the fiscal year ended December 31, 2007, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Hampton's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The government-wide statement of net assets does not include any of the Town's capital assets nor the accumulated depreciation on those assets, and the government-wide statement of activities does not include depreciation expense related to those assets. These amounts have not been determined. Therefore, in our opinion, the financial statements referred to above do not present fairly the financial position of the governmental activities of the Town of Hampton at December 31, 2007, and the changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of the Town of Hampton as of December 31, 2007, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2, as of January 1, 2007, the Town has implemented a new financial reporting model, as required by the provisions of the Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*.

The budgetary comparison information is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Town of Hampton has not presented a management's discussion and analysis that accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be part of, the basic financial statements.

*Town of Hampton
Independent Auditor's Report*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Hampton's basic financial statements. The combining and individual fund schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. They have been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Plodzik & Sanderson
Professional Association*

October 9, 2008

BASIC FINANCIAL STATEMENTS

EXHIBIT A
TOWN OF HAMPTON, NEW HAMPSHIRE
Statement of Net Assets
December 31, 2007

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 13,963,538
Investments	16,482,602
Intergovernmental receivable	853,851
Other receivables, net of allowances for uncollectible	3,593,969
Prepaid items	24,320
Total assets	34,918,280
 LIABILITIES	
Accounts payable	614,955
Accrued salaries and benefits	204,304
Contract payable	334,709
Intergovernmental payable	11,937,493
Accrued interest payable	293,000
Retainage payable	349,434
Escrow and performance deposits	98,666
Unearned revenue	191,836
Noncurrent obligations:	
Due within one year:	
Bonds and notes	2,132,959
Capital lease	118,981
Compensated absences	297,189
Accrued landfill postclosure care costs	27,000
Due in more than one year:	
Bonds and notes	24,573,130
Capital lease	296,437
Compensated absences	1,038,701
Accrued landfill postclosure care costs	486,000
Total liabilities	42,994,794
 NET ASSETS	
Invested in capital assets, net of related debt	(27,121,507)
Restricted for perpetual care	16,001,904
Unrestricted	3,043,089
Total net assets	\$ (8,076,514)

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

EXHIBIT B
TOWN OF HAMPTON, NEW HAMPSHIRE
Statement of Activities
For the Fiscal Year Ended December 31, 2007

	Expenses	Program Revenues		Net (Expense) Revenue and Change in Net Assets
		Charges for Services	Operating Grants and Contributions	
Governmental activities:				
General government	\$ 6,049,723	\$ 57,053	\$ 492,392	\$ (5,500,278)
Public safety	8,568,973	793,103	446,393	(7,329,477)
Highways and streets	2,257,802	1,102	374,466	(1,882,234)
Sanitation	4,061,756	305,513	154,830	(3,601,413)
Health	246,428	-	-	(246,428)
Welfare	136,446	-	-	(136,446)
Culture and recreation	1,210,751	626,579	400	(583,772)
Conservation	4,069	-	-	(4,069)
Interest on long-term debt	1,104,443	-	-	(1,104,443)
Capital outlay	1,179,615	-	-	(1,179,615)
Total governmental activities	<u>\$ 24,820,006</u>	<u>\$ 1,783,350</u>	<u>\$ 1,468,481</u>	<u>(21,568,175)</u>
General revenues:				
Taxes:				
Property				18,445,448
Other				278,336
Motor vehicle permit fees				2,718,092
Licenses and other fees				215,552
Grants and contributions not restricted to specific programs				776,113
Miscellaneous				582,735
Total general revenues				<u>23,016,276</u>
Change in net assets				1,448,101
Net assets, beginning				<u>(9,524,615)</u>
Net assets, ending				<u>\$ (8,076,514)</u>

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

EXHIBIT C-1
TOWN OF HAMPTON, NEW HAMPSHIRE
Balance Sheet
Governmental Funds
December 31, 2007

	General	Permanent	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 10,754,722	\$ 527,698	\$ 2,681,118	\$ 13,963,538
Investments	-	15,368,875	1,113,727	16,482,602
Receivables, net of allowances for uncollectible:				
Interest	-	112,633	-	112,633
Taxes	3,277,373	-	-	3,277,373
Accounts	10,756	-	193,207	203,963
Intergovernmental	73,211	-	525,430	598,641
Interfund receivable	1,545,560	-	4,226	1,549,786
Prepaid items	13,714	-	10,606	24,320
Total assets	<u>\$ 15,675,336</u>	<u>\$ 16,009,206</u>	<u>\$ 4,528,314</u>	<u>\$ 36,212,856</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 602,008	\$ 6,916	\$ 6,031	\$ 614,955
Accrued salaries and benefits	200,989	-	3,315	204,304
Contract payable	25,000	-	309,709	334,709
Intergovernmental payable	11,937,493	-	-	11,937,493
Interfund payable	-	386	1,549,400	1,549,786
Retainage payable	25,525	-	323,909	349,434
Escrow and performance deposits	98,666	-	-	98,666
Deferred revenue	126,100	-	65,736	191,836
Total liabilities	<u>13,015,781</u>	<u>7,302</u>	<u>2,258,100</u>	<u>15,281,183</u>
Fund balances:				
Reserved for encumbrances	89,883	-	570,251	660,134
Reserved for endowments	-	16,001,904	-	16,001,904
Unreserved:				
Designated for contingency	850,000	-	-	850,000
Undesignated, reported in:				
General fund	1,719,672	-	-	1,719,672
Special revenue funds	-	-	1,321,012	1,321,012
Capital projects funds	-	-	(327,087)	(327,087)
Total fund balances	<u>2,659,555</u>	<u>16,001,904</u>	<u>2,270,214</u>	<u>20,931,673</u>
Total liabilities and fund balances	<u>\$ 15,675,336</u>	<u>\$ 16,009,206</u>	<u>\$ 4,528,314</u>	<u>\$ 36,212,856</u>

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

EXHIBIT C-2
TOWN OF HAMPTON, NEW HAMPSHIRE
Reconciliation of Total Governmental Fund Balances to the Statement of Net Assets
December 31, 2007

Total fund balances of governmental funds (Exhibit C-1)		\$ 20,931,673
Amounts reported for governmental activities in the statement of net assets are different because:		
Interfund receivables and payables between governmental funds are eliminated on the statement of net assets.		
Receivables	\$ (1,549,786)	
Payables	<u>1,549,786</u>	
Long-term assets are not available to pay for current-period expenditures, and therefore, are deferred in governmental funds.		
Intergovernmental receivable		255,210
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(293,000)
Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the funds:		
Bonds and notes	\$ 26,706,089	
Capital lease	415,418	
Compensated absences	1,335,890	
Accrued landfill postclosure care costs	<u>513,000</u>	
		<u>(28,970,397)</u>
Total net assets of governmental activities (Exhibit A)		<u><u>\$ (8,076,514)</u></u>

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

EXHIBIT C-3
TOWN OF HAMPTON, NEW HAMPSHIRE
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended December 31, 2007

	General	Permanent	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 18,723,784	\$ -	\$ -	\$ 18,723,784
Licenses and permits	2,933,644	-	-	2,933,644
Intergovernmental	1,770,920	-	18,286	1,789,206
Charges for services	825,390	-	957,960	1,783,350
Miscellaneous	453,728	492,792	129,007	1,075,527
Total revenues	<u>24,707,466</u>	<u>492,792</u>	<u>1,105,253</u>	<u>26,305,511</u>
Expenditures:				
Current:				
General government	6,028,575	39,818	1	6,068,394
Public safety	7,777,352	-	557,271	8,334,623
Highways and streets	2,257,802	-	-	2,257,802
Sanitation	4,157,611	-	-	4,157,611
Health	246,428	-	-	246,428
Welfare	136,446	-	-	136,446
Culture and recreation	242,885	-	975,963	1,218,848
Conservation	-	-	4,069	4,069
Debt service:				
Principal	2,180,208	-	-	2,180,208
Interest	1,131,965	-	-	1,131,965
Capital outlay	371,919	-	835,740	1,207,659
Total expenditures	<u>24,531,191</u>	<u>39,818</u>	<u>2,373,044</u>	<u>26,944,053</u>
Excess (deficiency) of revenues over (under) expenditures	<u>176,275</u>	<u>452,974</u>	<u>(1,267,791)</u>	<u>(638,542)</u>
Other financing sources (uses):				
Transfers in	757,771	-	830,688	1,588,459
Transfers out	(830,177)	(740,043)	(18,239)	(1,588,459)
Debt issued	-	-	1,698,996	1,698,996
Total other financing sources and uses	<u>(72,406)</u>	<u>(740,043)</u>	<u>2,511,445</u>	<u>1,698,996</u>
Net change in fund balances	103,869	(287,069)	1,243,654	1,060,454
Fund balances, beginning	2,555,686	16,288,973	1,026,560	19,871,219
Fund balances, ending	<u>\$ 2,659,555</u>	<u>\$ 16,001,904</u>	<u>\$ 2,270,214</u>	<u>\$ 20,931,673</u>

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

EXHIBIT C-4
TOWN OF HAMPTON, NEW HAMPSHIRE
*Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
For the Fiscal Year Ended December 31, 2007*

Net change in fund balances of governmental funds (Exhibit C-3)		\$ 1,060,454
Amounts reported for governmental activities in the statement of activities are different because:		
Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in governmental funds.		
Decrease in state aid receivable		(37,404)
Transfers in and out between governmental funds are eliminated on the operating statement.		
Transfers in	\$ (1,588,459)	
Transfers out	<u>1,588,459</u>	-
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.		
Issuance of long-term debt	\$ (1,698,996)	
Repayment of bond and note principal	2,093,842	
Repayment of capital lease principal	<u>114,411</u>	509,257
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	\$ 27,521	
Increase in compensated absences payable	(165,727)	
Decrease in accrued landfill postclosure care costs	<u>54,000</u>	(84,206)
Change in net assets of governmental activities (Exhibit B)		<u><u>\$ 1,448,101</u></u>

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

EXHIBIT D
TOWN OF HAMPTON, NEW HAMPSHIRE
Fiduciary Funds
Statement of Fiduciary Net Assets
December 31, 2007

	<u>Agency</u>
ASSETS	
Cash and cash equivalents	\$ 302,700
Investments	<u>43,211</u>
Total assets	<u>345,911</u>
LIABILITIES	
Due to other governmental units	43,211
Escrow and performance deposits	<u>302,700</u>
Total liabilities	<u>345,911</u>
NET ASSETS	<u>\$ -</u>

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

TOWN OF HAMPTON, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2007

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TOWN OF HAMPTON, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Hampton, New Hampshire (the Town), have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Town's accounting policies are described below.

1-A Reporting Entity

The Town of Hampton is a municipal corporation governed by an elected 5-member Board of Selectmen and Town Manager. The reporting entity is comprised of the primary government and any other organizations that are included to ensure that the financial statements are not misleading.

Component units are legally separate organizations for which the Town is financially accountable. The Town is financially accountable for an organization if the Town appoints a voting majority of the organization's governing board, and (1) the Town is able to significantly influence the programs or services performed or provided by the organization; or (2) the Town is legally entitled to or can otherwise access the organization's resources; the Town is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Town is obligated for the debt of the organization. Based on the foregoing criteria, no other organizations are included in the Town's financial reporting entity.

1-B Basis of Presentation

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

Government-wide Financial Statements - The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the Town as a whole. Fiduciary activities are not included at the government-wide reporting level. Individual funds are not displayed at this reporting level as all individual governmental funds are consolidated as governmental activities.

The statement of net assets presents the financial position of the governmental activities of the Town at year-end. This statement includes all of the Town's assets, liabilities and net assets, with the exception of the capital assets and related accumulated depreciation which have been omitted because they have not been inventoried at historical cost.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with the function, and therefore, clearly identifiable to that particular function.

The statement of activities reports the expenses of a given function offset by program revenues directly related to the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with the functional activity. Program revenues include: (1) charges for services, which include charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) operating grants and contributions which finance annual operating activities including restricted investment income. These revenues are subject to externally imposed restrictions to the program uses.

For identifying to which function program revenue pertains, the determining factor for *charges for services* is which functions generate the revenue. For *grants and contributions*, the determining factor is to which functions the revenues are *restricted*.

TOWN OF HAMPTON, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
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Fund Financial Statements - During the year, the Town segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. A fund is a fiscal and accounting entity with a self-balancing set of accounts. Fund financial statements are designed to present financial information of the Town at this more detailed level. Fund financial statements are provided for governmental and fiduciary funds.

Fund Accounting - The Town uses funds to maintain its financial records during the year. The Town uses two categories of funds: governmental and fiduciary.

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

General Fund - The general fund is the primary operating fund of the Town. All general revenues and other receipts that are not allocated by law or contractual agreement to another fund are accounted for in this fund. This fund accounts for general operating expenditures, fixed charges, and the capital improvement costs that are not reported in other funds.

Permanent Fund - The permanent fund is used to account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes to support the Town's programs.

The Town also reports twenty-one nonmajor governmental funds.

Fiduciary Funds - Fiduciary fund reporting focuses on net assets. The Town's fiduciary funds consist of agency funds. The agency funds are custodial in nature (assets equal liabilities), and do not involve the measurement of results of operations.

1-C Measurement Focus

Government-wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the Town are included on the statement of net assets, with the exception of the capital assets and related accumulated depreciation which have been omitted because they have not been valued at historical cost. The statement of activities reports revenues, expenses and changes in net assets except for depreciation expense on the omitted assets.

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

Fiduciary funds use an economic resources measurement focus. These funds report all assets and liabilities on the statement of fiduciary net assets.

1-D Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. At the fund reporting level, governmental funds use the modified accrual basis of accounting and fiduciary funds use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of some deferred revenue, and in the presentation of expenses versus expenditures.

TOWN OF HAMPTON, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
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Revenues - Exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded when the exchange takes place and in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year, generally within sixty days of year-end.

Revenues - Nonexchange Transactions - Nonexchange transactions, in which the Town receives value without directly giving equal value in return, include grants and donations. Revenue from grants and donations is recognized in the fiscal year in which all grantor imposed eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the Town must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Town on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions also must be available (i.e., collected within 60 days) before it can be recognized, with the exception of property taxes which are recognized if expected to be collected in time to be used to pay the liability to the school districts which is due over the next six months.

Under the modified accrual basis, the following revenue sources are considered to be susceptible to accrual: taxes, charges for services, interest, and federal and state grants.

Deferred Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met (e.g., cash advances) are recorded as deferred revenue in the governmental funds, and as unearned revenue on the government-wide financial statements.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. On the modified accrual basis, expenditures generally are recognized in the accounting period in which the related fund liability is incurred and due, if measurable.

1-E Assets, Liabilities and Net Assets or Fund Equity

1-E-1 Cash, Cash Equivalents and Investments

Cash and Cash Equivalents - Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the Town.

New Hampshire statutes require that the Town treasurer have custody of all moneys belonging to the Town and pay out the same only upon orders of the Town Manager. The treasurer shall deposit all such moneys in participation units in the public deposit investment pool established pursuant to N.H. RSA 383:22 or in solvent banks in the state. Funds may be deposited in banks outside 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 of the State of New Hampshire in value at least equal to the amount of the deposit in each case.

Investments - Whenever the treasurer has in custody an excess of funds, which is not immediately needed for the purpose of expenditure, the treasurer shall, with the approval of the Town Manager, invest the excess funds.

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.

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

Investments are stated at fair value based on quoted market prices.

1-E-2 Receivables

Tax revenue is recorded when a warrant for collection is committed to the tax collector. Taxes receivable are reported net of an allowance established for uncollectible taxes based on historical trend information for potential abatements. As prescribed by law, the tax collector executes a lien on properties for all uncollected property taxes in the following year after taxes are due. The lien on these properties has priority over other liens and accrues interest at 18% per annum. If property is not redeemed within the 2-year redemption period, the property is tax deeded to the Town.

Accounts receivable include various service charges which are recorded as revenue for the period when service was provided. These receivables are reported net of any allowances for uncollectible amounts.

1-E-3 Interfund Balances

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated on the statement of net assets.

1-E-4 Prepaid Items

Payments made to vendors for services that will benefit periods beyond year-end are recorded as prepaid items using the consumption method, by recording an asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

1-E-5 Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the Town will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the Town's experience of making termination payments.

All compensated absence liabilities include salary-related payments, where applicable.

The total compensated absence liability is reported on the government-wide financial statements. Governmental funds report the compensated absence liability at the fund reporting level only "when due."

1-E-6 Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of these funds. However, claims and judgments, and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are "due for payment" during the current year.

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1-E-7 Equity

Fund equity at the governmental fund financial reporting level is classified as "fund balance." Equity for all other reporting is classified as "net assets."

Fund Balance - Generally, fund balance represents the difference between the current assets and current liabilities. The Town reserves those portions of fund balance that are legally segregated for a specific future use or which do not represent available, spendable resources, and therefore, are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund balance that is available for appropriation in future periods. Designations are management's intent to set aside these resources for specific purposes.

Net Assets - Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Because the Town has not inventoried its capital assets or accumulated depreciation, this amount is shown as a large negative balance. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. All other net assets are reported as unrestricted.

The Town applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

1-E-8 Interfund Activity

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

At the government-wide financial reporting level, transfers between funds that would be reported in the individual funds are eliminated.

1-E-9 Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles, requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 2 - CHANGES IN ACCOUNTING PRINCIPLES, FUND RECLASSIFICATIONS AND RESTATEMENT AND RECONCILIATION OF EQUITY BALANCES

2-A Changes in Accounting Principles

For the fiscal year 2007, the Town has implemented GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments*; GASB Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*; and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*.

GASB Statement No. 34 creates new basic financial statements for reporting the Town's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in a single column.

The government-wide financial statements present the Town's programs as governmental activities. The beginning net asset amount for governmental programs reflects the change in fund balance for governmental funds at January 1, 2007, caused by conversion to the accrual basis of accounting.

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2-B Restatement of Beginning Equity Balances

The general fund fund balance at January 1, 2007 was restated to record an additional intergovernmental receivable representing reimbursements for the school resource officers as follows:

Adjustment	\$ 65,773
Fund balance, as previously reported	<u>2,489,913</u>
Fund balance, as restated	<u>\$ 2,555,686</u>

The beach infrastructure capital project fund balance at January 1, 2007 was restated to reduce the amount expected to be reimbursed from state revolving fund loans, and to reduce the amount owed on retainage, as follows:

Adjustment to receivable	\$ (140,183)
Adjustment to retainage	16,351
Fund balance, as previously reported	<u>(31,182)</u>
Fund balance, as restated	<u>\$ (155,014)</u>

2-C Reconciliation of Beginning Net Assets

The transition from governmental fund balance to net assets of the governmental activities (i.e., the GASB Statement No. 34 adjustments) is presented here.

Fund balances of all governmental funds, December 31, 2006, as restated (see Note 2-B)	\$ 2,876,208
Trust funds previously reported as fiduciary funds, now reported as special revenue funds	706,038
Trust funds previously reported as fiduciary funds, now reported as permanent funds	16,288,973
Long-term intergovernmental receivable for state aid to water pollution projects	292,614
Accrued interest payable	(320,521)
General obligation bonds payable	(27,100,935)
Capital leases payable	(529,829)
Compensated absences payable	(1,170,163)
Accrued landfill postclosure care costs payable	<u>(567,000)</u>
Net assets of governmental activities, December 31, 2006	<u>\$ (9,524,615)</u>

NOTE 3 - DETAILED NOTES ON ALL FUNDS AND GOVERNMENT-WIDE STATEMENTS

3-A Custodial Credit Risk for Deposits and Investment Risks

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk. As of December 31, 2007, \$1,342,279 of the Town's bank balances of \$16,031,171 was exposed to custodial credit risk as uninsured and uncollateralized.

Repurchase Agreement

Included in the Town's cash equivalents at December 31, 2007, is a short-term investment in a repurchase agreement issued by a local banking institution. Under this agreement, the Town will be repaid principal plus interest on a specified date which is subsequent to year-end. The agreement is guaranteed/collateralized with securities held by the banking institution which exceed the amount of the agreement. To the extent that the banking institution may default on its commitment to this obligation, the Town is at risk of economic loss. Management considers this exposure to be minimal. At December 31, 2007, the Town held an investment in the following repurchase agreement:

Amount	Interest Rate %	Maturity Date	Collateral Pledged	
			Underlying Securities	Market Value
\$214,005	4.25	January 1, 2008	FHLMC	\$225,562

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As of December 31, 2007, the Town had the following investments:

Certificates of deposit	\$ 415,296
U.S. government obligations	6,311,162
Corporate bonds	1,704,764
Common and preferred stocks	7,275,325
New Hampshire Public Deposit Investment Pool	819,266
Total	<u>\$ 16,525,813</u>

Investment Reconciliation:

Governmental funds balance sheet (Exhibit C-1)	\$ 16,482,602
Fiduciary funds statement of fiduciary net assets (Exhibit D)	43,211
Total	<u>\$ 16,525,813</u>

Interest Rate Risk - 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.

Credit Risk - State law limits investments to those described in Note 1-E-1. The Town has no investment policy that would further limit its investment choices.

Custodial Credit Risk - The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. As of December 31, 2007, \$9,028,989 of the Town's \$16,525,813 in investments is subject to custodial credit risk because the securities are held by the counterparty's trust department or agent, not in the Town's name. The Town does not have policies for custodial credit risk.

Concentration of Credit Risk - The Town places no limit on the amount it may invest in any one issuer. The trustees of trust funds limit investments in any one issue, except for government and government-guaranteed securities to 5% of the total investments. The Town had no investments in any one issuer representing 5% or more of the total investments.

3-B Taxes Receivable

The property tax year is from April 1 to March 31 and all property taxes are assessed on the inventory taken in April of that year. The net assessed valuation as of April 1, 2007, upon which the 2007 property tax levy was based is:

For the New Hampshire education tax	\$ 2,358,040,200
For all other taxes	\$ 2,401,248,200

The Town subscribes to the semi-annual method of tax collection as provided for by RSA 76:15-a. Under this method, tax bills are due on or around July 1 and December 1 of each year, with interest accruing at a rate of 12% on bills outstanding after the due date. The first billing is considered an estimate only and is one half of the previous year's tax billing. The remaining balance of taxes due is billed in the fall after the New Hampshire Department of Revenue Administration has calculated and approved the Town's tax rate for the fiscal year.

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 abatements and refunds of property taxes, known as overlay. This amount is reported as a reduction in tax revenue and is adjusted by management for any tax allowances at year-end. The property taxes collected by the Town include taxes levied for the State of New Hampshire, Hampton School District, Winnacunnet Cooperative School District, Hampton Beach Village District and Rockingham County, which are remitted as required by law. The ultimate responsibility for the collection of taxes rests with the Town.

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The tax rates and amounts assessed for the year ended December 31, 2007, were as follows:

	<u>Per \$1,000 of Assessed Valuation</u>	<u>Property Taxes Assessed</u>
Municipal portion	\$7.93	\$ 19,025,521
School portion:		
State of New Hampshire	\$2.91	6,864,596
Local	\$7.82	18,786,644
County portion	\$1.13	2,718,205
Precinct portion - nonexempt	\$0.55	211,433
Precinct portion - exempt	\$0.22	104,860
Total		<u>\$ 47,711,259</u>

During the current fiscal year, the tax collector executed a lien on August 24 for all uncollected 2006 property taxes.

Taxes receivable at December 31, 2007, are as follows:

Property:		
Levy of 2007		\$ 2,802,168
Unredeemed (under tax lien):		
Levy of 2006		486,040
Levy of 2005		119,665
Less: allowance for estimated uncollectible taxes		(130,500)
Net taxes receivable		<u>\$ 3,277,373</u>

3-C Other Receivables

Other receivables at December 31, 2007, consisted of accounts (billing for user charges), and intergovernmental amounts arising from grants, reimbursements and the sewer agreement.

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 collectibility.

Amounts receivable at December 31, 2007 are as follows:

Interest	\$ 112,633
Accounts	384,858
Intergovernmental	598,641
Liens	113,366
Less: allowance for uncollectible and unavailable amounts	(294,261)
Net receivables	<u>\$ 915,237</u>

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3-D Interfund Balances and Transfers

Interfund balances at December 31, 2007 consist of overdrafts in the pooled cash and investments, budgetary transfers not yet made, pooled interest allocation and trust income distribution not yet made as follow:

Receivable fund	Payable fund	Amount
General	Nonmajor	\$ 1,545,560
Nonmajor	Permanent	386
	Nonmajor	3,840
		\$ 1,549,786

Interfund transfers during the year ended December 31, 2007 consisted of voted appropriations, cemetery maintenance, and trust income distributions as follow:

	Transfers In:		
	General Fund	Nonmajor Funds	Total
Transfers out:			
General fund	\$ -	\$ 830,177	\$ 830,177
Permanent fund	739,532	511	740,043
Nonmajor funds	18,239	-	18,239
Total	\$ 757,771	\$ 830,688	\$ 1,588,459

3-E Intergovernmental Payable

Amounts due to other governments at December 31, 2007 consist of:

Balance of 2007-2008 district assessment due to the:	
Hampton School District	\$ 8,057,702
Winnacunnet Cooperative School District	3,877,538
Fees due to the State of New Hampshire	2,253
Total	\$ 11,937,493

3-F Deferred/Unearned Revenue

Deferred/unearned revenue of \$191,836 at December 31, 2007 consists of \$96,330 in FEMA reimbursements for repairs that have not yet been made, \$24,750 in cemetery lot sales that are deferred until voted to transfer to the permanent fund, \$65,736 in various grants received in advance of eligible expenditures being made, and \$5,020 of other miscellaneous items.

3-G Long-Term Liabilities

Changes in the Town's long-term obligations during the year ended December 31, 2007, consisted of the following:

	General Obligation Bonds/Notes Payable	Capital Lease Payable	Compensated Absences Payable	Accrued Landfill Postclosure Care Costs	Total
Balance, beginning	\$ 27,100,935	\$ 529,829	\$ 1,170,163	\$ 567,000	\$ 29,367,927
Additions	1,698,996	-	165,727	-	1,864,723
Reductions	(2,093,842)	(114,411)	-	(54,000)	(2,262,253)
Balance, ending	\$ 26,706,089	\$ 415,418	\$ 1,335,890	\$ 513,000	\$ 28,970,397

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Long-term liabilities payable are comprised of the following:

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at December 31, 2007	Current Portion
General obligation bonds payable:						
Wastewater treatment plant	\$ 1,398,340	1999	2019	5.10	\$ 823,896	\$ 68,658
Police facility	\$ 6,323,000	2002	2012	4.75	3,159,000	632,000
Beach infrastructure	\$ 6,000,000	2004	2024	3.86	5,100,000	300,000
SRF	\$ 4,305,000	2005	2019	3.62	3,505,000	400,000
WWTP upgrade	\$ 4,750,000	2005	2024	3.69	4,037,500	237,500
Hurd Farm easement	\$ 2,005,000	2005	2025	4.00	1,799,355	102,821
Beach infrastructure	\$ 725,000	2005	2025	4.07	650,641	37,179
Kings' Highway	\$ 1,731,411	2007	2026	3.35	1,644,841	86,571
Beach infrastructure	\$ 4,582,257	2007	2026	3.49	4,353,147	229,113
Kings' Highway	\$ 468,000	2007	2027	4.99	468,000	14,117
Beach infrastructure	\$ 500,000	2007	2027	4.99	500,000	25,000
Partial drawdown of SRF					664,709	-
					<u>26,706,089</u>	<u>2,132,959</u>
Capital lease payable:						
Ladder truck	\$ 605,624	2006	2011	3.92	415,418	118,981
Compensated absences payable:						
Vested sick leave					655,785	165,694
Accrued vacation leave					211,489	131,495
Other					468,616	-
					<u>1,335,890</u>	<u>297,189</u>
Accrued landfill postclosure care costs					513,000	27,000
Total					<u>\$ 28,970,397</u>	<u>\$ 2,576,129</u>

The annual requirements to amortize all general obligation debt outstanding as of December 31, 2007, including interest payments, are as follows:

Annual Requirements To Amortize General Obligation Bonds/Notes Payable

Fiscal Year Ending December 31,	Principal	Interest	Total
2008	\$ 2,132,959	\$ 998,921	\$ 3,131,880
2009	2,133,727	914,996	3,048,723
2010	2,129,470	831,098	2,960,568
2011	2,125,250	747,337	2,872,587
2012	2,120,013	663,768	2,783,781
2013-2017	6,974,064	2,361,220	9,335,284
2018-2022	5,395,632	1,194,928	6,590,560
2023-2027	3,030,265	251,769	3,282,034
Subtotal	26,041,380	7,964,037	34,005,417
State revolving fund loan*	664,709	-	664,709
Totals	<u>\$ 26,706,089</u>	<u>\$ 7,964,037</u>	<u>\$ 34,670,126</u>

* Repayment of state revolving fund loans does not commence until the respective project is complete. This loan is still in the process of being drawdown, and is not finalized as of December 31, 2007.

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Annual Requirements To Amortize Capital Lease Payable

Fiscal Year Ending December 31,	Principal	Interest	Total
2008	\$ 118,981	\$ 14,175	\$ 133,156
2009	123,734	9,422	133,156
2010	128,677	4,479	133,156
2011	44,026	360	44,386
Totals	<u>\$ 415,418</u>	<u>\$ 28,436</u>	<u>\$ 443,854</u>

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

Bonds and notes authorized and unissued as of December 31, 2007, were as follows:

Per Town Meeting vote of	Purpose	Unissued Amount
March 11, 2003	Hampton Beach infrastructure improvements	\$ 52,561
March 11, 2003	Sewer facilities update	10,325
March 14, 2006	Wastewater treatment plant upgrade	750,291
		<u>\$ 813,177</u>

Accrued Landfill Postclosure Care Costs

The Town closed its landfill in prior years. Federal and State laws and regulations require that the Town continue to perform certain maintenance and monitoring functions at the landfill site. A liability is being recognized based on the future postclosure care costs that will be incurred. The estimated liability for landfill postclosure care costs has a balance of \$513,000 as of December 31, 2007, which is based on the amount that would be paid if all equipment, facilities, and services required to monitor and maintain the landfill were acquired as of December 31, 2007. However, the actual cost of postclosure care may be higher or lower due to inflation, changes in technology, or changes in landfill laws and regulations. The Town expects to finance the postclosure care costs by general fund revenues.

3-H State Aid to Water Pollution Projects

Under N.H. RSA Chapter 486, the Town receives from the State of New Hampshire a percentage of the annual amortization charges on the original costs resulting from the acquisition and construction of sewage disposal facilities. At December 31, 2007, the Town is due to receive the following to offset debt payments:

Bond Issue	State Aid Grant Number	Amount
\$2,712,489 Sewer construction loan	C-496	\$ 255,210

This amount is to be received in annual installments as follow:

Fiscal Year Ending December 31,	Amount
2008	\$ 36,181
2009	34,959
2010	33,736
2011	32,513
2012	31,290
2013-2015	86,531
Totals	<u>\$ 255,210</u>

TOWN OF HAMPTON, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
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NOTE 4 - OTHER MATTERS

4-A Pensions

The Town of Hampton participates in the New Hampshire Retirement System (the System) which consists of a cost-sharing, multiple-employer contributory pension plan and trust established in 1967 by RSA 100-A:2 and is qualified as a tax-exempt organization under Sections 401(a) and 501(a) of the Internal Revenue Code. The plan is a contributory, defined benefit plan providing service, disability, death and vested retirement benefits to members and their beneficiaries. Provisions for benefits and contributions are established and can be amended by the New Hampshire Legislature. The System issues a publicly available financial report that may be obtained by writing the New Hampshire Retirement System, 54 Regional Drive, Concord, NH 03301.

The System is financed by contributions from both the employees and the Town. Member contribution rates are established and may be amended by the State legislature while employer contribution rates are set by the System trustees based on an actuarial valuation. All employees except police officers and firefighters are required to contribute 5% of earnable compensation. Police officers and firefighters are required to contribute 9.3% of gross earnings. For the first six months of 2007, the Town contributed 9.68% for police, 14.36% for fire and 6.81% for other employees. Effective July 1, those rates increased to 11.84% for police, 15.92% for fire and 8.74% for other employees. The contribution requirements for the Town of Hampton for the fiscal years 2005, 2006 and 2007 were \$926,636, \$969,156 and \$1,052,609, respectively, which were paid in full in each year.

The State of New Hampshire funds 35% of employer costs for police officers and firefighters employed by the Town. This amount, \$391,110, is reported as an "on-behalf" payment," as an expenditure and revenue on the governmental funds operating statement, and as an expense and revenue on the government-wide statement of activities.

4-B 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 2007, the Town was a member of the Local Government Center Property-Liability Trust, LLC, which is a Trust organized to provide certain property and liability insurance coverages to member towns, cities and other qualified political subdivisions of New Hampshire. As a member of the Local Government Center Property-Liability Trust, LLC, the Town shares in contributing to the cost of, and receiving benefits from, a self-insured pooled risk management program. The membership and coverage run from July 1 to June 30. The program maintains a self-insured retention above which it purchases reinsurance and excess insurance. This policy covers property, auto physical damage, crime, general liability and public officials' liability subject to a \$1,000 deductible.

Contributions paid in 2007 for fiscal year 2008, ending June 30, 2008, to be recorded as an insurance expenditure totaled \$237,044. There were no unpaid contributions for the year ending June 30, 2008 and due in 2007. The Town also paid \$252,192 for workers' compensation for the year ended December 31, 2007. The trust agreement permits the Trust to make additional assessments to members should there be a deficiency in Trust assets to meet its liabilities. At this time, the Trust foresees no likelihood of any additional assessments for past years.

4-C Contingent Liabilities

There are various legal claims and suits pending against the Town which arose in the normal course of the Town's activities. The Town has designated a contingency of \$850,000 to cover potential losses not covered by insurance.

The Town has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designee. These audits could result in a request for reimbursement from the grantor agency for costs disallowed under terms of the grant. Based on prior experience, the Town believes such disallowances, if any, will be immaterial.

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4-D Cafeteria Benefit Plan

Effective June 1, 1995, the Town implemented a cafeteria benefit plan pursuant to Section 125 of the IRS code. Under this plan, eligible employees may direct a contribution, made by the Town, into an account for health insurance.

All regular full-time and part-time employees on a regular and continuous basis, including certain contractual employees, are eligible to participate in this plan. Temporary and casual employees are not eligible. The plan year adopted by the Town begins on January 1 and ends on December 31.

REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT E
TOWN OF HAMPTON, NEW HAMPSHIRE
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Fiscal Year Ended December 31, 2007

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Taxes	\$ 18,498,158	\$ 18,723,784	\$ 225,626
Licenses and permits	3,023,920	2,933,644	(90,276)
Intergovernmental	1,223,343	1,379,810	156,467
Charges for services	834,832	825,390	(9,442)
Miscellaneous	402,568	453,728	51,160
Total revenues	<u>23,982,821</u>	<u>24,316,356</u>	<u>333,535</u>
Expenditures:			
Current:			
General government	6,594,459	6,035,745	558,714
Public safety	7,007,576	7,241,399	(233,823)
Highways and streets	2,097,923	2,084,536	13,387
Sanitation	3,913,721	3,925,747	(12,026)
Health	321,362	246,428	74,934
Welfare	117,752	136,446	(18,694)
Culture and recreation	253,111	240,656	12,455
Debt service:			-
Principal	2,210,030	2,180,208	29,822
Interest	1,192,649	1,131,965	60,684
Capital outlay	-	(13,128)	13,128
Total expenditures	<u>23,708,583</u>	<u>23,210,002</u>	<u>498,581</u>
Excess of revenues over expenditures	<u>274,238</u>	<u>1,106,354</u>	<u>832,116</u>
Other financing sources (uses):			
Transfers in	545,000	757,771	212,771
Transfers out	(819,238)	(830,177)	(10,939)
Total other financing sources and uses	<u>(274,238)</u>	<u>(72,406)</u>	<u>201,832</u>
Net change in fund balance	<u>\$ -</u>	1,033,948	<u>\$ 1,033,948</u>
Unreserved fund balance, beginning		1,535,724	
Unreserved fund balance, ending		<u>\$ 2,569,672</u>	

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

TOWN OF HAMPTON, NEW HAMPSHIRE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
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General Budget Policies	1
Budgetary Reconciliation	2

TOWN OF HAMPTON, NEW HAMPSHIRE
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1. General Budget Policies

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

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

Encumbrance accounting, under which purchase orders, contracts, and continuing appropriations (certain projects and specific items not fully expended at year-end) are recognized, is employed in the governmental funds. Encumbrances are not the equivalent of expenditures, and are therefore, reported as part of the 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 unreserved fund balance to achieve that end. In the fiscal year 2007, none of the beginning fund balance was applied for this purpose.

2. Budgetary Reconciliation

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

Revenues and other financing sources:	
Per Exhibit E (budgetary basis)	\$ 25,074,127
Adjustment:	
Basis difference:	
On-behalf retirement contributions made by the State of New Hampshire recognized as revenue on the GAAP basis, but not on the budgetary basis	391,110
Per Exhibit C-3 (GAAP basis)	<u>\$ 25,465,237</u>
 Expenditures and other financing uses:	
Per Exhibit E (budgetary basis)	\$ 24,040,179
Adjustments:	
Basis difference:	
Encumbrances, beginning	1,019,962
Encumbrances, ending	(89,883)
On-behalf retirement contributions made by the State of New Hampshire recognized as expenditures on the GAAP basis, but not on the budgetary basis	391,110
Per Exhibit C-3 (GAAP basis)	<u>\$ 25,361,368</u>

SCHEDULE 1
TOWN OF HAMPTON, NEW HAMPSHIRE
Major General Fund
Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2007

	Estimated	Actual	Variance Positive (Negative)
Taxes:			
Property	\$ 18,279,955	\$ 18,445,448	\$ 165,493
Yield	1,258	1,258	-
Interest and penalties on taxes	216,945	277,078	60,133
Total taxes	18,498,158	18,723,784	225,626
Licenses, permits and fees:			
Business licenses, permits and fees	7,520	7,680	160
Motor vehicle permit fees	2,804,170	2,718,092	(86,078)
Building permits	184,220	169,483	(14,737)
Other	28,010	38,389	10,379
Total licenses, permits and fees	3,023,920	2,933,644	(90,276)
Intergovernmental:			
State:			
Shared revenue block grant	131,260	131,260	-
Meals and rooms distribution	644,853	644,853	-
Highway block grant	256,055	256,055	-
Water pollution grants	120,531	120,531	-
Other	70,644	136,775	66,131
Federal:			
FEMA	-	80,845	80,845
Other	-	9,491	9,491
Total intergovernmental	1,223,343	1,379,810	156,467
Charges for services:			
Income from departments	834,832	825,390	(9,442)
Miscellaneous:			
Special assessments	-	57	57
Sale of municipal property	125	25,870	25,745
Interest on investments	85,000	128,887	43,887
Rent of property	-	100,230	100,230
Fines and forfeits	-	46,710	46,710
Contributions and donations	-	1,470	1,470
Other	317,443	150,504	(166,939)
Total miscellaneous	402,568	453,728	51,160
Other financing sources:			
Transfers in:			
Permanent fund	545,000	739,532	194,532
Nonmajor funds	-	18,239	18,239
Total other financing sources	545,000	757,771	212,771
Total revenues and other financing sources	\$ 24,527,821	\$ 25,074,127	\$ 546,306

SCHEDULE 2
TOWN OF HAMPTON, NEW HAMPSHIRE
Major General Fund
Schedule of Appropriations, Expenditures and Encumbrances (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2007

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
General government:					
Executive	\$ -	\$ 122,954	\$ 122,301	\$ -	\$ 653
Election and registration	2,400	214,208	184,073	-	32,535
Financial administration	1,751	684,815	733,995	12,500	(59,929)
Legal	-	328,035	293,723	-	34,312
Personnel administration	-	1,898,870	1,702,525	-	196,345
Planning and zoning	14,250	112,587	113,494	14,250	(907)
General government buildings	1,179	86,759	82,397	-	5,541
Cemeteries	-	93,039	93,152	-	(113)
Insurance, not otherwise allocated	-	2,998,321	2,646,896	-	351,425
Other	-	54,871	56,019	-	(1,148)
Total general government	<u>19,580</u>	<u>6,594,459</u>	<u>6,028,575</u>	<u>26,750</u>	<u>558,714</u>
Public safety:					
Police	93,185	3,629,300	3,744,961	11,099	(33,575)
Fire	65,571	3,179,340	3,461,381	3,984	(220,454)
Building inspection	-	173,936	176,725	-	(2,789)
Emergency management	-	3,000	-	-	3,000
Other	1,170	22,000	3,175	-	19,995
Total public safety	<u>159,926</u>	<u>7,007,576</u>	<u>7,386,242</u>	<u>15,083</u>	<u>(233,823)</u>
Highways and streets:					
Administration	110,093	1,244,078	1,282,020	48,050	24,101
Highways and streets	111,223	647,095	789,276	-	(30,958)
Street lighting	-	206,750	186,506	-	20,244
Total highways and streets	<u>221,316</u>	<u>2,097,923</u>	<u>2,257,802</u>	<u>48,050</u>	<u>13,387</u>
Sanitation:					
Administration	73,932	1,854,357	1,748,260	-	180,029
Solid waste collection	370	694,514	602,986	-	91,898
Solid waste disposal	151,052	1,278,250	1,610,984	-	(181,682)
Sewage collection	6,510	86,600	195,381	-	(102,271)
Total sanitation	<u>231,864</u>	<u>3,913,721</u>	<u>4,157,611</u>	<u>-</u>	<u>(12,026)</u>
Health:					
Pest control	-	160,932	85,998	-	74,934
Health agencies and hospitals	-	160,430	160,430	-	-
Total health	<u>-</u>	<u>321,362</u>	<u>246,428</u>	<u>-</u>	<u>74,934</u>
Welfare:					
Administration	-	-	27,941	-	(27,941)
Direct assistance	-	117,752	108,505	-	9,247
Total welfare	<u>-</u>	<u>117,752</u>	<u>136,446</u>	<u>-</u>	<u>(18,694)</u>
Culture and recreation:					
Parks and recreation	2,229	247,461	239,680	-	10,010
Patriotic purposes	-	1,650	3,205	-	(1,555)
Other	-	4,000	-	-	4,000
Total culture and recreation	<u>2,229</u>	<u>253,111</u>	<u>242,885</u>	<u>-</u>	<u>12,455</u>

(continued)

SCHEDULE 2 (continued)
TOWN OF HAMPTON, NEW HAMPSHIRE
Major General Fund
Schedule of Appropriations, Expenditures and Encumbrances (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2007

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Debt service:					
Principal of long-term debt	-	2,210,030	2,180,208	-	29,822
Interest on long-term debt	-	1,182,649	1,081,843	-	100,806
Interest on tax anticipation notes	-	10,000	50,122	-	(40,122)
Total debt service	<u>-</u>	<u>3,402,679</u>	<u>3,312,173</u>	<u>-</u>	<u>90,506</u>
Capital outlay:					
Land and improvements	250,000	-	236,845	-	13,155
Machinery, vehicles and equipment	33,333	-	33,289	-	44
Buildings	55,301	-	22,392	-	32,909
Improvements other than buildings	46,413	-	79,393	-	(32,980)
Total capital outlay	<u>385,047</u>	<u>-</u>	<u>371,919</u>	<u>-</u>	<u>13,128</u>
Other financing uses:					
Transfers out:					
Nonmajor funds	-	819,238	830,177	-	(10,939)
Total appropriations, expenditures, other financing uses and encumbrances	<u>\$ 1,019,962</u>	<u>\$ 24,527,821</u>	<u>\$ 24,970,258</u>	<u>\$ 89,883</u>	<u>\$ 487,642</u>

*SCHEDULE 3
TOWN OF HAMPTON, NEW HAMPSHIRE
Major General Fund
Schedule of Changes in Unreserved - Undesignated Fund Balance (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2007*

Unreserved, undesignated fund balance, beginning		\$ 835,724
Changes:		
2007 Budget summary:		
Revenue surplus (Schedule 1)	\$ 546,306	
Unexpended balance of appropriations (Schedule 2)	<u>487,642</u>	
2007 Budget surplus		1,033,948
Increase in fund balance designated for contingency		<u>(150,000)</u>
Unreserved, undesignated fund balance, ending		<u><u>\$ 1,719,672</u></u>

SCHEDULE 4
TOWN OF HAMPTON, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2007

		Special Revenue Funds										
		Conservation Commission	USS Hampton	Recreation	Police Grants	Lane Memorial Library	Police Private Detail	Beach Infrastructure	Expendable Trust	Police Forfeiture	Ambulance Service	Fire Alarm
ASSETS												
Cash and cash equivalents	\$ 52,403	\$ 5,462	\$ 21,064	\$ 7,355	\$ 112,768	\$ 39,989	\$ 177,945	\$ -	\$ 55,940	\$ 115,894	\$ 1,240	
Investments	293,239	-	-	-	78,744	-	-	741,744	-	-	-	
Receivables, net of allowances for uncollectible:												
Accounts	-	-	-	-	-	18,400	-	-	-	174,682	125	
Intergovernmental	-	-	-	-	-	-	-	-	-	-	-	
Interfund receivable	-	-	-	-	4,226	-	-	-	-	-	-	
Prepaid items	-	-	10,606	-	-	-	-	-	-	-	-	
Total assets	\$ 345,642	\$ 5,462	\$ 31,670	\$ 7,355	\$ 195,738	\$ 58,389	\$ 177,945	\$ 741,744	\$ 55,940	\$ 290,576	\$ 1,365	

LIABILITIES AND FUND BALANCES

Liabilities:	\$ -	\$ -	\$ 223	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,959	\$ -
Accounts payable	-	-	-	-	-	1,533	-	-	-	-	1,782	-
Accrued salaries and benefits	-	-	-	-	-	-	-	-	-	-	-	-
Contract payable	-	-	-	-	-	-	-	-	-	-	-	-
Interfund payable	-	-	-	4,629	-	-	-	-	-	30,538	-	-
Retainage payable	-	-	-	-	-	-	-	-	-	-	-	-
Deferred revenue	-	-	11,608	27	-	-	-	-	-	15,108	-	-
Total liabilities	-	-	11,831	4,656	-	1,533	-	-	-	45,646	5,741	-
Fund balances:												
Reserved for encumbrances	-	-	-	-	-	-	-	706,038	-	-	-	-
Reserved for special purposes	-	-	-	-	-	-	-	35,706	10,294	284,835	1,365	
Unreserved, undesignated	345,642	5,462	19,839	2,699	195,738	56,856	177,945	741,744	10,294	284,835	1,365	
Total fund balances	345,642	5,462	19,839	2,699	195,738	56,856	177,945	741,744	10,294	284,835	1,365	
Total liabilities and fund balances	\$ 345,642	\$ 5,462	\$ 31,670	\$ 7,355	\$ 195,738	\$ 58,389	\$ 177,945	\$ 741,744	\$ 55,940	\$ 290,576	\$ 1,365	

(continued)

SCHEDULE 4 (continued)
TOWN OF HAMPTON, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2007

	Special Revenue Funds (continued)										Capital Projects Funds																																							
	Wastewater Treatment Plant Improvements					Founders' Day					Cemetery Trustees					Wastewater Treatment Plant Improvements					Police Facility					Sewer Facilities Update					Beach Infrastructure					Public Safety Pier					Wastewater Treatment Plant Improvements 06-07					Total				
ASSETS																																																		
Cash and cash equivalents	\$	74,162	\$	109,832	\$	1,254	\$	1,844	\$	288,531	\$	71,193	\$	89,888	\$	1,444,352	\$	10,002	\$	2,681,118																														
Investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-										
Receivables, net of allowances for uncollectible:																																																		
Accounts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-										
Intergovernmental	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-										
Interfund receivable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-										
Prepaid items	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-										
Total assets	\$	74,162	\$	109,832	\$	1,254	\$	1,844	\$	288,531	\$	71,193	\$	89,888	\$	1,444,352	\$	10,002	\$	2,681,118																														

	Special Revenue Funds (continued)										Capital Projects Funds																																							
	Wastewater Treatment Plant Improvements					Founders' Day					Cemetery Trustees					Wastewater Treatment Plant Improvements					Police Facility					Sewer Facilities Update					Beach Infrastructure					Public Safety Pier					Wastewater Treatment Plant Improvements 06-07					Total				
LIABILITIES AND FUND BALANCES																																																		
Liabilities:	\$	-	\$	1,849	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-										
Accounts payable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-										
Accrued salaries and benefits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-										
Contract payable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-										
Interfund payable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-										
Retainage payable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-										
Deferred revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-										
Total liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-										
Fund balances:																																																		
Reserved for encumbrances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-										
Reserved for special purposes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-										
Unreserved, undesignated	74,162	107,983	1,254	1,232	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-										
Total fund balances	74,162	107,983	1,254	1,232	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-										
Total liabilities and fund balances	\$	74,162	\$	109,832	\$	1,254	\$	1,844	\$	288,531	\$	71,193	\$	89,888	\$	1,444,352	\$	10,002	\$	2,681,118																														

	Special Revenue Funds (continued)										Capital Projects Funds																																							
	Wastewater Treatment Plant Improvements					Founders' Day					Cemetery Trustees					Wastewater Treatment Plant Improvements					Police Facility					Sewer Facilities Update					Beach Infrastructure					Public Safety Pier					Wastewater Treatment Plant Improvements 06-07					Total				
ASSETS																																																		
Cash and cash equivalents	\$	74,162	\$	109,832	\$	1,254	\$	1,844	\$	288,531	\$	71,193	\$	89,888	\$	1,444,352	\$	10,002	\$	2,681,118																														
Investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-										
Receivables, net of allowances for uncollectible:																																																		
Accounts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-										
Intergovernmental	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-										
Interfund receivable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-										
Prepaid items	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-										
Total assets	\$	74,162	\$	109,832	\$	1,254	\$	1,844	\$	288,531	\$	71,193	\$	89,888	\$	1,444,352	\$	10,002	\$	2,681,118																														
LIABILITIES AND FUND BALANCES																																																		
Liabilities:	\$	-	\$	1,849	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-										
Accounts payable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-										
Accrued salaries and benefits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-										
Contract payable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-										
Interfund payable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-										
Retainage payable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-										
Deferred revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-										
Total liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-										
Fund balances:																																																		
Reserved for encumbrances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-										
Reserved for special purposes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-										
Unreserved, undesignated	74,162	107,983	1,254	1,232	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-										
Total fund balances	74,162	107,983	1,254	1,232	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-										
Total liabilities and fund balances	\$	74,162	\$	109,832	\$	1,254	\$	1,844	\$	288,531	\$	71,193	\$	89,888	\$	1,444,352	\$	10,002	\$	2,681,118																														

SCHEDULE 5
TOWN OF HAMPTON, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Fiscal Year Ended December 31, 2007

		Special Revenue Funds													
		USS	Hampton	Recreation	Police Grants	Police Memorial Library	Lane Memorial Library	Police Detail	Police Private	Police Detail	Beach Infrastructure	Expendable Trust	Police Forfeiture	Ambulance Service	Fire Alarm
Revenues:															
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ 4,346	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,940	\$ -	\$ -
Charges for services	-	-	133,710	-	-	1,899	227,618	20	-	-	-	-	-	468,452	-
Miscellaneous	26,424	-	1,842	29	21,096	692	5,931	35,645	2,555	-	-	-	-	-	-
Total revenues	26,424	-	135,552	4,375	22,995	228,310	5,951	35,645	16,495	468,452	-	-	-	-	-
Expenditures:															
Current:															
General government	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Public safety	-	-	-	4,346	189,585	-	-	-	9,647	353,693	-	-	-	-	-
Culture and recreation	-	11	132,198	-	799,792	-	-	-	-	-	-	-	-	-	-
Conservation	4,069	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	4,069	11	132,198	4,346	799,792	189,585	-	-	9,647	353,693	-	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	22,355	(11)	3,354	29	(776,797)	38,725	5,951	35,645	6,848	114,759	-	-	-	-	-
Other financing sources (uses):															
Transfers in	14,540	-	125	-	797,723	-	-	18,300	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	(18,239)	-	-	-	-	-	-	-
Total other financing sources and uses	14,540	-	125	-	797,723	-	-	61	-	-	-	-	-	-	-
Net change in fund balances	36,895	(11)	3,479	29	20,926	38,725	5,951	35,706	6,848	114,759	-	-	-	-	-
Fund balances, beginning	308,747	5,473	16,360	2,670	174,812	18,131	171,994	706,038	3,446	170,076	1,365	-	-	-	-
Fund balances, ending	\$ 345,642	\$ 5,462	\$ 19,839	\$ 2,699	\$ 195,738	\$ 56,856	\$ 177,945	\$ 741,744	\$ 10,294	\$ 284,835	\$ 1,365	-	-	-	-

(continued)

SCHEDULE 5 (continued)
TOWN OF HAMPTON, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Fiscal Year Ended December 31, 2007

	Special Revenue Funds (continued)										Capital Projects Funds												
	Recreation Infrastructure	Cable TV	Cemetery Trustees	Founders' Day	Wastewater Treatment Plant Improvements	Public Facility	Sewer Facilities Update	Beach Infrastructure	Public Safety Pier	Wastewater Treatment Plant Improvements 06-07	Total	Recreation Infrastructure	Cable TV	Cemetery Trustees	Founders' Day	Wastewater Treatment Plant Improvements	Public Facility	Sewer Facilities Update	Beach Infrastructure	Public Safety Pier	Wastewater Treatment Plant Improvements 06-07	Total	
Revenues:																							
Intergovernmental Charges for services	\$ 72,918	53,343	-	-	\$ -	-	-	\$ -	-	\$ -	-	-	-	\$ -	-	-	-	-	-	-	-	-	\$ 18,286
Miscellaneous	1,244	4,469	1	4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	29,075	-	-	957,960
Total revenues	74,162	57,812	1	4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	29,075	-	-	1,105,253
Expenditures:																							
Current:																							
General government	-	-	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1
Public safety	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	557,271
Culture and recreation	-	43,962	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	975,963
Conservation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,069
Capital outlay	-	22,199	-	-	-	18,248	-	-	-	-	52,338	49,171	-	-	-	18,248	-	-	-	29,075	-	-	835,740
Total expenditures	-	66,161	1	-	-	18,248	-	-	-	-	52,338	49,171	-	-	-	18,248	-	-	-	29,075	-	-	2,373,044
Excess (deficiency) of revenues over (under) expenditures	74,162	(8,349)	-	4	-	(18,248)	-	-	-	-	(52,338)	(49,171)	-	-	-	(664,709)	-	-	-	-	-	-	(1,267,791)
Other financing sources (uses):																							
Transfers in	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	830,688
Transfers out	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(18,239)
Total other financing sources and uses	-	-	-	-	-	-	-	-	-	-	534,287	500,000	-	-	-	-	-	-	-	-	-	-	2,511,445
Net change in fund balances	74,162	(8,349)	-	4	-	(18,248)	-	-	-	-	481,949	450,829	-	-	-	(18,248)	-	-	-	-	-	-	1,243,654
Fund balances, beginning	-	116,332	1,254	1,228	-	18,248	-	-	-	-	(534,600)	(155,014)	-	-	-	-	-	-	-	-	-	-	1,026,560
Fund balances, ending	\$ 74,162	\$ 107,983	\$ 1,254	\$ 1,232	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (52,651)	\$ 295,815	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,270,214



PLODZIK & SANDERSON

Professional Association/Accountants & Auditors

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INDEPENDENT AUDITOR'S COMMUNICATION OF CONTROL DEFICIENCIES AND OTHER MATTERS

To the Members of the Board of Selectmen and Town Manager
Town of Hampton
Hampton, New Hampshire

In planning and reporting our audit of the financial statements of the Town of Hampton as of and for the fiscal year ended December 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Town of Hampton's internal control over financial reporting (internal control) as a basis for designing our auditing procedures 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 Hampton's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Hampton's internal control.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Town of Hampton's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Town of Hampton's financial statements that is more than inconsequential will not be prevented or detected by the Town of Hampton's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Town of Hampton's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

We do, however, want to discuss the following issues that we do not consider to be material weaknesses.

Investment Policy

We noted that the Board of Selectmen had not adopted an investment policy, pursuant to RSA 41:9. However, we have noted that subsequent to the fiscal year end of December 31, 2007, and prior to the date of this report, the Board had corrected this finding by developing and adopting an investment policy.

Approval of Timesheets

We noted timesheets for an employee in the assessing department were added incorrectly. The hours worked according to the timesheet were less than the hours totaled and paid according to the payroll register. Internal controls over payroll should include recalculating hours worked on timesheets to verify totals. This should be done by the employee who is approving the timesheet. Management does have this control in place, and believes that this was an isolated instance resulting from the employee having a flexible schedule. Management believes that the correct hours were paid, but were not reflected on the timesheet.

*Town of Hampton
Independent Auditor's Communication of Control Deficiencies and Other Matters*

Preparation of Financial Statements and Disclosures

Due to the limited resources available in the Town, management has requested that our firm prepare the financial statements and footnote disclosures for them to review and approve. This does not violate professional independence standards as the Finance Director understands and takes responsibility for the statements, and is the most cost effective option for the Town.

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

*Plodzik & Sanderson
Professional Association*

October 9, 2008