

**TOWN OF HAMPTON,
NEW HAMPSHIRE**

ANNUAL FINANCIAL REPORT

**AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2008**

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PLODZIK & SANDERSON

Professional Association/Accountants & Auditors

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INDEPENDENT AUDITOR'S REPORT

To the Members of the Board of Selectmen
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, 2008, 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, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 respective financial position of the governmental activities of the Town of Hampton at December 31, 2008, 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.

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, 2008, 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.

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.

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.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 27, 2009 on our consideration of the Town of Hampton's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*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 basic financial statements. The combining and individual fund schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the Town of Hampton. The combining and individual fund schedules and the schedule of expenditures of federal awards 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.

August 27, 2009

Stephan A. Collyer, CPA

PLODZIK & SANDERSON
Professional Association

EXHIBIT A
TOWN OF HAMPTON, NEW HAMPSHIRE
Statement of Net Assets
December 31, 2008

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 16,542,960
Investments	13,716,930
Intergovernmental receivable	223,175
Other receivables, net of allowances for uncollectible	3,960,463
Prepaid items	28,120
Total assets	34,471,648
LIABILITIES	
Accounts payable	263,698
Accrued salaries and benefits	69,038
Contract payable	1,939
Intergovernmental payable	12,575,919
Accrued interest payable	264,078
Retainage payable	22,849
Escrow and performance deposits	102,332
Unearned revenue	191,367
Noncurrent obligations:	
Due within one year:	
Bonds and notes	2,130,140
Capital lease	123,734
Compensated absences	328,619
Accrued landfill postclosure care costs	27,000
Due in more than one year:	
Bonds and notes	23,292,984
Capital lease	172,703
Compensated absences	865,451
Accrued landfill postclosure care costs	459,000
Total liabilities	40,890,851
NET ASSETS	
Invested in capital assets, net of related debt	(25,719,561)
Restricted for:	
Perpetual care	14,068,896
Capital projects	472,399
Unrestricted	4,759,063
Total net assets	\$ (6,419,203)

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, 2008

	Expenses	Program Revenues		Net (Expense) Revenue and Change in Net Assets
		Charges for Services	Operating Grants and Contributions	
Governmental activities:				
General government	\$ 6,579,520	\$ 79,242	\$ (1,180,981)	\$ (7,681,259)
Public safety	8,536,767	922,891	434,727	(7,179,149)
Highways and streets	1,547,736	-	524,663	(1,023,073)
Sanitation	3,528,129	421,159	-	(3,106,970)
Water distribution and treatment	-	147,839	91,066	238,905
Health	331,656	-	-	(331,656)
Welfare	80,563	-	-	(80,563)
Culture and recreation	1,235,362	414,384	35,581	(785,397)
Conservation	12,812	-	8,956	(3,856)
Interest on long-term debt	1,024,391	-	-	(1,024,391)
Capital outlay	1,562,099	-	695,179	(866,920)
Total governmental activities	<u>\$ 24,439,035</u>	<u>\$ 1,985,515</u>	<u>\$ 609,191</u>	<u>(21,844,329)</u>
General revenues:				
Taxes:				
Property				19,230,904
Other				313,261
Motor vehicle permit fees				2,576,551
Licenses and other fees				206,962
Grants and contributions not restricted to specific programs				810,343
Miscellaneous				407,637
Total general revenues				<u>23,545,658</u>
Change in net assets				<u>1,701,329</u>
Net assets, beginning, as restated (see Note 2-J)				<u>(8,120,532)</u>
Net assets, ending				<u>\$ (6,419,203)</u>

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

EXHIBIT C-1
TOWN OF HAMPTON, NEW HAMPSHIRE
Governmental Funds
Balance Sheet
December 31, 2008

	General	Permanent	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 13,097,625	\$ 464,797	\$ 2,980,538	\$ 16,542,960
Investments	-	13,501,336	215,594	13,716,930
Receivables, net of allowance for uncollectible:				
Interest	-	108,619	-	108,619
Taxes	3,577,195	-	-	3,577,195
Accounts	22,644	-	252,005	274,649
Intergovernmental	38,382	-	-	38,382
Interfund receivable	630,062	-	5,911	635,973
Prepaid items	113,010	-	14,167	127,177
Total assets	<u>\$ 17,478,918</u>	<u>\$ 14,074,752</u>	<u>\$ 3,468,215</u>	<u>\$ 35,021,885</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 250,693	\$ 5,856	\$ 7,149	\$ 263,698
Accrued salaries and benefits	68,228	-	810	69,038
Contract payable	-	-	1,939	1,939
Intergovernmental payable	12,575,919	-	-	12,575,919
Interfund payable	-	-	635,973	635,973
Retainage payable	-	-	22,849	22,849
Escrow and performance deposits	102,332	-	-	102,332
Deferred revenue	45,350	-	146,017	191,367
Total liabilities	<u>13,042,522</u>	<u>5,856</u>	<u>814,737</u>	<u>13,863,115</u>
Fund balances:				
Reserved for encumbrances	668,015	-	-	668,015
Reserved for endowments	-	14,068,896	-	14,068,896
Unreserved:				
Designated for contingency	850,000	-	-	850,000
Undesignated, reported in:				
General fund	2,918,381	-	-	2,918,381
Special revenue funds	-	-	2,252,459	2,252,459
Capital projects funds	-	-	401,019	401,019
Total fund balances	<u>4,436,396</u>	<u>14,068,896</u>	<u>2,653,478</u>	<u>21,158,770</u>
Total liabilities and fund balances	<u>\$ 17,478,918</u>	<u>\$ 14,074,752</u>	<u>\$ 3,468,215</u>	<u>\$ 35,021,885</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, 2008

Total fund balances of governmental funds (Exhibit C-1)		\$ 21,158,770
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	\$ (635,973)	
Payables	<u>635,973</u>	
Other long-term assets are not available to pay for current-period expenditures, and therefore, are not reported in governmental funds.		
Intergovernmental receivable (long-term portion)		184,793
Principal and interest paid in advance of the due date is recorded as a prepaid item in the governmental funds, but reduces the principal liability and is recorded as an expense in the governmental activities		
Prepaid principal and interest on debt		(99,057)
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(264,078)
Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the funds:		
Bonds	\$ 25,423,124	
Capital lease	296,437	
Compensated absences payable	1,194,070	
Accrued landfill postclosure care costs	<u>486,000</u>	
		<u>(27,399,631)</u>
Total net assets of governmental activities (Exhibit A)		<u>\$ (6,419,203)</u>

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

EXHIBIT C-3
TOWN OF HAMPTON, NEW HAMPSHIRE
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended December 31, 2008

	General	Permanent	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 19,544,165	\$ -	\$ -	\$ 19,544,165
Licenses and permits	2,783,513	-	-	2,783,513
Intergovernmental	2,552,316	-	8,931	2,561,247
Charges for services	942,879	-	1,042,636	1,985,515
Miscellaneous	407,633	(1,180,982)	65,672	(707,677)
Total revenues	<u>26,230,506</u>	<u>(1,180,982)</u>	<u>1,117,239</u>	<u>26,166,763</u>
Expenditures:				
Current:				
General government	6,539,688	75,402	1	6,615,091
Public safety	7,878,798	-	665,387	8,544,185
Highways and streets	1,626,379	-	21,944	1,648,323
Sanitation	3,555,129	-	-	3,555,129
Health	331,656	-	-	331,656
Welfare	80,563	-	-	80,563
Culture and recreation	199,320	-	1,034,286	1,233,606
Conservation	-	-	12,812	12,812
Debt service:				
Principal	2,240,476	-	-	2,240,476
Interest	1,023,269	-	-	1,023,269
Capital outlay	531,189	-	1,030,910	1,562,099
Total expenditures	<u>24,006,467</u>	<u>75,402</u>	<u>2,765,340</u>	<u>26,847,209</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,224,039</u>	<u>(1,256,384)</u>	<u>(1,648,101)</u>	<u>(680,446)</u>
Other financing sources (uses):				
Transfers in	726,153	-	1,173,636	1,899,789
Transfers out	(1,173,351)	(676,624)	(49,814)	(1,899,789)
Debt issued	-	-	907,543	907,543
Total other financing sources and uses	<u>(447,198)</u>	<u>(676,624)</u>	<u>2,031,365</u>	<u>907,543</u>
Net change in fund balances	1,776,841	(1,933,008)	383,264	227,097
Fund balances, beginning	2,659,555	16,001,904	2,270,214	20,931,673
Fund balances, ending	<u>\$ 4,436,396</u>	<u>\$ 14,068,896</u>	<u>\$ 2,653,478</u>	<u>\$ 21,158,770</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, 2008

Net change in fund balances of governmental funds (Exhibit C-3)		\$ 227,097
Amounts reported for governmental activities in the statement of activities are different because:		
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds.		
Decrease in deferred aid revenue		(26,399)
Transfers in and out between governmental funds are eliminated on the operating statement on the operating statement.		
Transfers in	\$ (1,899,789)	
Transfers out	<u>1,899,789</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.		
Long-term debt issued	\$ (907,543)	
Repayment of bonds	2,190,508	
Repayment of capital lease	<u>118,981</u>	
		1,401,946
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	\$ 28,922	
Increase in prepaid items	(99,057)	
Decrease in compensated absences payable	141,820	
Decrease in accrued landfill postclosure care costs	<u>27,000</u>	
		<u>98,685</u>
Change in net assets of governmental activities (Exhibit B)		<u><u>\$ 1,701,329</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, 2008

	<u>Agency</u>
ASSETS	
Cash and cash equivalents	<u>\$ 493,936</u>
LIABILITIES	
Escrow and performance deposits	395,125
Due to other governmental units	<u>98,811</u>
Total liabilities	<u>493,936</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
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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, 2008

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 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*.

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.

TOWN OF HAMPTON, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
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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 the 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.

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.

TOWN OF HAMPTON, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2008

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 district 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/Unearned 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 Board of Selectmen, 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.

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.

TOWN OF HAMPTON, NEW HAMPSHIRE
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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 abatement trend information. 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.

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.

TOWN OF HAMPTON, NEW HAMPSHIRE
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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 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/expenses 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/expenses 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 - DETAILED NOTES ON ALL FUNDS AND GOVERNMENT-WIDE STATEMENTS

2-A Custodial Credit Risk for Deposits and Investment Risks

Custodial credit risk is the risk that in the event of a bank failure, a 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, 2008, \$1,299,774 of the Town's bank balances of \$18,464,511 was exposed to custodial credit risk as uninsured and uncollateralized.

As of December 31, 2008, the Town had the following investments:

Certificate of deposit	\$ 212,242
U.S. Government obligations	5,254,478
Nongovernment obligations	2,677,967
Foreign obligations	268,523
Preferred stocks	644,219
Mutual funds	79,240
Common stocks	4,580,261
	<u>\$ 13,716,930</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. Of the Town's \$13,716,930 in investments, \$8,250,211 is subject to custodial credit risk because the securities are held by the counter party's trust department or agent, not in the Town's name. The Town does not have policies for custodial credit risk.

TOWN OF HAMPTON, NEW HAMPSHIRE
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Concentration of Credit Risk - The Town places no limit on the amount it may invest in any one issuer. The Town does not have any investment representing 5% or more of the total investment.

2-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, 2008, upon which the 2008 property tax levy was based is:

For the New Hampshire education tax	\$2,952,820,500
For all other taxes	\$3,031,631,500

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.

The tax rates and amounts assessed for the year ended December 31, 2008, were as follow:

	<u>Per \$1,000 of Assessed Valuation</u>	<u>Property Taxes Assessed</u>
Municipal portion	\$6.57	\$ 19,919,346
School portion:		
State of New Hampshire	\$2.28	6,733,838
Local	\$6.55	19,852,209
County portion	\$0.93	2,821,460
Precinct portions:		
Hampton Beach Village - nonexempt	\$0.49	263,905
Hampton Beach Village - exempt	\$0.15	100,224
Total		<u>\$ 49,690,982</u>

During the current fiscal year, the tax collector executed a lien on August 26 for all uncollected 2007 property taxes.

Taxes receivable at December 31, 2008, are as follow:

Property:	
Levy of 2008	\$ 3,114,319
Unredeemed (under tax lien):	
Levy of 2007	487,488
Levy of 2006	198,388
Less: allowance for estimated uncollectible taxes	(223,000)
Net taxes receivable	<u>\$ 3,577,195</u>

TOWN OF HAMPTON, NEW HAMPSHIRE
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2-C Other Receivables

Other receivables at December 31, 2008, consisted of accounts (billings 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, 2008 are as follows:

Accounts	\$ 491,099
Interest	108,619
Intergovernmental	38,382
Voluntary liens	105,237
Less: allowance for uncollectible amounts	<u>(321,687)</u>
Net receivables	<u>\$ 421,650</u>

2-D Prepaid Items

Prepaid items in the general fund at December 31, 2008 consisted of principal and interest on debt due January 1, 2009 of \$99,057 and other miscellaneous items of \$13,953. Prepaid items in the special revenue fund consist of monies paid in advance for tickets/trips in the recreation fund; these totaled \$14,167.

2-E Interfund Balances and Transfers

Interfund balances at December 31, 2008 consist of overdrafts in the pooled cash and budgetary transfers.

The composition of interfund balances as of December 31, 2008 is as follows:

Receivable fund	Payable fund	Amount
General	Nonmajor	\$ 630,062
Nonmajor	Nonmajor	<u>5,911</u>
		<u>\$ 635,973</u>

Interfund transfers during the year ended December 31, 2008 consisted of voted appropriations and trust income distributions.

	Transfers in:		
	General Fund	Nonmajor Funds	Total
Transfers out:			
General fund	\$ -	\$ 1,173,351	\$ 1,173,351
Permanent fund	676,339	-	676,339
Nonmajor funds	<u>49,814</u>	<u>285</u>	<u>50,099</u>
Total	<u>\$ 726,153</u>	<u>\$ 1,173,636</u>	<u>\$ 1,899,789</u>

2-F Intergovernmental Payable

Amounts due to other governments at December 31, 2008 consist of:

Balance of 2008-2009 district assessment due to the:	
Hampton School District	\$ 4,225,352
Winnacunnet School District	8,349,563
Fees due to the State of New Hampshire	<u>1,004</u>
Total	<u>\$ 12,575,919</u>

TOWN OF HAMPTON, NEW HAMPSHIRE
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2-G Deferred/Unearned Revenue

Deferred/unearned revenue of \$191,367 at December 31, 2008 consists of \$38,650 in cemetery lot sales that are deferred until voted to transfer to the permanent funds, \$88,268 in various grants received in advance of eligible expenditures being made, \$42,889 in interest earned on retainage accounts not available for use, and \$21,560 of other miscellaneous items.

2-H Long-Term Liabilities

	General Obligation Bonds/Notes Payable	Capital Lease Payable	Compensated Absences Payable	Accrued Landfill Postclosure Care Cost	Total
Balance, beginning	\$ 26,706,089	\$ 415,418	\$ 1,335,890	\$ 513,000	\$ 28,970,397
Additions	907,543	-	-	-	907,543
Reductions	(2,190,508)	(118,981)	(141,820)	(27,000)	(2,478,309)
Balance, ending	<u>\$ 25,423,124</u>	<u>\$ 296,437</u>	<u>\$ 1,194,070</u>	<u>\$ 486,000</u>	<u>\$ 27,399,631</u>

Long-term liabilities are comprised of the following:

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at December 31, 2008	Current Portion
General obligation bonds/notes payable:						
Wastewater treatment plant	\$ 1,398,340	1999	2019	5.10	\$ 755,238	\$ 68,658
Police facility	\$ 6,323,000	2002	2012	4.75	2,527,000	632,000
Beach infrastructure	\$ 6,000,000	2004	2024	3.86	4,800,000	300,000
SRF	\$ 4,305,000	2005	2019	3.62	3,105,000	400,000
WWTP upgrade	\$ 4,750,000	2005	2024	3.69	3,800,000	237,500
Hurd Farm easement	\$ 2,005,000	2005	2025	4.00	1,696,534	102,821
Beach infrastructure	\$ 725,000	2005	2025	4.07	613,463	37,179
Kings' Highway	\$ 1,731,411	2007	2026	3.35	1,558,270	86,571
Beach infrastructure	\$ 4,582,257	2007	2026	3.49	4,124,034	229,113
Kings' Highway	\$ 468,000	2007	2027	4.99	453,883	14,886
Beach infrastructure	\$ 692,000	2007	2027	4.99	678,464	21,412
WWTP upgrade	\$ 1,380,251	2008	2028	3.35	1,311,238	-
					<u>25,423,124</u>	<u>2,130,140</u>
Capital lease payable:						
Ladder truck	\$ 605,624	2006	2011	3.92	296,437	123,734
Compensated absences payable:						
Vested sick leave					606,057	295,716
Accrued vacation leave					387,036	32,903
Other					200,977	-
					<u>1,194,070</u>	<u>328,619</u>
Accrued landfill postclosure care costs						
					486,000	27,000
Total					<u>\$ 27,399,631</u>	<u>\$ 2,609,493</u>

TOWN OF HAMPTON, NEW HAMPSHIRE
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The annual requirements to amortize all general obligation debt outstanding as of December 31, 2008, including interest payments, are as follows:

Annual Requirements to Amortize General Obligation Bonds/Notes Payable

Fiscal Year Ending December 31,	Principal	Interest	Total
2009	\$ 2,130,140	\$ 926,985	\$ 3,057,125
2010	2,195,989	873,959	3,069,948
2011	2,192,917	788,551	2,981,468
2012	2,188,802	703,364	2,892,166
2013	1,560,066	617,980	2,178,046
2014-2018	6,996,094	2,264,133	9,260,227
2019-2023	5,713,353	1,093,499	6,806,852
2024-2028	2,445,763	171,428	2,617,191
Totals	<u>\$ 25,423,124</u>	<u>\$ 7,439,899</u>	<u>\$ 32,863,023</u>

Annual Requirements to Amortize the Capital Lease Payable

Fiscal Year Ending December 31,	Principal	Interest	Total
2009	\$ 123,735	\$ 9,422	\$ 133,157
2010	128,677	4,478	133,155
2011	44,025	360	44,385
Totals	<u>\$ 296,437</u>	<u>\$ 14,260</u>	<u>\$ 310,697</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, 2008 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	34,748
		<u>\$ 97,634</u>

Accrued Landfill Postclosure Care Costs

The Town ceased operating its landfill in prior years. Federal and State laws and regulations require that the Town place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site after closure. A liability is being recognized in the general long-term debt account group based on postclosure care costs that will be incurred. The estimated liability for these costs has a balance of \$486,000 as of December 31, 2008. The estimated total current cost of the landfill postclosure care is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor and maintain the landfill were acquired as of December 31, 2008. 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.

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2-I 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, 2008, the Town is due to receive the following annual amounts to offset debt payments.

Bond Issues	State Aid Grant Number	Amount
Sewer Construction Loan	C-496	\$ 219,029
Wastewater Treatment Facility Upgrade	C-715	\$ 1,049,958

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

Fiscal Year Ending December 31,	Amount	
	C-496	C-715
2009	\$ 34,959	\$ 79,442
2010	33,736	77,599
2011	32,513	75,757
2012	31,290	73,914
2013	30,066	72,072
2014-2024	56,465	671,174
Totals	\$ 219,029	\$ 1,049,958

2-J Restatement of Net Assets

Net assets at January 1, 2008 were restated to give retroactive effect to the following prior period adjustment:

To properly reflect water pollution grant receivable	\$ 44,018
Net assets, as previously stated	8,076,514
Net assets, as restated	\$ 8,120,532

NOTE 3 - OTHER MATTERS

3-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 gross earnings. Police officers and firefighters are required to contribute 9.3% of gross earnings. For 2008, the Town contributed 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 2006, 2007, and 2008 were \$969,156, \$1,052,609, and \$1,171,264, 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, \$423,710, is reported as an "on-behalf payment," as an expenditure and revenue on the governmental fund operating statement, and as an expense and revenue on the government-wide statement of activities.

TOWN OF HAMPTON, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
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3-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 2008, the Town was a member of the Local Government Center Property-Liability Trust, LLC. This entity is considered a public entity risk pool, currently operating as a common risk management and insurance program for member towns and cities.

The Local Government Center Property-Liability Trust, LLC 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 2008 for fiscal year 2009, ending June 30, 2009, to be recorded as an insurance expenditure totaled \$257,622. There were no unpaid contributions for the year ending June 30, 2009 and due in 2008. The Town also paid \$386,001 for workers' compensation for the year ended December 31, 2008. 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.

3-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.

3-D Cafeteria Benefit Plan

Effective July 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 employed 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.

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, 2008

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues:				
Taxes	\$ 19,267,797	\$ 19,267,797	\$ 19,544,165	\$ 276,368
Licenses and permits	2,932,600	2,932,600	2,783,513	(149,087)
Intergovernmental	1,194,616	1,983,384	2,128,606	145,222
Charges for services	879,994	879,994	942,879	62,885
Miscellaneous	379,273	379,273	407,633	28,360
Total revenues	<u>24,654,280</u>	<u>25,443,048</u>	<u>25,806,796</u>	<u>363,748</u>
Expenditures:				
Current:				
General government	6,930,159	6,930,159	6,540,592	389,567
Public safety	7,432,722	7,639,101	7,610,335	28,766
Highways and streets	1,889,181	1,982,770	1,843,433	139,337
Sanitation	3,826,056	3,826,056	3,757,955	68,101
Health	339,583	339,583	331,656	7,927
Welfare	158,132	158,132	80,563	77,569
Culture and recreation	194,422	194,422	201,421	(6,999)
Debt service:				
Principal	2,243,380	2,243,380	2,240,476	2,904
Interest	1,067,294	1,067,294	1,023,269	44,025
Capital outlay	49,500	538,300	531,189	7,111
Total expenditures	<u>24,130,429</u>	<u>24,919,197</u>	<u>24,160,889</u>	<u>758,308</u>
Excess of revenues over expenditures	<u>523,851</u>	<u>523,851</u>	<u>1,645,907</u>	<u>1,122,056</u>
Other financing sources (uses):				
Transfers in	649,500	649,500	726,153	76,653
Transfers out	(1,173,351)	(1,173,351)	(1,173,351)	-
Total other financing sources and uses	<u>(523,851)</u>	<u>(523,851)</u>	<u>(447,198)</u>	<u>76,653</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	1,198,709	<u>\$ 1,198,709</u>
Unreserved fund balance, beginning			1,719,672	
Unreserved fund balance, ending			<u>\$ 2,918,381</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
FOR THE FISCAL YEAR ENDED
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General Budget Policies.....	1
Budgetary Reconciliation.....	2

TOWN OF HAMPTON, NEW HAMPSHIRE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED
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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 2008, none of the beginning general fund 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)	\$ 26,532,949
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	423,710
Per Exhibit C-3 (GAAP basis)	<u>\$ 26,956,659</u>
Expenditures and other financing uses:	
Per Exhibit E (Budgetary basis)	\$ 25,334,240
Adjustment:	
Basis differences:	
Encumbrances, beginning	89,883
Encumbrances, ending	(668,015)
On-behalf retirement contributions made by the State of New Hampshire recognized as expenditures on the GAAP basis, but not on the budgetary basis	423,710
Per Exhibit C-3 (GAAP basis)	<u>\$ 25,179,818</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, 2008

	Estimated	Actual	Variance Positive (Negative)
Taxes:			
Property	\$ 18,987,797	\$ 19,230,904	\$ 243,107
Interest and penalties on taxes	280,000	313,261	33,261
Total taxes	19,267,797	19,544,165	276,368
Licenses, permits and fees:			
Business licenses, permits and fees	7,100	7,090	(10)
Motor vehicle permit fees	2,732,100	2,576,551	(155,549)
Building permits	169,500	177,353	7,853
Other	23,900	22,519	(1,381)
Total licenses, permits and fees	2,932,600	2,783,513	(149,087)
Intergovernmental:			
State:			
Shared revenue block grant	131,260	131,260	-
Meals and rooms distribution	678,937	678,937	-
Highway block grant	266,808	265,891	(917)
Water pollution grants	117,465	117,465	-
Railroad tax	146	146	-
FEMA	-	146,139	146,139
Federal:			
CDBG	490,655	490,655	-
FEMA	298,113	298,113	-
Total intergovernmental	1,983,384	2,128,606	145,222
Charges for services:			
Income from departments	879,994	942,879	62,885
Miscellaneous:			
Sale of municipal property	22,162	22,747	585
Interest on investments	47,100	50,744	3,644
Rent of property	270,000	276,541	6,541
Fines and forfeits	40,011	50,104	10,093
Contributions and donations	-	377	377
Other	-	7,120	7,120
Total miscellaneous	379,273	407,633	28,360
Other financing sources:			
Transfers in:			
Expendable trust	-	49,814	49,814
Permanent fund	649,500	676,339	26,839
Total other financing sources	649,500	726,153	76,653
Total revenues and other financing sources	\$ 26,092,548	\$ 26,532,949	\$ 440,401

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, 2008

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
General government:					
Executive	\$ -	\$ 117,289	\$ 121,906	\$ -	\$ (4,617)
Election and registration	-	235,455	221,438	20,000	(5,983)
Financial administration	-	795,622	780,380	7,654	7,588
Legal	12,500	348,391	309,572	-	51,319
Personnel administration	-	1,979,252	1,883,392	-	95,860
Planning and zoning	14,250	127,922	119,063	-	23,109
General government buildings	-	87,273	100,430	-	(13,157)
Cemeteries	-	99,639	102,434	-	(2,795)
Insurance, not otherwise allocated	-	3,084,145	2,846,992	-	237,153
Other	-	55,171	54,081	-	1,090
Total general government	<u>26,750</u>	<u>6,930,159</u>	<u>6,539,688</u>	<u>27,654</u>	<u>389,567</u>
Public safety:					
Police	11,099	3,674,844	3,612,303	94,647	(21,007)
Fire	3,984	3,391,838	3,319,322	62,563	13,937
Building inspection	-	177,079	177,611	-	(532)
Emergency management	-	3,000	529	-	2,471
Other	-	392,340	345,323	13,120	33,897
Total public safety	<u>15,083</u>	<u>7,639,101</u>	<u>7,455,088</u>	<u>170,330</u>	<u>28,766</u>
Highways and streets:					
Administration	48,050	1,247,906	898,653	265,104	132,199
Highways and streets	-	530,114	499,269	-	30,845
Street lighting	-	204,750	228,457	-	(23,707)
Total highways and streets	<u>48,050</u>	<u>1,982,770</u>	<u>1,626,379</u>	<u>265,104</u>	<u>139,337</u>
Sanitation:					
Administration	-	1,808,575	1,516,870	202,826	88,879
Solid waste collection	-	617,230	620,968	-	(3,738)
Solid waste disposal	-	1,197,251	1,181,515	-	15,736
Sewage collection	-	203,000	235,776	-	(32,776)
Total sanitation	<u>-</u>	<u>3,826,056</u>	<u>3,555,129</u>	<u>202,826</u>	<u>68,101</u>
Health:					
Pest control	-	167,931	160,004	-	7,927
Health agencies and hospitals	-	171,652	171,652	-	-
Total health	<u>-</u>	<u>339,583</u>	<u>331,656</u>	<u>-</u>	<u>7,927</u>
Welfare:					
Administration	-	29,288	30,210	-	(922)
Direct assistance	-	128,844	50,353	-	78,491
Total welfare	<u>-</u>	<u>158,132</u>	<u>80,563</u>	<u>-</u>	<u>77,569</u>
Culture and recreation:					
Parks and recreation	-	192,272	197,185	2,101	(7,014)
Patriotic purposes	-	1,650	1,888	-	(238)
Other	-	500	247	-	253
Total culture and recreation	<u>-</u>	<u>194,422</u>	<u>199,320</u>	<u>2,101</u>	<u>(6,999)</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, 2008

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Debt service:					
Principal of long-term debt	-	2,243,380	2,240,476	-	2,904
Interest on long-term debt	-	987,294	1,014,482	-	(27,188)
Interest on tax anticipation notes	-	80,000	8,787	-	71,213
Total debt service	-	<u>3,310,674</u>	<u>3,263,745</u>	-	<u>46,929</u>
Capital outlay:					
Machinery, vehicles and equipment	-	45,000	36,834	-	8,166
Buildings	-	4,500	3,700	-	800
Improvements other than buildings	-	488,800	490,655	-	(1,855)
Total capital outlay	-	<u>538,300</u>	<u>531,189</u>	-	<u>7,111</u>
Other financing uses:					
Transfers out:					
Nonmajor funds	-	<u>1,173,351</u>	<u>1,173,351</u>	-	-
Total appropriations, expenditures, other financing uses, and encumbrances	<u>\$ 89,883</u>	<u>\$ 26,092,548</u>	<u>\$ 24,756,108</u>	<u>\$ 668,015</u>	<u>\$ 758,308</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, 2008

Unreserved, undesignated fund balance, beginning		\$ 1,719,672
Changes:		
2008 Budget summary:		
Revenue surplus (Schedule 1)	\$ 440,401	
Unexpended balance of appropriations (Schedule 2)	758,308	
2008 Budget surplus		1,198,709
Unreserved, undesignated fund balance, ending		\$ 2,918,381

SCHEDULE 4
TOWN OF HAMPTON, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2008

	Special Revenue Funds										
	Conservation Commission	USS Hampton	Recreation Fund	Police Grants	Lane Memorial Library	Police Detail	Beach Infrastructure	Expendable Trusts	Police Forfeiture Fund	Emergency Medical	Fire Alarm
Cash and cash equivalents	\$ 57,554	\$ 5,462	\$ 18,970	\$ 14,905	\$ 136,349	\$ 43,487	\$ 179,546	\$ 1,048,780	\$ 131,142	\$ 157,201	\$ 1,240
Investments	136,660	-	-	-	78,934	-	-	-	-	-	-
Accounts receivable	-	-	-	-	-	26,691	-	-	-	225,189	125
Interfund receivable	-	-	-	-	-	-	-	-	-	-	-
Prepaid items	-	-	14,167	-	-	-	-	-	-	-	-
Total assets	\$ 194,214	\$ 5,462	\$ 33,137	\$ 14,905	\$ 215,283	\$ 70,178	\$ 179,546	\$ 1,048,780	\$ 131,142	\$ 382,390	\$ 1,365

LIABILITIES AND FUND BALANCES

LIABILITIES:											
Accounts payable	\$ -	\$ -	\$ 25	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,883	\$ -
Accrued salaries and benefits	-	-	-	-	-	181	-	-	-	629	-
Contract payable	-	-	-	-	-	-	-	-	-	-	-
Interfund payable	-	-	-	12,162	-	-	-	-	30,538	-	-
Retainage payable	-	-	-	-	-	-	-	-	-	-	-
Deferred revenue	-	-	13,770	-	-	-	-	-	88,268	-	-
Total liabilities	\$ -	\$ -	\$ 13,795	\$ 12,162	\$ -	\$ 181	\$ -	\$ -	\$ 118,806	\$ 4,512	\$ -

Fund balances:

Unreserved, undesignated, reported in:											
Special revenue funds	194,214	5,462	19,342	2,743	215,283	69,997	179,546	1,048,780	12,336	377,878	1,365
Capital projects funds	-	-	-	-	-	-	-	-	-	-	-
Total fund balances	194,214	5,462	19,342	2,743	215,283	69,997	179,546	1,048,780	12,336	377,878	1,365
Total liabilities and fund balances	\$ 194,214	\$ 5,462	\$ 33,137	\$ 14,905	\$ 215,283	\$ 70,178	\$ 179,546	\$ 1,048,780	\$ 131,142	\$ 382,390	\$ 1,365

(continued)

SCHEDULE 4 (continued)
TOWN OF HAMPTON, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2008

	Special Revenue Funds (continued)				Capital Projects Funds					Total
	Cable TV	Recreation Infrastructure	Cemetery Trustees	Founders' Day	Wastewater Treatment Plant Improvements	Police Facility	Sewer Facilities Update	Beach Infrastructure	Public Safety Pier	
ASSETS										
Cash and cash equivalents	\$ 96,260	\$ 30,044	\$ 1,254	\$ 1,808	\$ 293,517	\$ 71,159	\$ 91,966	\$ 598,804	\$ 1,090	\$ -
Investments	-	-	-	-	-	-	-	-	-	-
Accounts receivable	-	-	-	-	-	-	-	-	-	-
Interfund receivable	-	-	-	-	-	-	-	-	-	-
Prepaid items	-	-	-	-	-	-	-	-	-	5,911
Total assets	\$ 96,260	\$ 30,044	\$ 1,254	\$ 1,808	\$ 293,517	\$ 71,159	\$ 91,966	\$ 598,804	\$ 1,090	\$ 5,911

LIABILITIES AND FUND BALANCES

LIABILITIES:										
Accounts payable	\$ 3,241	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued salaries and benefits	-	-	-	-	-	-	-	-	-	-
Contract payable	-	-	-	-	-	-	-	-	-	1,939
Interfund payable	-	-	-	612	250,484	71,159	144,613	126,405	-	-
Retainage payable	-	-	-	-	144	-	-	-	-	22,705
Deferred revenue	-	-	-	-	42,889	-	-	-	1,090	-
Total liabilities	3,241	-	-	612	293,517	71,159	144,613	126,405	1,090	24,644

Fund balances:

Unreserved, undesignated, reported in:										
Special revenue funds	93,019	30,044	1,254	1,196	-	-	-	-	-	-
Capital projects funds	-	-	-	-	-	-	(52,647)	472,399	-	(18,733)
Total fund balances	93,019	30,044	1,254	1,196	-	-	(52,647)	472,399	-	(18,733)
Total liabilities and fund balances	\$ 96,260	\$ 30,044	\$ 1,254	\$ 1,808	\$ 293,517	\$ 71,159	\$ 91,966	\$ 598,804	\$ 1,090	\$ 5,911

SCHEDULE 5
TOWN OF HAMPTON, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended December 31, 2008

	Special Revenue Funds										
	Conservation Commission	USS Hampton	Recreation Fund	Police Grants	Lane Memorial Library	Police Detail Fund	Beach Infrastructure	Expendable Trusts	Police Forfeiture Fund	Emergency Medical	Fire Alarm
Revenues:											
Intergovernmental	\$ -	\$ -	\$ -	\$ 7,533	\$ -	\$ -	\$ -	\$ -	\$ 1,398	\$ -	\$ -
Charges for services	-	-	147,839	-	2,720	249,192	-	-	-	513,448	-
Miscellaneous	8,956	-	1,390	44	32,586	-	1,601	19,044	2,042	-	-
Total revenues	8,956	-	149,229	7,577	35,306	249,192	1,601	19,044	3,440	513,448	-
Expenditures:											
Current:											
General government	-	-	-	-	-	-	-	-	-	-	-
Public safety	-	-	-	7,533	-	236,051	-	-	1,398	420,405	-
Highways and streets	-	-	-	-	-	-	-	21,944	-	-	-
Culture and recreation	-	-	149,822	-	825,950	-	-	-	-	-	-
Conservation	12,812	-	-	-	-	-	-	-	-	-	-
Capital outlay	151,173	-	-	-	-	-	-	-	-	-	-
Total expenditures	163,985	-	149,822	7,533	825,950	236,051	-	21,944	1,398	420,405	-
Excess (deficiency) of revenues over (under) expenditures	(155,029)	-	(593)	44	(790,644)	13,141	1,601	(2,900)	2,042	93,043	-
Other financing sources (uses):											
Transfers in	3,601	-	96	-	810,189	-	-	359,750	-	-	-
Transfers out	-	-	-	-	-	-	-	(49,814)	-	-	-
Long-term debt issued	-	-	-	-	-	-	-	-	-	-	-
Total other financing sources and uses	3,601	-	96	-	810,189	-	-	309,936	-	-	-
Net change in fund balances	(151,428)	-	(497)	44	19,545	13,141	1,601	307,036	2,042	93,043	-
Fund balances, beginning	345,642	5,462	19,839	2,699	195,738	56,856	177,945	741,744	10,294	284,835	1,365
Fund balances, ending	\$ 194,214	\$ 5,462	\$ 19,342	\$ 2,743	\$ 215,283	\$ 69,997	\$ 179,546	\$ 1,048,780	\$ 12,336	\$ 377,878	\$ 1,365

(continued)



PLODZIK & SANDERSON

Professional Association/Accountants & Auditors

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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***

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

We have audited the financial statements of the governmental activities, the major fund and the aggregate remaining fund information of the Town of Hampton as of and for the year ended December 31, 2008, and have issued our report thereon dated , 2009 . Our opinion on the governmental activities was adverse as indicated therein. We conducted our audit 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Town of Hampton's internal control over financial reporting 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's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Hampton's internal control over financial reporting.

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 entity'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 entity's financial statements that is more than inconsequential will not be prevented or detected by the entity'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 entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section 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 over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Hampton's financial statements are free of material misstatement, 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the board of selectmen, others within the entity, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

August 27, 2009

Margaret A. Colby, CPA
PLODZIK & SANDERSON
Professional Association



PLODZIK & SANDERSON

Professional Association/Accountants & Auditors

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of the Town of Hampton with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2008. The Town of Hampton's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the Town's management. Our responsibility is to express an opinion on the Town of Hampton's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Town of Hampton's compliance with those requirements.

In our opinion, the Town of Hampton complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2008.

Internal Control over Compliance

The management of the Town of Hampton is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Town's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

*Town of Hampton
Report on Compliance with Requirements Applicable to each Major Program and
Internal Control over Compliance in Accordance with OMB Circular A-133*

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section 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 over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the board of selectmen, others within the entity, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

August 27, 2009

Gregory A. Cally, CPA

PLODZIK & SANDERSON
Professional Association

SCHEDULE I
TOWN OF HAMPTON, NEW HAMPSHIRE
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended December 31, 2008

SECTION I - SUMMARY OF AUDITOR'S RESULTS

A. *Financial Statements*

1. The auditor's report expresses an adverse opinion on the financial statements of the governmental activities; and an unqualified opinion on the financial statements of each major fund and the aggregate remaining fund information.
2. There were no material weaknesses identified relating to the internal control over financial reporting.
3. There were no significant deficiencies identified which were not considered material weaknesses relating to the internal control over financial reporting.
4. There were no instances of noncompliance material to the financial statements identified.

B. *Federal Awards*

1. There were no material weaknesses identified relating to the internal control over major programs.
2. There were no significant deficiencies identified which were not considered material weaknesses relating to the internal control over major programs.
3. The auditor's report on compliance for major programs expresses an unqualified opinion.
4. There are no audit findings required to be reported in accordance with Circular A-133.
5. The program tested as a major program is CFDA No. 14.228: Community Development Block Grants/State's Program.
6. The threshold for distinguishing between Types A and B programs was \$300,000.
7. The Town of Hampton was determined not to be a low-risk auditee.

SECTION II - FINANCIAL STATEMENT FINDINGS

NONE

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

NONE

SCHEDULE II
TOWN OF HAMPTON, NEW HAMPSHIRE
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended December 31, 2008

FEDERAL GRANTOR/PASS THROUGH GRANTOR/PROGRAM TITLE	CFDA Number	Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		
Passed Through the State of New Hampshire Community Development Finance Authority		
Community Development Block Grants/State's Program (Note 2)	14.228	\$ 490,655
U.S. DEPARTMENT OF HOMELAND SECURITY		
Passed through the State of New Hampshire Department of Safety		
Disaster Grants - Public Assistance	97.036	91,923
Assistance to Firefighters Grant	97.044	206,379
State Homeland Security Program	97.073	<u>7,740</u>
GRAND TOTAL		<u><u>\$ 796,697</u></u>

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

TOWN OF HAMPTON, NEW HAMPSHIRE
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2008

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Town of Hampton and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2 - SUBRECIPIENTS

Of the federal expenditures presented in the schedule, the Town of Hampton provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount provided to Subrecipients</u>
Community Development Block Grants/State's Program	14.228	\$483,000