

**TOWN OF HAMPTON,
NEW HAMPSHIRE**

ANNUAL FINANCIAL REPORT

**AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2009**

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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, 2009, 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.

Also, as discussed in Note 16 to the financial statements, management has not recorded a liability for other postemployment benefits in governmental activities, and accordingly, has not recorded an expense for the current period change in that liability. Accounting principles generally accepted in the United States of America require that other postemployment benefits be accrued as liabilities and expenses on the government-wide financial statements which would increase the liabilities, reduce the net assets, and change the expenses of the governmental activities. The amount by which this departure would affect the liabilities, net assets, and expenses of the governmental activities is not reasonably determinable. 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, 2009, 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.

In addition, 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, 2009, 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.

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.

November 3, 2010

*Plodyk & Sanderson
Professional Association*

BASIC FINANCIAL STATEMENTS

EXHIBIT A
TOWN OF HAMPTON, NEW HAMPSHIRE
Statement of Net Assets
December 31, 2009

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 18,104,841
Investments	14,307,267
Intergovernmental receivable	925,400
Other receivables, net of allowances for uncollectible	4,123,996
Prepaid items	17,311
Total assets	37,478,815
LIABILITIES	
Accounts payable	314,319
Accrued salaries and benefits	93,937
Intergovernmental payable	12,684,944
Accrued interest payable	214,187
Retainage payable	13,983
Escrow and performance deposits	102,835
Unearned revenue	163,867
Noncurrent obligations:	
Due within one year:	
Bonds and notes	2,127,046
Capital lease	128,677
Compensated absences	212,000
Accrued landfill postclosure care costs	25,000
Due in more than one year:	
Bonds and notes	21,096,925
Capital lease	44,025
Compensated absences	989,676
Accrued landfill postclosure care costs	400,000
Total liabilities	38,611,421
NET ASSETS	
Invested in capital assets, net of related debt	(23,396,673)
Restricted for:	
Perpetual care	15,046,136
Capital projects	463,189
Unrestricted	6,754,742
Total net assets	\$ (1,132,606)

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, 2009

	Expenses	Program Revenues		Net (Expense) Revenue and Change in Net Assets
		Charges for Services	Operating Grants and Contributions	
Governmental activities:				
General government	\$ 6,717,787	\$ -	\$ 1,635,446	\$ (5,082,341)
Public safety	8,246,818	944,128	616,047	(6,686,643)
Highways and streets	1,589,025	-	380,294	(1,208,731)
Sanitation	3,584,837	428,035	58,485	(3,098,317)
Water distribution and treatment	-	-	38,042	38,042
Health	284,609	-	-	(284,609)
Welfare	70,968	-	-	(70,968)
Culture and recreation	1,298,777	799,593	11,461	(487,723)
Conservation	28,751	-	17,228	(11,523)
Interest on long-term debt	932,893	-	-	(932,893)
Capital outlay	580,204	-	1,993	(578,211)
Total governmental activities	<u>\$ 23,334,669</u>	<u>\$ 2,171,756</u>	<u>\$ 2,758,996</u>	<u>(18,403,917)</u>
General revenues:				
Taxes:				
Property				18,866,015
Other				390,883
Motor vehicle permit fees				2,485,654
Licenses and other fees				181,460
Grants and contributions not restricted to specific programs				672,846
Miscellaneous				294,286
Total general revenues				<u>22,891,144</u>
Change in net assets				4,487,227
Net assets, beginning, as restated (see Note 14)				<u>(5,619,833)</u>
Net assets, ending				<u>\$ (1,132,606)</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, 2009

	General	Permanent	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 15,348,564	\$ 1,204,453	\$ 1,551,824	\$ 18,104,841
Investments	-	13,767,448	539,819	14,307,267
Receivables, net of allowance for uncollectible:				
Interest	-	80,713	-	80,713
Taxes	3,671,470	-	-	3,671,470
Accounts	27,689	-	344,124	371,813
Intergovernmental	17,596	-	-	17,596
Interfund receivable	133,313	-	60,942	194,255
Voluntary tax liens	108,820	-	-	108,820
Voluntary tax liens reserved until collected	(108,820)	-	-	(108,820)
Prepaid items	118,197	-	12,078	130,275
Total assets	<u>\$ 19,316,829</u>	<u>\$ 15,052,614</u>	<u>\$ 2,508,787</u>	<u>\$ 36,878,230</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 298,367	\$ 6,289	\$ 9,663	\$ 314,319
Accrued salaries and benefits	92,557	-	1,380	93,937
Intergovernmental payable	12,684,944	-	-	12,684,944
Interfund payable	60,753	189	133,313	194,255
Retainage payable	13,839	-	144	13,983
Escrow and performance deposits	102,835	-	-	102,835
Deferred revenue	30,814	-	133,053	163,867
Total liabilities	<u>13,284,108</u>	<u>6,478</u>	<u>277,553</u>	<u>13,568,139</u>
Fund balances:				
Reserved for encumbrances	1,063,259	-	-	1,063,259
Reserved for endowments	-	15,046,136	-	15,046,136
Unreserved:				
Designated for contingency	375,566	-	-	375,566
Undesignated, reported in:				
General fund	4,593,896	-	-	4,593,896
Special revenue funds	-	-	1,768,045	1,768,045
Capital project funds	-	-	463,189	463,189
Total fund balances	<u>6,032,721</u>	<u>15,046,136</u>	<u>2,231,234</u>	<u>23,310,091</u>
Total liabilities and fund balances	<u>\$ 19,316,829</u>	<u>\$ 15,052,614</u>	<u>\$ 2,508,787</u>	<u>\$ 36,878,230</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, 2009

Total fund balances of governmental funds (Exhibit C-1)		\$ 23,310,091
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	\$ (194,255)	
Payables	<u>194,255</u>	-
Other long-term assets are not available to pay for current-period expenditures, therefore, are not reported in governmental funds.		
Intergovernmental receivable (long-term portion)		907,804
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		(112,965)
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(214,187)
Long-term liabilities are not due and payable in the current period, therefore, are not reported in the funds.		
Bonds and notes	\$ 23,223,971	
Capital lease	172,702	
Compensated absences payable	1,201,676	
Accrued landfill postclosure care costs	<u>425,000</u>	
		<u>(25,023,349)</u>
Total net assets of governmental activities (Exhibit A)		<u>\$ (1,132,606)</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, 2009

	General	Permanent	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 19,246,898	\$ -	\$ 10,000	\$ 19,256,898
Licenses and permits	2,667,114	-	-	2,667,114
Intergovernmental	1,866,865	-	29,912	1,896,777
Charges for services	879,658	-	1,095,555	1,975,213
Miscellaneous	463,349	1,594,275	44,629	2,102,253
Total revenues	<u>25,123,884</u>	<u>1,594,275</u>	<u>1,180,096</u>	<u>27,898,255</u>
Expenditures:				
Current:				
General government	6,621,878	70,320	1	6,692,199
Public safety	7,481,231	-	760,873	8,242,104
Highways and streets	1,620,753	-	-	1,620,753
Sanitation	3,645,837	-	-	3,645,837
Health	284,609	-	-	284,609
Welfare	70,968	-	-	70,968
Culture and recreation	203,505	34	1,086,206	1,289,745
Conservation	-	-	28,751	28,751
Debt service:				
Principal	2,322,913	-	-	2,322,913
Interest	968,852	-	-	968,852
Capital outlay	501,632	-	78,572	580,204
Total expenditures	<u>23,722,177</u>	<u>70,354</u>	<u>1,954,403</u>	<u>25,746,934</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,401,707</u>	<u>1,523,921</u>	<u>(774,307)</u>	<u>2,151,321</u>
Other financing sources (uses):				
Transfers in	1,129,460	-	935,031	2,064,491
Transfers out	(934,842)	(546,681)	(582,968)	(2,064,491)
Total other financing sources and uses	<u>194,618</u>	<u>(546,681)</u>	<u>352,063</u>	<u>-</u>
Net change in fund balances	1,596,325	977,240	(422,244)	2,151,321
Fund balances, beginning	4,436,396	14,068,896	2,653,478	21,158,770
Fund balances, ending	<u>\$ 6,032,721</u>	<u>\$ 15,046,136</u>	<u>\$ 2,231,234</u>	<u>\$ 23,310,091</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, 2009

Net change in fund balances of governmental funds (Exhibit C-3)		\$ 2,151,321
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 the governmental funds.		
Decrease in deferred aid revenue		(76,360)
Transfers in and out between governmental funds are eliminated on the operating statement.		
Transfers in	\$ (2,064,491)	
Transfers out	<u>2,064,491</u>	-
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds, but has no effect on net assets.		
Repayment of bonds and notes	\$ 2,199,153	
Repayment of capital lease	<u>123,735</u>	2,322,888
Some expenses reported in the statement of activities do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds.		
Decrease in accrued interest expense	\$ 49,891	
Increase in prepaid items	(13,907)	
Increase in compensated absences payable	(7,606)	
Decrease in accrued landfill postclosure care costs	<u>61,000</u>	89,378
Changes in net assets of governmental activities (Exhibit B)		<u>\$ 4,487,227</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, 2009

	<u>Agency</u>
ASSETS	
Cash and cash equivalents	\$ 581,579
LIABILITIES	
Escrow and performance deposits	457,259
Due to other governmental units	124,320
Total liabilities	<u>581,579</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
FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2009

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TOWN OF HAMPTON, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Town of Hampton are presented in conformity with accounting principles generally accepted in the United States of America for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources.

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

1-A Reporting Entity

The Town of Hampton, New Hampshire (the Town), is a municipal corporation governed by an elected five member Board of Selectmen and Town Manager. The reporting entity is comprised of the primary government and any other organizations (*component units*) 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 organizations; or (2) the Town is legally entitled to or can otherwise access the organization's resources; (3) the Town is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) 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 Financial Statement Presentation

Government-Wide Financial Statements – The government-wide financial statements display information about the Town as a whole. These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. The effect of interfund activity has been eliminated from these statements.

The statement of net assets presents information on all of the entity's assets and liabilities, with the difference between the two presented as net assets. Net assets are reported as one of three categories; invested in capital assets, net of related debt; restricted; or unrestricted.

The statement of activities presents a comparison between direct expenses and program revenues for the different functions of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (1) charges to customers or applicants for goods received, services rendered or privileges provided, (2) grants and contributions that are restricted to meeting operational requirements of a particular function. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements – The Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Financial statements of the Town are organized into funds, each of which is considered to be a separate accounting entity. Each fund has a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures. Funds are organized as major funds or nonmajor funds within the governmental statements. An emphasis is placed on major funds within the governmental category. A fund is considered major if it is the primary operating fund of the Town or meets the following criteria:

- (a) Total assets, liabilities, revenues or expenditures of that individual governmental fund are at least 10% of the corresponding total for all funds of that category or type; and
- (b) Total assets, liabilities, revenues or expenditures of the individual governmental fund are at least 5% of the corresponding total for all governmental funds combined.
- (c) In addition, any other governmental fund that the Town believes is particularly important to the financial statement users may be reported as a major fund.

TOWN OF HAMPTON, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2009

Governmental Activities – Governmental funds are identified as general, special revenue, capital projects, and permanent funds, based upon the following guidelines:

General Fund – is the primary operating fund of the Town and is always classified as a major fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds – are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

Capital Projects Funds – are used to account for financial resources to be used for the acquisition or construction of major capital facilities

Permanent Funds – are used to account for resources legally held in trust. All resources of the fund, including earnings on invested resources, may be used to support the Town.

Fiduciary Fund Types – These funds account for assets held by the Town as a trustee or agent for individuals, private organizations, and other units of governments. Fiduciary Fund types are not part of the reporting entity in the Government-wide financial statements, but are reported in a separate statement of fiduciary net assets. These funds are as follows:

Agency Funds – are used to account for resources held by the Town in a purely custodial capacity, for individuals, private organizations, and/or governmental units.

Major Funds – The Town reports the following major governmental funds:

General Fund – All general revenues and other receipts that are not allocated by law or contracted 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 Funds – are held in the custody of the trustees of trust funds and are used to account for resources held in trust for use by the Town.

The Town also reports twenty nonmajor governmental funds.

1-C Measurement Focus

Government-wide and Fiduciary Fund Financial Statements – The government-wide and fiduciary fund financial statements, except for agency funds which have no measurement focus, are reported using the economic resources measurement focus. Under this concept, revenues and expenses are matched using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Fund Financial Statements – Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are susceptible to accrual, that is, when they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within sixty days of the end of the current period. Property taxes, grants and contracts, and interest associated with the current period are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the Town. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

TOWN OF HAMPTON, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2009

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 in the fiscal year in which the resources are measurable and become available.

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 sixty 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.

1-D Cash and Cash Equivalents

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

New Hampshire statutes require that the Town treasurer have custody of all money belonging to the Town and pay out the same only upon orders of the Town Manager and Board of Selectmen. 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.

1-E Investments

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

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

- Obligations of the United States government,
- The public deposit investment pool established pursuant to RSA 383:22,
- 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
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2009

1-F Receivables

Receivables in the government-wide financial statements represent amounts due to the Town at December 31, recorded as revenue, which will be collected in the future and consist primarily of taxes, accounts, interest and intergovernmental receivables.

Tax revenue is recorded when a warrant for collection is committed to the tax collector. 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 two 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 serviced was provided. These amounts are reported less of allowances for any uncollectible accounts.

1-G Interfund Balances

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as "interfund receivables and payables." Interfund receivables and payables between funds are eliminated in the statement of net assets.

1-H Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements and expensed as the items are used.

1-I Allowances for Uncollectible Accounts

An allowance for uncollectible accounts has been recorded for the following purposes:

Taxes – an allowance has been established by management where collectability is in doubt.

Ambulance – an allowance calculated on a percentage of the uncollected balance at year-end, based on historical collection rates, has been established.

1-J Deferred/Unearned Revenue

In the government-wide financial statements, deferred revenue is recognized when cash, receivables or other assets are recorded prior to their being earned. In the governmental fund financial statements deferred revenue represents monies received or revenues accrued which have not been earned or do not meet the "available" criterion for revenue recognition under the modified accrual basis of accounting. On the government-wide statements of net assets, deferred revenue is classified as unearned revenue.

1-K Compensated Absences

The Town's policy allows certain employees to earn varying amounts of vacation and sick pay based on the employee's length of employment. Upon retirement or termination of employment, employees are paid in full for any accrued leave earned as set forth by personnel policy.

Vested amounts of both vacation and sick pay are reported as long-term liabilities in the statement of net assets.

1-L Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the government-wide statements.

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1-M Claims and Judgments

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

1-N Equity Classifications

Government-Wide Statements – Equity is classified as net assets and displayed in three components:

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

Fund Statements – Governmental fund equity is classified as fund balance. Fund balance is classified as reserved and unreserved, with unreserved further split between designated and undesignated. Reserved fund balances represent amounts not available for appropriation, or are legally restricted by outside parties for use for a specific purpose. Designated fund balances represent tentative management plans that are subject to change. Undesignated fund balance amounts represent amounts available for use in future periods.

1-O Interfund Activities

Interfund activities are reported as follows:

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

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

1-P Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates and the differences could be material.

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NOTE 2 – CUSTODIAL CREDIT RISK FOR DEPOSITS

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 government does not have a deposit policy for custodial credit risk. As of December 31, 2009, \$1,705,258 of the Town's bank balances of \$20,089,750 was exposed to custodial credit risk as uninsured and uncollateralized.

Cash and cash equivalents reconciliation:

Cash and cash equivalents per statement of net assets (Exhibit A)	\$ 18,104,841
Cash and cash equivalents per statement of fiduciary net assets (Exhibit D)	581,579
Total cash and cash equivalents	<u>\$ 18,686,420</u>

NOTE 3 – INVESTMENTS

The Town maintains a portfolio of short-term maturity investments which are reported at amortized cost. The Town also maintains a portfolio of intermediate maturity investments that are reported at fair value, based on quoted market prices. The Town's fiscal agent or custodian provides the fair value of all intermediate maturity investments. As of December 31, 2009, the Town had the following investments:

Certificate of deposit	\$ 561,292
U.S. Government obligations	3,577,505
Nongovernment obligations	3,161,953
Foreign obligations	263,990
Preferred stocks	681,800
Mutual funds	1,116,802
Common stocks	4,943,925
	<u>\$ 14,307,267</u>

Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in values of investment securities will occur in the near term and changes could materially affect the amounts reported in the statement of net assets.

Interest Rate Risk – The Town does not have a formal investment policy that limits its exposure to declines in fair values. As of December 31, 2009 the Town's investments had the following maturities:

	Fair Value	Investment Maturities (in Years)		
		Less than 1	1-5	6-10
Certificate of deposit	\$ -	\$ 231,663	\$ 329,629	\$ -
U.S. Government obligations	-	1,388,481	1,889,197	299,827
Nongovernment obligations	536,454	203,604	1,810,633	611,262
Foreign obligations	-	-	-	263,990
Preferred stocks	681,800	-	-	-
Mutual funds	1,116,802	-	-	-
Common stocks	4,943,925	-	-	-
	<u>\$ 7,278,981</u>	<u>\$ 1,823,748</u>	<u>\$ 4,029,459</u>	<u>\$ 1,175,079</u>

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Credit Risk – The Town’s investment pool had the following credit risk structure at December 31, 2009:

Investment Type	Credit Rating ⁽¹⁾	Fair Value	Percent of Grand Total
Corporate bonds:			
General Electric Co.	AA+	\$ 528,980	7.55%
Cisco Systems Inc.	A+	56,376	0.80%
Bank of America	A	337,927	4.83%
Caterpillar Finance Co.	A	371,487	5.30%
ConocoPhillips	A	216,960	3.10%
The Goldman Sachs Group Inc.	A	740,058	10.57%
HSBC Finance Corporation	A	317,064	4.53%
PepsiCo Inc.	A	322,950	4.61%
Dominion Resources	A-	270,151	3.86%
Total corporate bonds		3,161,953	45.15%
Federal agency:			
Federal Home Loan Mortgage Corp.	AAA	299,827	4.28%
Federal Home Loan Bank	AAA	2,249,175	32.12%
Federal Farm Credit Bank	AAA	814,628	11.63%
U.S. Treasury Note		213,875	3.05%
Total federal agency		3,577,505	51.08%
Foreign obligations:			
Ontario Province of Canada	AA-	263,990	3.77%
		\$ 7,003,448	100.00%

⁽¹⁾ Per Standard and Poor's

Concentration of Credit Risk – The Town places no limit on the amount it may invest in any one issuer. More than 5% of the Town’s investments are in Federal Farm Credit Bank U.S. government obligations. These investments are 5.69% of the Town’s total investments.

Custodial Credit Risk – The custodial credit risk is the risk that the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party if the counterparty fails. Of the Town’s \$14,307,267 in investments at December 31, 2009, \$10,168,470 of the underlying securities are held by the investment counterparties trust department, not in the name of the Town.

NOTE 4 – 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, 2009, upon which the 2009 property tax levy was based is:

For the New Hampshire education tax	\$ 2,949,815,600
For all other taxes	\$ 3,022,027,400

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.

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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 allowance 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, 2009 were as follows:

	Per \$1,000 of Assessed Valuation	Property Taxes Assessed
Municipal portion	\$6.41	\$ 19,375,861
School portion:		
State of New Hampshire	\$2.27	6,691,955
Local	\$6.65	20,092,041
County portion	\$0.95	2,874,828
Precinct portions:		
Hampton Beach Village - nonexempt	\$0.52	276,178
Hampton Beach Village - exempt	\$0.14	93,082
Total		\$ 49,403,945

During the current fiscal year, the tax collector executed a lien on September 2 for all uncollected 2008 property taxes.

Taxes receivable at December 31, 2009, are as follows:

Property:	
Levy of 2009	\$ 2,732,667
Unredeemed (under tax lien):	
Levy of 2008	665,486
Levy of 2007	282,317
Less: allowance for estimated uncollectible taxes	(9,000)
Net taxes receivable	\$ 3,671,470

NOTE 5 – OTHER RECEIVABLES

Receivables at December 31, 2009, consisted of accounts (billings for police details, ambulance and other user charges) and intergovernmental amounts arising from grants, reimbursements and the sewer agreement with the Town of Rye.

Receivables are recorded on the Town's financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and collectability.

Receivables as of December 31, 2009 for the Town's individual major funds and nonmajor funds in the aggregate, including applicable allowances for uncollectible accounts, are as follows:

	General Fund	Permanent Fund	Nonmajor Funds	Total
Accounts	\$ 27,689	\$ -	\$ 676,628	\$ 704,317
Interest	-	80,713	-	80,713
Intergovernmental	17,596	-	-	17,596
Voluntary liens	108,820	-	-	108,820
Less: allowance for uncollectible amounts	-	-	(332,504)	(332,504)
Net receivables	\$ 154,105	\$ 80,713	\$ 344,124	\$ 578,942

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NOTE 6 – PREPAID ITEMS

Prepaid items in the general fund at December 31, 2009 consisted of principal and interest on debt due January 1, 2010 of \$112,965 and other miscellaneous items of \$5,232. Prepaid items in the special revenue fund consist of monies paid in advance for tickets/trips in the recreation fund; these totaled \$12,078.

NOTE 7 – INTERFUND BALANCES AND TRANSFERS

Interfund receivable and payable balances consisting of overdrafts in pooled cash and budgetary transfers at December 31, 2009, are as follows:

Receivable Fund	Payable Fund	Amount
General	Nonmajor	\$ 133,313
Nonmajor	Permanent	189
Nonmajor	General	60,753
		\$ 194,255

Interfund transfers during the year ended December 31, 2009 are as follows:

	Transfers In:		
	General Fund	Nonmajor Funds	Total
Transfers out:			
General fund	\$ -	\$ 934,842	\$ 934,842
Permanent fund	546,492	189	546,681
Nonmajor funds	582,968	-	582,968
Total	\$ 1,129,460	\$ 935,031	\$ 2,064,491

Transfers are used to move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them and use unrestricted revenue collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 8 – INTERGOVERNMENTAL PAYABLES

Amounts due to other governments at December 31, 2009 consist of the following:

Balance of 2009-2010 district assessment due to the Hampton School District	\$ 8,637,794
Balance of 2009-2010 district assessment due to the Winnacunnet School District	4,088,085
Less: Overpayment of 2009-2010 state education assessment	(41,883)
Fees due to the State of New Hampshire	948
Total	\$ 12,684,944

NOTE 9 – DEFERRED/UNEARNED REVENUE

Deferred/unearned revenue at December 31, 2009 consists of the following:

General fund:	
Cemetery lot sales that are deferred until voted to transfer to permanent funds	\$ 27,850
Donations received in advance of eligible expenditures being made	1,334
Unissued building permits	1,630
Total general fund deferred/unearned revenue	\$ 30,814

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Nonmajor funds:

Monies received in advance for tickets/trips	\$ 7,343
Police forfeiture grants received in advance of eligible expenditures being made	81,813
Interest earned on retainage accounts not available for use	43,897
Total nonmajor funds deferred/unearned revenue	<u>\$ 133,053</u>

NOTE 10 – LONG-TERM LIABILITIES

Changes in the Town's long-term obligations consisted of the following for the year ended December 31, 2009:

	General Obligation Bonds/Notes Payable	Capital Lease Payable	Compensated Absences Payable	Accrued Landfill Postclosure Care Costs Payable	Total
Balance, beginning	\$ 25,423,124	\$ 296,437	\$ 1,194,070	\$ 486,000	\$ 27,399,631
Additions	-	-	7,606	-	7,606
Reductions	(2,199,153)	(123,735)	-	(61,000)	(2,383,888)
Balance, ending	<u>\$ 23,223,971</u>	<u>\$ 172,702</u>	<u>\$ 1,201,676</u>	<u>\$ 425,000</u>	<u>\$ 25,023,349</u>

Long-term liabilities payable are comprised of the following:

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at December 31, 2009	Current Portion
General obligation bonds/notes payable:						
Wastewater treatment plant	\$ 1,398,340	1999	2019	5.10	\$ 686,580	\$ 68,658
Police facility	\$ 6,323,000	2002	2012	4.75	1,895,000	632,000
Beach infrastructure	\$ 6,000,000	2004	2024	3.86	4,500,000	300,000
SRF	\$ 4,305,000	2005	2019	3.62	2,705,000	395,000
WWTP upgrade	\$ 4,750,000	2005	2024	3.69	3,562,500	237,500
Hurd Farm easement	\$ 2,005,000	2005	2025	4.00	1,593,713	102,891
Beach infrastructure	\$ 725,000	2005	2025	4.07	576,284	37,179
Kings' Highway	\$ 1,731,411	2007	2026	3.35	1,471,699	86,571
Beach infrastructure	\$ 4,582,257	2007	2026	3.49	3,894,921	229,113
Kings' Highway	\$ 468,000	2007	2027	4.99	438,997	15,629
Beach infrastructure	\$ 692,000	2007	2027	4.99	657,052	22,505
WWTP upgrade	\$ 1,380,251	2008	2028	3.35	1,242,225	-
					<u>23,223,971</u>	<u>2,127,046</u>
Capital lease payable:						
Ladder truck	\$ 605,624	2006	2011	3.92	172,702	128,677
Compensated absences payable:						
Vested sick leave					559,890	98,789
Accrued vacation leave					145,873	25,732
Other					495,913	87,479
					<u>1,201,676</u>	<u>212,000</u>
Accrued landfill postclosure care costs						
					425,000	25,000
Total					<u>\$ 25,023,349</u>	<u>\$ 2,492,723</u>

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The annual requirements to amortize all general obligation bonds/notes outstanding as of December 31, 2009, including interest payments, are as follows:

Fiscal Year Ending December 31,	Principal	Interest	Total
2010	\$ 2,126,975	\$ 830,006	\$ 2,956,981
2011	2,192,915	788,551	2,981,466
2012	2,188,802	703,364	2,892,166
2013	1,560,065	617,980	2,178,045
2014	1,557,301	573,001	2,130,302
2015-2019	6,654,081	2,048,465	8,702,546
2020-2024	5,631,278	903,201	6,534,479
2025-2028	1,312,554	87,614	1,400,168
Totals	<u>\$ 23,223,971</u>	<u>\$ 6,552,182</u>	<u>\$ 29,776,153</u>

The annual requirements to amortize the capital lease payable as of December 31, 2009, including interest payments, are as follows:

Fiscal Year Ending December 31,	Principal	Interest	Total
2010	\$ 128,677	\$ 4,478	\$ 133,155
2011	44,025	360	44,385
Totals	<u>\$ 172,702</u>	<u>\$ 4,838</u>	<u>\$ 177,540</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, 2009 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 11, 2003	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 based on postclosure care costs that will be incurred. The estimated liability postclosure care costs has a balance of \$425,000 as of December 31, 2009. 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, 2009. 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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NOTE 11 – STATE AID TO WATER POLLUTION PROJECTS

The Town is due to receive from the State of New Hampshire the following amounts in the form of state aid to water pollution projects:

Bond Issues	State Aid Grant Number	Amount
Sewer Construction Loan	C-496	\$ 184,070
Wastewater Treatment Facility Upgrade	C-715	\$ 970,516

Under New Hampshire 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, 2009, the Town is due to receive the following annual amounts to offset debt payments:

Fiscal Year Ending December 31,	Amount	
	C-496	C-715
2010	\$ 33,736	\$ 77,599
2011	32,513	75,757
2012	31,290	73,914
2013	30,066	72,072
2014	28,844	70,229
2015-2024	27,621	600,945
Totals	<u>\$ 184,070</u>	<u>\$ 970,516</u>

NOTE 12 – GOVERNMENTAL ACTIVITIES NET ASSETS

Governmental activities net assets reported on the government-wide statement of net assets at December 31, 2009 include the following:

Invested in capital assets, net of related debt:	
General obligation bonds and notes payable	\$ (23,223,971)
Capital lease payable	(172,702)
Total invested in capital assets, net of related debt	<u>(23,396,673)</u>
Restricted for special purposes:	
Perpetual care	15,046,136
Capital projects	463,189
Unrestricted	6,754,742
Total net assets	<u>\$ (1,132,606)</u>

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NOTE 13 – GOVERNMENTAL FUND BALANCES

Governmental fund balances reported on the fund financial statements at December 31, 2009 include the following:

Reserved:	
Major funds:	
General	\$ 1,063,259
Permanent	15,046,136
Total reserved fund balance	16,109,395
Unreserved-designated:	
Major fund:	
General	375,566
Unreserved-undesignated:	
Major fund:	
General	4,593,896
Nonmajor funds:	
Special revenue	1,768,045
Capital projects	463,189
Total unreserved-undesignated fund balance	6,825,130
Total governmental fund balances	\$ 23,310,091

NOTE 14 – PRIOR PERIOD ADJUSTMENT

Net assets at January 1, 2009 were restated to give retroactive effect to the following prior period adjustment:

To properly reflect water pollution grant receivable	\$ 799,370
Net assets, as previously stated	(6,419,203)
Net assets, as restated	\$ (5,619,833)

NOTE 15 – EMPLOYEE RETIREMENT PLAN

The Town participates in the New Hampshire Retirement System (the System) which is the administrator 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. Provision 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 2009, the Town contributed 11.84% for police, 15.92% for fire and 8.74% for other employees. As of July 1, those rates increased to 13.66% for police, 17.28% for fire and 9.16% for others. The contribution requirements for the Town of Hampton for the fiscal years 2007, 2008 and 2009 were \$1,052,609, \$1,171,264 and \$1,840,691, respectively, which were paid in full in each year.

For the first six months of 2009, the State of New Hampshire funded 35% of the total employer normal contribution rate for police officers and firefighters employed by the Town. As of July 1, the funding rate decreased to 30% of the total employer normal contribution rate. This amount \$374,183, 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 statements of activities.

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NOTE 16 – OTHER POST EMPLOYMENT BENEFITS (OPEB)

In addition to pension benefits described in Note 15, the Town provides postemployment benefit options for health care to eligible retirees, terminated employees, and their dependents. The benefits are provided in accordance with the Town's agreements, collective bargaining agreements, and the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA). The criteria to determine eligibility include: years of service, employee age, and whether the employee has vested in the respective retirement plan. The Town funds the benefits on a pay-as-you-go basis. Eligible employees are required to pay set premiums for a portion of the cost with the Town subsidizing the remaining costs. Expenses for the postretirement health care benefits are recognized as eligible employee claims are paid. The Governmental Accounting Standards Board issued two new standards relating to OPEB which the Town has not implemented.

NOTE 17 – 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 2009, 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 coverage 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 2009 for fiscal year 2010, ending June 30, 2010, to be recorded as an insurance expenditure totaled \$261,755. There were no unpaid contributions for the year ending June 30, 2010 and due in 2009. The Town also paid \$387,881 for workers' compensation for the year ended December 31, 2009. 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.

NOTE 18 – 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.

NOTE 19 – 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 \$200,000 to cover potential losses not covered by insurance.

The Town 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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FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2009

NOTE 20 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

In June 2009 the GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. The requirements of Statement No. 53 are not mandatory for the Town until fiscal year ended December 31, 2010; however, the Town has made the decision to implement the Statement's requirements early, effective December 31, 2009. The Town also implemented the following Statements this year with no significant impact:

GASB Statement No. 55 *The Hierarchy of Generally Accepted Principles for State and Local Governments*

GASB Statement No. 56 *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements*

In March 2009 the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The requirements of Statement No. 54 are not mandatory for the Town until fiscal year ended December 31, 2011, and have not been implemented.

REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT E
TOWN OF HAMPTON, NEW HAMPSHIRE
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Fiscal Year Ended December 31, 2009

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Taxes	\$ 19,003,214	\$ 19,003,214	\$ 19,246,898	\$ 243,684
Licenses and permits	2,679,157	2,679,157	2,667,114	(12,043)
Intergovernmental	1,215,061	1,320,984	1,492,682	171,698
Charges for services	882,834	882,834	879,658	(3,176)
Miscellaneous	471,395	471,395	463,349	(8,046)
Total revenues	<u>24,251,661</u>	<u>24,357,584</u>	<u>24,749,701</u>	<u>392,117</u>
Expenditures:				
Current:				
General government	7,279,817	7,279,817	6,846,368	433,449
Public safety	7,245,210	7,343,501	7,064,989	278,512
Highways and streets	1,656,592	1,923,712	1,632,362	291,350
Sanitation	3,816,152	3,823,784	3,678,563	145,221
Health	296,082	296,082	284,609	11,473
Welfare	144,699	144,699	70,968	73,731
Culture and recreation	200,415	200,415	201,404	(989)
Debt service:				
Principal	2,323,374	2,323,374	2,322,913	461
Interest	1,063,007	1,063,007	968,852	94,155
Capital outlay	667,120	667,120	672,211	(5,091)
Total expenditures	<u>24,692,468</u>	<u>25,065,511</u>	<u>23,743,238</u>	<u>1,322,273</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(440,807)</u>	<u>(707,927)</u>	<u>1,006,463</u>	<u>1,714,390</u>
Other financing sources (uses):				
Transfers in	853,900	1,121,020	1,129,460	8,440
Transfers out	(863,093)	(863,093)	(934,842)	(71,749)
Total other financing sources and uses	<u>(9,193)</u>	<u>257,927</u>	<u>194,618</u>	<u>(63,309)</u>
Net change in fund balances	<u>\$ (450,000)</u>	<u>\$ (450,000)</u>	1,201,081	<u>\$ 1,651,081</u>
Decrease in fund balance designated for contingency			474,434	
Unreserved fund balance, beginning			2,918,381	
Unreserved fund balance, ending			<u>\$ 4,593,896</u>	

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

TOWN OF HAMPTON, NEW HAMPSHIRE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2009

General Budget Policies	1
Budgetary Reconciliation	2

TOWN OF HAMPTON, NEW HAMPSHIRE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2009

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 2009, \$450,000 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)	\$ 25,879,161
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	374,183
Per Exhibit C-3 (GAAP basis)	<u>\$ 26,253,344</u>
Expenditures and other financing uses:	
Per Exhibit E (budgetary basis)	\$ 24,678,080
Adjustment:	
Basis differences:	
Encumbrances, beginning	668,015
Encumbrances, ending	(1,063,259)
On-behalf retirement contributions made by the State of New Hampshire recognized as an expenditure on the GAAP basis, but not on the budgetary basis	374,183
Per Exhibit C-3 (GAAP basis)	<u>\$ 24,657,019</u>

COMBINING AND INDIVIDUAL FUND SCHEDULES

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, 2009

	Estimated	Actual	Variance Positive (Negative)
Taxes:			
Property	\$ 18,616,906	\$ 18,866,015	\$ 249,109
Land use change	13,600	13,600	-
Timber	-	546	546
Interest and penalties on taxes	372,708	366,737	(5,971)
Total from taxes	19,003,214	19,246,898	243,684
Licenses, permits and fees:			
Business licenses, permits and fees	6,560	6,415	(145)
Motor vehicle permit fees	2,498,400	2,485,654	(12,746)
Building permits	148,100	146,610	(1,490)
Other	26,097	28,435	2,338
Total from licenses, permits and fees	2,679,157	2,667,114	(12,043)
Intergovernmental:			
State:			
Meals and rooms distribution	672,101	672,101	-
Highway block grant	274,564	274,564	-
Water pollution grants	114,401	114,401	-
Railroad tax	745	745	-
Other	255,545	263,167	7,622
Federal:			
Other	3,628	167,704	164,076
Total from intergovernmental	1,320,984	1,492,682	171,698
Charges for services:			
Income from departments	882,834	879,658	(3,176)
Miscellaneous:			
Sale of municipal property	38,800	39,021	221
Interest on investments	3,000	705	(2,295)
Rent of property	174,110	174,110	-
Fines and forfeits	255,485	249,513	(5,972)
Total from miscellaneous	471,395	463,349	(8,046)
Other financing sources:			
Transfers in:			
Permanent fund	546,400	546,492	92
Nonmajor funds	574,620	582,968	8,348
Total other financing sources	1,121,020	1,129,460	8,440
Total revenues and other financing sources	25,478,604	\$ 25,879,161	\$ 400,557
Unreserved fund balance used to reduce tax rate	450,000		
Total revenues, other financing sources and use of fund balance	\$ 25,928,604		

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, 2009

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
General government:					
Executive	\$ -	\$ 166,339	\$ 172,310	\$ 27,433	\$ (33,404)
Election and registration	20,000	225,789	220,584	9,425	15,780
Financial administration	7,654	765,115	746,614	215,286	(189,131)
Legal	-	351,948	501,231	-	(149,283)
Personnel administration	-	2,383,742	1,650,513	-	733,229
Planning and zoning	-	134,145	136,255	-	(2,110)
General government buildings	-	93,143	93,854	-	(711)
Cemeteries	-	100,749	104,306	-	(3,557)
Insurance, not otherwise allocated	-	3,003,046	2,949,563	-	53,483
Other	-	55,801	46,648	-	9,153
Total general government	<u>27,654</u>	<u>7,279,817</u>	<u>6,621,878</u>	<u>252,144</u>	<u>433,449</u>
Public safety:					
Police	94,647	3,601,584	3,505,073	97,022	94,136
Fire	62,563	3,116,112	3,086,904	31,249	60,522
Building inspection	-	182,025	174,149	-	7,876
Emergency management	-	3,000	234	-	2,766
Other	13,120	440,780	340,688	-	113,212
Total public safety	<u>170,330</u>	<u>7,343,501</u>	<u>7,107,048</u>	<u>128,271</u>	<u>278,512</u>
Highways and streets:					
Administration	265,104	1,257,437	1,085,806	276,713	160,022
Highways and streets	-	461,525	323,906	-	137,619
Street lighting	-	204,750	211,041	-	(6,291)
Total highways and streets	<u>265,104</u>	<u>1,923,712</u>	<u>1,620,753</u>	<u>276,713</u>	<u>291,350</u>
Sanitation:					
Administration	202,826	1,792,387	1,488,913	235,552	270,748
Solid waste collection	-	624,426	640,822	-	(16,396)
Solid waste disposal	-	1,203,971	1,188,395	-	15,576
Sewage collection	-	203,000	327,707	-	(124,707)
Total sanitation	<u>202,826</u>	<u>3,823,784</u>	<u>3,645,837</u>	<u>235,552</u>	<u>145,221</u>
Health:					
Pest control	-	117,931	106,458	-	11,473
Health agencies	-	178,151	178,151	-	-
Total health	<u>-</u>	<u>296,082</u>	<u>284,609</u>	<u>-</u>	<u>11,473</u>
Welfare:					
Administration	-	29,288	31,981	-	(2,693)
Direct assistance	-	115,411	38,987	-	76,424
Total welfare	<u>-</u>	<u>144,699</u>	<u>70,968</u>	<u>-</u>	<u>73,731</u>
Culture and recreation:					
Parks and recreation	2,101	198,265	201,764	-	(1,398)
Patriotic purposes	-	1,650	1,594	-	56
Other	-	500	147	-	353
Total culture and recreation	<u>2,101</u>	<u>200,415</u>	<u>203,505</u>	<u>-</u>	<u>(989)</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, 2009

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Debt service:					
Principal of long-term debt	-	2,323,374	2,322,913	-	461
Interest on long-term debt	-	983,007	959,757	-	23,250
Interest on tax anticipation notes	-	80,000	9,095	-	70,905
Total debt service	-	<u>3,386,381</u>	<u>3,291,765</u>	-	<u>94,616</u>
Capital outlay:					
Machinery, vehicles and equipment	-	267,120	274,620	16,700	(24,200)
Buildings	-	50,000	15,521	12,879	21,600
Improvements other than buildings	-	350,000	211,491	141,000	(2,491)
Total capital outlay	-	<u>667,120</u>	<u>501,632</u>	<u>170,579</u>	<u>(5,091)</u>
Other financing uses:					
Transfers out:					
Nonmajor funds	-	863,093	934,842	-	(71,749)
Total appropriations, expenditures, other financing uses and encumbrances	<u>\$ 668,015</u>	<u>\$ 25,928,604</u>	<u>\$ 24,282,836</u>	<u>\$ 1,063,259</u>	<u>\$ 1,250,524</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, 2009

Unreserved, undesignated fund balance, beginning		\$ 2,918,381
Changes:		
Unreserved fund balance used to reduce 2009 tax rate		(450,000)
2009 Budget summary:		
Revenue surplus (Schedule 1)	\$ 400,557	
Unexpended balance of appropriations (Schedule 2)	<u>1,250,524</u>	
2009 Budget surplus		1,651,081
Decrease in fund balance designated for contingency		<u>474,434</u>
Unreserved, undesignated fund balance, ending		<u>\$ 4,593,896</u>

SCHEDULE 4
TOWN OF HAMPTON, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2009

	Special Revenue Funds									
	Conservation Commission	USS Hampton	Recreation Fund	Police Grants	Memorial Library	Police Detail	Beach Infrastructure	Expendable Trusts	Police Forfeiture Fund	Emergency Medical
ASSETS										
Cash and cash equivalents	\$ 67,228	\$ 2,462	\$ 21,165	\$ 104,929	\$ 86,401	\$ 3,123	\$ 179,546	\$ 198,438	\$ 118,849	\$ 159,904
Investments	129,685	-	-	-	80,506	-	-	329,628	-	-
Accounts receivable, net of allowance for uncollectible	-	-	-	-	-	27,600	-	-	-	316,524
Interfund receivable	-	-	-	-	60,942	-	-	-	-	-
Prepaid items	-	-	12,078	-	-	-	-	-	-	-
Total assets	\$ 196,913	\$ 2,462	\$ 33,243	\$ 104,929	\$ 227,849	\$ 30,723	\$ 179,546	\$ 528,066	\$ 118,849	\$ 476,428

LIABILITIES AND FUND BALANCES

LIABILITIES:										
Accounts payable	\$ -	\$ -	\$ 515	\$ -	\$ 5,331	\$ 465	\$ -	\$ -	\$ -	\$ 3,352
Accrued salaries and benefits	-	-	-	-	-	751	-	-	-	629
Interfund payable	-	-	-	102,163	-	-	-	-	30,538	-
Retainage payable	-	-	-	-	-	-	-	-	-	-
Deferred revenue	-	-	7,343	-	-	-	-	-	81,813	-
Total liabilities	-	-	7,858	102,163	5,331	1,216	-	-	112,351	3,981
Fund balances:										
Unreserved, undesignated, reported in:										
Special revenue funds	196,913	2,462	25,385	2,766	222,518	29,507	179,546	528,066	6,498	472,447
Capital projects funds	-	-	-	-	-	-	-	-	-	-
Total fund balances	196,913	2,462	25,385	2,766	222,518	29,507	179,546	528,066	6,498	472,447
Total liabilities and fund balances	\$ 196,913	\$ 2,462	\$ 33,243	\$ 104,929	\$ 227,849	\$ 30,723	\$ 179,546	\$ 528,066	\$ 118,849	\$ 476,428

SCHEDULE 4 (continued)
TOWN OF HAMPTON, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2009

	Capital Projects Funds									
	Special Revenue Funds (continued)					Wastewater Treatment Plant Improvements				
	Fire Alarm	Cable TV	Recreation Infrastructure	Cemetery Trustees	Founders' Day	Wastewater Treatment Plant Improvements	Sewer Facilities Update	Beach Infrastructure	Public Safety Pier	Total
ASSETS										
Cash and cash equivalents	\$ -	\$ 59,059	\$ 40,428	\$ 1,254	\$ 1,808	\$ 44,041	\$ -	\$ 463,189	\$ -	\$ 1,551,824
Investments	-	-	-	-	-	-	-	-	-	539,819
Accounts receivable, net of allowance for uncollectible	-	-	-	-	-	-	-	-	-	344,124
Interfund receivable	-	-	-	-	-	-	-	-	-	60,942
Prepaid items	-	-	-	-	-	-	-	-	-	12,078
Total assets	\$ -	\$ 59,059	\$ 40,428	\$ 1,254	\$ 1,808	\$ 44,041	\$ -	\$ 463,189	\$ -	\$ 2,508,787
LIABILITIES AND FUND BALANCES										
Liabilities:										
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,663
Accrued salaries and benefits	-	-	-	-	-	-	-	-	-	1,380
Interfund payable	-	-	-	-	612	-	-	-	-	133,313
Retainage payable	-	-	-	-	-	144	-	-	-	144
Deferred revenue	-	-	-	-	-	43,897	-	-	-	133,053
Total liabilities	-	-	-	-	612	44,041	-	-	-	277,553
Fund balances:										
Unreserved, undesignated, reported in:										
Special revenue funds	-	59,059	40,428	1,254	1,196	-	-	-	-	1,768,045
Capital projects funds	-	-	-	-	-	-	-	463,189	-	463,189
Total fund balances	-	59,059	40,428	1,254	1,196	-	-	463,189	-	2,231,234
Total liabilities and fund balances	\$ -	\$ 59,059	\$ 40,428	\$ 1,254	\$ 1,808	\$ 44,041	\$ -	\$ 463,189	\$ -	\$ 2,508,787

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, 2009

	Special Revenue Funds											
	Conservation Commission	USS Hampton	Recreation Fund	Police Grants	Memorial Library	Police Detail	Beach Infrastructure	Expendable Trusts	Police Forfeiture Fund	Emergency Medical		
Revenues:												
Taxes	\$ 10,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	13,923	-	9,535	-	-	-	-	-	-	6,454	-	-
Charges for services	-	-	148,182	-	2,329	223,774	-	-	-	-	-	578,266
Miscellaneous	3,926	-	33	23	15,794	-	-	21,149	620	-	-	-
Total revenues	27,849	-	157,750	23	18,123	223,774	-	21,149	7,074	-	-	578,266
Expenditures:												
Current:												
General government	-	-	-	-	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	264,264	-	-	12,912	-	-	483,697
Culture and recreation	-	3,000	151,707	-	831,919	-	-	-	-	-	-	-
Conservation	28,751	-	-	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	28,751	3,000	151,707	-	831,919	264,264	-	-	12,912	-	-	483,697
Excess (deficiency) of revenues over (under) expenditures	(902)	(3,000)	6,043	23	(813,796)	(40,490)	-	21,149	(5,838)	-	-	94,569
Other financing sources (uses):												
Transfers in	3,601	-	-	-	821,031	-	-	38,650	-	-	-	-
Transfers out	-	-	-	-	-	-	-	(580,513)	-	-	-	-
Total other financing sources and uses	3,601	-	-	-	821,031	-	-	(541,863)	-	-	-	-
Net change in fund balances	2,699	(3,000)	6,043	23	7,235	(40,490)	-	(520,714)	(5,838)	-	-	94,569
Fund balances, beginning	194,214	5,462	19,342	2,743	215,283	69997	179,546	1,048,780	12,336	-	-	377,878
Fund balances, ending	\$ 196,913	\$ 2,462	\$ 25,385	\$ 2,766	\$ 222,518	\$ 29,507	\$ 179,546	\$ 528,066	\$ 6,498	\$ -	\$ -	\$ 472,447

SCHEDULE 5 (continued)
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, 2009

	Special Revenue Funds (continued)							Capital Projects Funds					Total
	Fire Alarm	Cable TV	Recreation Infrastructure	Cemetery Trustees	Founders' Day	Wastewater Treatment Plant Improvements	Sewer Facilities Update	Beach Infrastructure	Public Safety Pier	Wastewater Treatment Plant Improvements 06-07			
Revenues:													
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,000
Intergovernmental	-	-	-	-	-	-	-	-	-	-	-	-	29,912
Charges for services	-	65,620	77,384	-	-	-	-	-	-	-	-	-	1,095,555
Miscellaneous	-	-	-	1	-	-	-	1,993	1,090	-	-	-	44,629
Total revenues	-	65,620	77,384	1	-	-	-	1,993	1,090	-	-	-	1,180,096
Expenditures:													
Current:													
General government	-	-	-	1	-	-	-	-	-	-	-	-	1
Public safety	-	-	-	-	-	-	-	-	-	-	-	-	760,873
Culture and recreation	-	99,580	-	-	-	-	-	-	-	-	-	-	1,086,206
Conservation	-	-	-	-	-	-	-	-	-	-	-	-	28,751
Capital outlay	-	-	67,000	-	-	-	-	11,203	-	-	369	-	78,572
Total expenditures	-	99,580	67,000	1	-	-	-	11,203	-	-	369	-	1,954,403
Excess (deficiency) of revenues over (under) expenditures	-	(33,960)	10,384	-	-	-	-	(9,210)	1,090	(369)	-	-	(774,307)
Other financing sources (uses):													
Transfers in	-	-	-	-	-	-	-	-	-	-	52,647	-	935,031
Transfers out	(1,365)	-	-	-	-	-	-	-	(1,090)	-	-	-	(582,968)
Total other financing sources and uses	(1,365)	-	-	-	-	-	-	-	(1,090)	-	52,647	19,102	352,063
Net change in fund balances	(1,365)	(33,960)	10,384	-	-	-	-	(9,210)	1,090	(369)	-	18,733	(422,244)
Fund balances, beginning	1,365	93,019	30,044	1,254	1,196	-	-	472,399	-	(18,733)	-	-	2,653,478
Fund balances, ending	\$ -	\$ 59,059	\$ 40,428	\$ 1,254	\$ 1,196	\$ -	\$ -	\$ 463,189	\$ -	\$ -	\$ -	\$ -	\$ 2,231,234



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
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, 2009, in accordance with auditing standards generally accepted in the United States of America, we considered the Town'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's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town'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'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 financial statements that is more than inconsequential will not be prevented or detected by the Town'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'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 have discussed the following matters with management which are not considered to be severe control deficiencies but are other matters we believe to be of potential benefit to the Town:

- Improved control over parking lot revenue to include an automated ticket system to better account for tickets issued, along with the pricing changes which occur.
- The need for formal credit card policy to be used for all Town employees.
- Improved controls over recreation department revenue to include monthly reconciliations of receipts from the Rec-Trak system to the general ledger system.
- Library Fund – requirement to reconcile monthly bank statements received to the library records and determine that the transaction ledger is in balance every month.

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.

November 3, 2010

*Plodzik & Sanderson
Professional Association*