

**TOWN OF HAMPTON,
NEW HAMPSHIRE**

ANNUAL FINANCIAL REPORT

**AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2010**

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PLODZIK & SANDERSON

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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 year ended December 31, 2010, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of 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.

Management has not recorded the capital assets in the governmental activities, and accordingly, has not recorded depreciation expense on those assets. Accounting principles generally accepted in the United States of America require that capital assets, including infrastructure, be capitalized and depreciated, which would increase the assets, net assets, and expenses of the governmental activities. The amount by which this departure would affect the assets, net assets, and expenses of the governmental activities is not reasonably determinable.

As discussed in Note 16 to the financial statements, management has not recorded the long-term costs of retirement health care and obligations for other postemployment benefits in governmental activities. Accounting principles generally accepted in the United States of America require that those costs be recorded, which would increase the liabilities and 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.

In our opinion, because of the effects of the matters discussed in the preceding two paragraphs, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the governmental activities of the Town of Hampton as of December 31, 2010, or the changes in financial position thereof for the year then ended.

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, 2010, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and budgetary comparison information, on pages 3 through 8, and pages 29 through 31, respectively be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*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 financial statements as a whole. The combining and individual fund schedules are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual fund financial schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

June 30, 2011

*Plodzik & Sanderson
Professional Association*

Management Discussion and Analysis

Having responsibility for the financial management of the Town of Hampton (“Town”), we offer readers of the Town’s financial statements this narrative overview and analysis of the financial activities of the Town for the year ended December 31, 2010.

Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Hampton’s basic financial statements. These basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Town of Hampton’s finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on most of the Town of Hampton’s assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town of Hampton is improving or deteriorating.

The *statement of activities* presents information showing how the government’s net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The governmental activities of the Town of Hampton include general government, public safety, roadways, cemetery, library, trust and capital reserve funds, grants, conservation, sanitation, culture and recreation.

Fund financial statements. A *fund* is a set of reports that is used to segregate specific activities. For example, Emergency Medical Services activity, which is paid from fees charged for ambulance services, is reported separately from the Cable Committee activity, which is paid from franchise fees paid by the local cable company. The Town of Hampton, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town of Hampton can be divided into two categories: governmental or fiduciary funds.

Governmental Funds. *Governmental Funds* are used to report on the general operations of the town. They are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, fund financial statements focus only on current expenditures and revenue (*inflows and outflows of spendable resources this year*), as well as on balances (*of spendable resources*) available at the end of the fiscal year. Such information may be useful in evaluating a government's current financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Town of Hampton adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Fiduciary Funds. *Fiduciary Funds* are used to account for resources held for the benefit of parties outside the Hampton town government, such as developer's performance bonds and school impact fees. Fiduciary funds are *not* reflected in the government-wide financial statements because these funds are not available to support the Town of Hampton's own programs. The accounting used for the fiduciary funds is much like that used for businesses.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* consisting of a comparison of budget to actual revenues and expenditures for the general fund.

Government-wide Financial Analysis

As noted earlier, net assets may, over time serve as a useful indicator of a government's financial position. In the case of Hampton, assets exceeded liabilities by \$2,297,345 at the close of the most recent fiscal year.

Though required by GASB 34, 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. Since *Invested in capital assets net of related debt* consists of capital assets, net of accumulated depreciation and reduced by the outstanding balance of any bonds, mortgages, notes, or other borrowings, this amount is shown as a large negative balance.

Town of Hampton - Net Assets

	Governmental Activities	
	2010	2009
Current & other assets	38,257,159	37,478,815
Capital assets	Not Inventoried	Not Inventoried
Total assets	38,257,159	37,478,815
Long-term liabilities outstanding	20,292,778	22,530,626
Other liabilities	15,667,036	16,080,795
Total liabilities	35,959,814	38,611,421
Net Assets:		
Investment in capital assets net of related debt	(21,072,008)	(23,396,673)
Restricted assets	16,340,870	15,509,325
Unrestricted assets	7,028,483	6,754,742
Total net assets	2,297,345	(1,132,606)

At the end of the current fiscal year, the Town of Hampton is able to report positive balances in net assets, for the government as a whole. The same situation did not hold true for the prior fiscal year.

Town of Hampton - Changes in Fund Balances

Governmental Activities

	2010 Amount	2009 Amount	Difference
Revenues:			
Program revenues:			
Charges for services	1,995,675	2,171,756	(176,081)
Operating grants	2,167,571	2,758,996	(591,425)
Restricted Investment Income	-	-	-
Capital Contributions	-	-	-
General revenues:			
Taxes	19,263,171	19,256,898	6,273
Licenses and permits	2,641,202	2,667,114	(25,912)
Unrestricted grants	867,876	672,846	195,030
Unrestricted Investment Income	-	-	-
Miscellaneous	697,182	294,286	402,896
Total revenues	27,632,677	27,821,896	(189,219)
Expenses:			
General Government	6,841,944	6,717,787	124,157
Public Safety	8,366,341	8,246,818	119,523
Highways and Streets	1,811,470	1,589,025	222,445
Sanitation	3,337,203	3,584,837	(247,634)
Health	286,905	284,609	2,296
Welfare	45,428	70,968	(25,540)
Culture & Recreation	1,276,194	1,298,777	(22,583)
Conservation	23,767	28,751	(4,984)
Interest on long-term debt	826,656	932,893	(106,237)
Capital Outlay	1,386,818	580,204	806,614
Total governmental activities	24,202,726	23,334,669	868,057
Change in net assets	3,429,951	4,487,227	(1,057,276)
Beginning net assets	(1,132,606)	(5,619,833)	4,487,227
Ending net assets	2,297,345	(1,132,606)	3,429,951

General fund budgetary highlights

As shown in the above chart, revenues received during 2010 decreased by \$(189,219) from 2009. The actual **budgetary revenues** (see Exhibit E) were more than the budget for estimated revenues by \$188,915. Taxes were positive due to the inclusion of higher interest on taxes; Licenses and Permits were down due to the shortfall in motor vehicle registrations; the overage

in Intergovernmental came from federal (FEMA) grants received; Charges for Services reflects the banner year for parking lot revenues; and the excess in Miscellaneous was due to a combination of donations (Mounted Patrol) and reimbursement of workman's compensation payments.

The overall, total governmental expenditures increased by \$868,057 (3.7%) over the prior year. This is almost totally due to the Capital Outlays for the new Rescue Pumper Truck and funding of the DPW Equipment Capital Reserve.

The actual **budgetary expenditures** (see Exhibit E) were less than the budget for estimated expenses by \$1,272,960. Of this favorable variance, \$897,650 was a result of lower employee insurance and other benefits costs.

The Town's total property valuation increased by \$33,056,097 or 1.1% in 2010. The total property tax commitment for 2010 was \$48,864,896 which was a decrease of \$16,864 from the prior year. At the 2010 Tax Rate setting the Board of Selectmen chose to use \$195,000 of the Town's beginning general fund balance to keep the Town's portion of the tax rate level at \$6.41.

Capital Assets and Debt Administration

Capital Assets As discussed above, the purchase cost of capital items is treated as a current year expense versus recording them as assets to be depreciated over their estimated useful life. The effect on the 2010 financials was an expense of \$1,413,703 with no depreciation being recorded. The following is a list of the items purchased:

- \$63,876.00 – Tide Gates (3)
- \$438,509.00 – Road Improvements
- \$148,875.00 – DPW Salt Shed
- \$54,363.00 – DPW 4x4 PU Trucks (2)
- \$546,000.00 – FD Rescue Pumper
- \$26,200.00 – FD Dispatch Console
- \$48,895.00 – PD Cruisers (2)
- \$42,829.00 – Generator at the Town Hall
- \$44,156.00 – Refurbish In-line Hockey Rink

Long Term Debt At the end of the current fiscal year, the Town of Hampton had total debt outstanding of \$21,072,008 which is a 9.9% decrease from the \$23,396,673 owed at the end of 2009. Included in the 2010 total is \$44,026 for the final year of lease payments on the Fire Department's ladder truck.

NH RSA 33:4-A establishes a debt limit. Towns may not incur outstanding indebtedness exceeding 3% (\$91,652,505) of the town valuation (\$3,055,083,497). Hampton's debt is 23% of the valuation, so it is well within its debt limit. Hampton has an allowed debt margin of \$70,580,497.

Requests for information

This financial report is designed to provide a general overview of the Town of Hampton's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, 100 Winnacunnet Road, Hampton, NH 03842.

BASIC FINANCIAL STATEMENTS

EXHIBIT A
TOWN OF HAMPTON, NEW HAMPSHIRE
Statement of Net Assets
December 31, 2010

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 16,330,198
Investments	16,855,819
Intergovernmental receivable	832,513
Other receivables, net of allowances for uncollectible	4,169,047
Prepaid items	69,582
Total assets	38,257,159
LIABILITIES	
Accounts payable	222,432
Accrued salaries and benefits	132,678
Intergovernmental payable	12,476,129
Accrued interest payable	198,739
Retainage payable	12,989
Escrow and performance deposits	112,974
Unearned revenue	106,165
Noncurrent obligations:	
Due within one year:	
Bonds	2,123,904
Capital lease	44,026
Compensated absences	212,000
Accrued landfill postclosure care costs	25,000
Due in more than one year:	
Bonds	18,904,078
Compensated absences	1,013,700
Accrued landfill postclosure care costs	375,000
Total liabilities	35,959,814
NET ASSETS	
Invested in capital assets, net of related debt	(21,072,008)
Restricted for:	
Perpetual care	15,877,681
Capital projects	463,189
Unrestricted	7,028,483
Total net assets	\$ 2,297,345

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, 2010

	Expenses	Program Revenues		Net (Expense) Revenue and Change in Net Assets
		Charges for Services	Operating Grants and Contributions	
Governmental activities:				
General government	\$ 6,841,944	\$ 75,898	\$ 1,379,628	\$ (5,386,418)
Public safety	8,366,341	1,021,179	342,598	(7,002,564)
Highways and streets	1,811,470	38,960	288,256	(1,484,254)
Sanitation	3,337,203	314,966	111,335	(2,910,902)
Health	286,905	-	-	(286,905)
Welfare	45,428	-	-	(45,428)
Culture and recreation	1,276,194	544,672	32,093	(699,429)
Conservation	23,767	-	13,661	(10,106)
Interest on long-term debt	826,656	-	-	(826,656)
Capital outlay	1,386,818	-	-	(1,386,818)
Total governmental activities	<u>\$ 24,202,726</u>	<u>\$ 1,995,675</u>	<u>\$ 2,167,571</u>	<u>(20,039,480)</u>
General revenues:				
Taxes:				
Property				18,866,443
Other				396,728
Motor vehicle permit fees				2,427,760
Licenses and other fees				213,442
Grants and contributions not restricted to specific programs				867,876
Miscellaneous				697,182
Total general revenues				<u>23,469,431</u>
Change in net assets				3,429,951
Net assets, beginning				<u>(1,132,606)</u>
Net assets, ending				<u>\$ 2,297,345</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, 2010

	General	Permanent	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 15,270,181	\$ 612	\$ 1,059,405	\$ 16,330,198
Investments	-	15,750,428	1,105,391	16,855,819
Receivables, net of allowance for uncollectible:				
Interest	-	76,829	-	76,829
Taxes	3,670,291	-	-	3,670,291
Accounts	30,174	-	391,753	421,927
Intergovernmental	1,069	-	-	1,069
Interfund receivable	205,967	50,000	15,649	271,616
Voluntary tax liens	81,277	-	-	81,277
Voluntary tax liens reserved until collected	(81,277)	-	-	(81,277)
Prepaid items	119,565	-	19,030	138,595
Total assets	<u>\$ 19,297,247</u>	<u>\$ 15,877,869</u>	<u>\$ 2,591,228</u>	<u>\$ 37,766,344</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 214,736	\$ -	\$ 7,696	\$ 222,432
Accrued salaries and benefits	130,390	-	2,288	132,678
Intergovernmental payable	12,476,129	-	-	12,476,129
Interfund payable	65,461	188	205,967	271,616
Retainage payable	12,989	-	-	12,989
Escrow and performance deposits	112,974	-	-	112,974
Deferred revenue	23,361	-	82,804	106,165
Total liabilities	<u>13,036,040</u>	<u>188</u>	<u>298,755</u>	<u>13,334,983</u>
Fund balances:				
Reserved for encumbrances	853,917	-	-	853,917
Reserved for endowments	-	15,877,681	-	15,877,681
Unreserved:				
Designated for contingency	698,281	-	-	698,281
Undesignated, reported in:				
General fund	4,709,009	-	-	4,709,009
Special revenue funds	-	-	1,829,284	1,829,284
Capital project fund	-	-	463,189	463,189
Total fund balances	<u>6,261,207</u>	<u>15,877,681</u>	<u>2,292,473</u>	<u>24,431,361</u>
Total liabilities and fund balances	<u>\$ 19,297,247</u>	<u>\$ 15,877,869</u>	<u>\$ 2,591,228</u>	<u>\$ 37,766,344</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, 2010

Total fund balances of governmental funds (Exhibit C-1)		\$ 24,431,361
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	\$ (271,616)	
Payables	<u>271,616</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)		831,444
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		(69,013)
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(198,739)
Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the funds.		
Bonds	\$ 21,027,982	
Capital lease	44,026	
Compensated absences payable	1,225,700	
Accrued landfill postclosure care costs	<u>400,000</u>	(22,697,708)
Total net assets of governmental activities (Exhibit A)		<u>\$ 2,297,345</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, 2010

	General	Permanent	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 19,263,170	\$ -	\$ -	\$ 19,263,170
Licenses and permits	2,641,202	-	-	2,641,202
Intergovernmental	1,585,654	-	37,215	1,622,869
Charges for services	947,129	-	1,127,360	2,074,489
Miscellaneous	547,125	1,467,481	92,701	2,107,307
Total revenues	<u>24,984,280</u>	<u>1,467,481</u>	<u>1,257,276</u>	<u>27,709,037</u>
Expenditures:				
Current:				
General government	6,776,322	67,233	-	6,843,555
Public safety	7,238,350	642	1,104,876	8,343,868
Highways and streets	1,798,516	-	-	1,798,516
Sanitation	3,362,203	-	-	3,362,203
Health	286,905	-	-	286,905
Welfare	45,428	-	-	45,428
Culture and recreation	197,697	-	1,088,289	1,285,986
Conservation	-	-	23,767	23,767
Debt service:				
Principal	2,324,693	-	-	2,324,693
Interest	886,028	-	-	886,028
Capital outlay	1,386,818	-	-	1,386,818
Total expenditures	<u>24,302,960</u>	<u>67,875</u>	<u>2,216,932</u>	<u>26,587,767</u>
Excess (deficiency) of revenues over (under) expenditures	<u>681,320</u>	<u>1,399,606</u>	<u>(959,656)</u>	<u>1,121,270</u>
Other financing sources (uses):				
Transfers in	695,659	-	1,148,681	1,844,340
Transfers out	<u>(1,148,493)</u>	<u>(568,061)</u>	<u>(127,786)</u>	<u>(1,844,340)</u>
Total other financing sources and uses	<u>(452,834)</u>	<u>(568,061)</u>	<u>1,020,895</u>	<u>-</u>
Net change in fund balances	228,486	831,545	61,239	1,121,270
Fund balances, beginning	<u>6,032,721</u>	<u>15,046,136</u>	<u>2,231,234</u>	<u>23,310,091</u>
Fund balances, ending	<u>\$ 6,261,207</u>	<u>\$ 15,877,681</u>	<u>\$ 2,292,473</u>	<u>\$ 24,431,361</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, 2010

Net change in fund balances of governmental funds (Exhibit C-3)		\$ 1,121,270
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	\$ (1,844,340)	
Transfers out	<u>1,844,340</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 bond principal	\$ 2,195,989	
Repayment of capital lease	<u>128,677</u>	2,324,666
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	\$ 15,448	
Decrease in prepaid items	43,951	
Increase in compensated absences payable	(24,024)	
Decrease in accrued landfill postclosure care costs	<u>25,000</u>	60,375
Changes in net assets of governmental activities (Exhibit B)		<u><u>\$ 3,429,951</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, 2010

	Agency
ASSETS	
Cash and cash equivalents	\$ 489,999
Investments	282,375
Total assets	772,374
LIABILITIES	
Escrow and performance deposits	90,273
Due to other governmental units	682,101
Total liabilities	772,374
NET ASSETS	\$ -

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

TOWN OF HAMPTON, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2010

Summary of Significant Accounting Policies	1
Reporting Entity.....	1-A
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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Town of Hampton, New Hampshire (the Town), 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 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 Basis of 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. Vehicle maintenance; pension benefit; property and liability insurance; claims and judgments; and state assessments and charges have been allocated to major functions in order to present a more accurate and complete picture of the cost of Town services. Program revenues include (1) charges to customers or applicants for goods received, services rendered or privileges provided, and (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 and fiduciary 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;
- (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; and
- (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.

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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 and a statement of changes in 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.

Nonmajor funds – The Town also reports fifteen 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 60 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.

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.

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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.

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. The treasurer shall deposit all such moneys in participation units in the public deposit investment pool established pursuant to NH 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.

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 receivables are reported net of any allowances for uncollectible accounts.

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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 has been established for all receivables that are older than 120 days, and where collectability is in doubt.

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.

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 including restricted 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. 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.

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- c) *Unrestricted net assets* – 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.

NOTE 2 – CASH AND CASH EQUIVALENTS

Custodial Credit Risk – 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, 2010, \$78,175 of the Town’s bank balances of \$23,811,372 was exposed to custodial credit risk as uninsured and uncollateralized.

Cash and cash equivalents reconciliation:

Cash per statement of net assets (Exhibit A)	\$ 16,330,198
Cash per statement of fiduciary net assets (Exhibit D)	489,999
Total cash and cash equivalents	\$ 16,820,197

NOTE 3 – INVESTMENTS

The Town maintains a portfolio of short-term maturity investments, including money market investments and repurchase agreements, 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, 2010, the Town had the following investments:

Certificate of deposit	\$ 130,485
Mutual funds	17,007,709
	\$ 17,138,194

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 that change could materially affect the amounts reported in the statement of net assets.

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Interest Rate Risk – This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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 GNMA Admiral Shares. These investments are 7% 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 \$17,138,194 in investments at December 31, 2010, \$17,007,709 of the underlying securities are held by the investment counterparties trust department, not in the name of the Town. The Town does not have custodial credit risk policies for investments.

Investment reconciliation:

Investments per statement of net assets (Exhibit A)	\$ 16,855,819
Investments per statement of fiduciary net assets (Exhibit D)	<u>282,375</u>
Total investments	<u><u>\$ 17,138,194</u></u>

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, 2010, upon which the 2010 property tax levy was based is:

For the New Hampshire education tax	\$ 2,962,908,500
For all other taxes	\$ 3,055,083,497

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 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, 2010 were as follows:

	Per \$1,000 of Assessed Valuation	Property Taxes Assessed
Municipal portion	<u>\$6.41</u>	<u>\$ 19,584,575</u>
School portion:		
Local	\$6.50	19,863,175
State of New Hampshire	\$2.23	6,609,402
County portion	\$0.97	2,954,693
Precinct portions:		
Hampton Beach Village-nonexempt	\$0.48	257,934
Hampton Beach Village-exempt	\$0.17	114,102
Total		<u><u>\$ 49,383,881</u></u>

During the current fiscal year, the tax collector executed a lien on April 16 for all uncollected 2009 property taxes.

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Taxes receivable at December 31, 2010, are as follows:

Property:		
Levy of 2010	\$	2,761,020
Unredeemed (under tax lien):		
Levy of 2009		602,535
Levy of 2008		315,111
Levies of 2007 and prior		625
Less: allowance for estimated uncollectible taxes		<u>(9,000)</u>
Net taxes receivable	\$	<u><u>3,670,291</u></u>

NOTE 5 – OTHER RECEIVABLES

Receivables at December 31, 2010, 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.

NOTE 6 – PREPAID ITEMS

Prepaid items in the general fund at December 31, 2010 consisted of principal and interest on debt due January 1, 2011 of \$110,652 and other miscellaneous items of \$8,913. Prepaid items in the special revenue funds consist of monies paid in advance for tickets/trips in the recreation fund; these totaled \$19,030.

NOTE 7 – INTERFUND BALANCES AND TRANSFERS

Interfund receivable and payable balances consisting of overdrafts in pooled cash and budgetary transfers at December 31, 2010, are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor	\$ 205,967
Permanent	General	50,000
Permanent	Nonmajor	188
Nonmajor	General	<u>15,461</u>
		<u><u>\$ 271,616</u></u>

Interfund transfers during the year ended December 31, 2010 are as follows:

	<u>Transfers In:</u>		
	<u>General Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Transfers out:			
General fund	\$ -	\$ 1,148,493	\$ 1,148,493
Permanent fund	567,873	188	568,061
Nonmajor funds	<u>127,786</u>	<u>-</u>	<u>127,786</u>
Total	<u><u>\$ 695,659</u></u>	<u><u>\$ 1,148,681</u></u>	<u><u>\$ 1,844,340</u></u>

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; and (2) use unrestricted revenue collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

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NOTE 8 – INTERGOVERNMENTAL PAYABLES

Amounts due to other governments at December 31, 2010 consist of the following:

General fund:	
Balance of 2010-2011 district assessment due to the Hampton School District	\$ 8,584,589
Balance of 2010-2011 district assessment due to the Winnacunnet School District	3,889,648
Fees due to the State of New Hampshire	1,892
Total	<u>\$ 12,476,129</u>

NOTE 9 – DEFERRED/UNEARNED REVENUE

Deferred/unearned revenue at December 31, 2010 consists of the following:

General fund:	
Cemetery lot sales that are deferred until voted to transfer to permanent funds	\$ 17,550
Donations received in advance of eligible expenditures being made	1,229
Unissued building permits	1,020
Insurance reimbursement prior to eligible repairs being made	3,562
Total general fund deferred/unearned revenue	<u>\$ 23,361</u>
Nonmajor funds:	
Monies received in advance for tickets/trips	\$ 21,365
Police forfeiture grants received in advance of eligible expenditures being made	61,439
Total nonmajor funds deferred/unearned revenue	<u>\$ 82,804</u>

NOTE 10 – LONG-TERM LIABILITIES

Changes in the Town’s long-term obligations consisted of the following for the year ended December 31, 2010:

	General Obligation Bonds Payable	Capital Lease Payable	Compensated Absences Payable	Accrued Landfill Postclosure Care Costs Payable	Total
Balance, beginning	\$ 23,223,971	\$ 172,703	\$ 1,201,676	\$ 425,000	\$ 25,023,350
Additions	-	-	24,024	-	24,024
Reductions	(2,195,989)	(128,677)	-	(25,000)	(2,349,666)
Balance, ending	<u>\$ 21,027,982</u>	<u>\$ 44,026</u>	<u>\$ 1,225,700</u>	<u>\$ 400,000</u>	<u>\$ 22,697,708</u>

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Long-term liabilities payable are comprised of the following:

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at December 31, 2010	Current Portion
General obligation bonds payable:						
Wastewater treatment plant	\$ 1,398,340	1999	2019	5.10%	\$ 617,922	\$ 68,658
Police facility	\$ 6,323,000	2002	2012	4.75%	1,263,000	632,000
Beach infrastructure	\$ 6,000,000	2004	2024	3.86%	4,200,000	300,000
SRF	\$ 4,305,000	2005	2019	3.62%	2,310,000	390,000
WWTP upgrade	\$ 4,750,000	2005	2024	3.69%	3,325,000	237,500
Hurd Farm easement	\$ 2,005,000	2005	2025	4.00%	1,490,892	102,821
Beach infrastructure	\$ 725,000	2005	2025	4.07%	539,105	37,179
Kings' Highway	\$ 1,731,411	2007	2026	3.35%	1,385,128	86,571
Beach infrastructure	\$ 4,582,257	2007	2026	3.49%	3,665,808	229,113
Kings' Highway	\$ 468,000	2007	2027	4.99%	423,368	16,408
Beach infrastructure	\$ 692,000	2007	2027	4.99%	634,547	23,654
WWTP upgrade	\$ 1,380,251	2008	2028	3.35%	1,173,212	-
					<u>21,027,982</u>	<u>2,123,904</u>
Capital lease payable:						
Ladder truck	\$ 605,624	2006	2011	3.92%	44,026	44,026
Compensated absences payable:						
Vested sick leave					640,585	98,789
Accrued vacation leave					444,220	25,732
Other					140,895	87,479
					<u>1,225,700</u>	<u>212,000</u>
Accrued landfill postclosure care costs payable					400,000	25,000
Total					<u>\$ 22,697,708</u>	<u>\$ 2,404,930</u>

The annual requirements to amortize all general obligation bonds outstanding as of December 31, 2010, including interest payments, are as follows:

Fiscal Year Ending December 31,	Principal	Interest	Total
2011	\$ 2,123,904	\$ 759,334	\$ 2,883,238
2012	2,189,800	715,095	2,904,895
2013	1,560,065	629,024	2,189,089
2014	1,557,301	573,001	2,130,302
2015	1,559,651	515,438	2,075,089
2016-2020	6,213,985	1,799,403	8,013,388
2021-2025	5,111,330	687,012	5,798,342
2026-2028	711,946	37,426	749,372
Totals	<u>\$ 21,027,982</u>	<u>\$ 5,715,733</u>	<u>\$ 26,743,715</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.

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 for landfill postclosure care costs has a balance of \$400,000 as of December 31, 2010. The estimated total current cost of the 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, 2010. 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 – CAPITAL LEASE

The Town has entered into certain capital lease agreements under which the related equipment will become the property of the Town when all the terms of the lease agreements are met.

The annual requirements to amortize the capital lease payable as of December 31, 2010, including interest payments, are as follows:

Fiscal Year Ending December 31,	Principal	Interest	Total
<u>2011</u>	<u>\$ 44,026</u>	<u>\$ 360</u>	<u>\$ 44,386</u>

NOTE 12 – 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:

<u>Bond Issues</u>	<u>State Aid Grant Number</u>	<u>Amount</u>
Sewer construction loan	C-496	\$ 150,334
Wastewater treatment facility upgrade	C-715	892,917
		<u>\$ 1,043,251</u>

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, 2010, the Town is due to receive the following annual amounts to offset debt payments:

Fiscal Year Ending December 31,	<u>Amount</u>	
	<u>C-496</u>	<u>C-715</u>
2011	\$ 32,513	\$ 75,757
2012	31,290	73,914
2013	30,066	72,072
2014	28,844	70,229
2015	27,621	68,387
2016-2024	-	532,558
	<u>\$ 150,334</u>	<u>\$ 892,917</u>

NOTE 13 – GOVERNMENTAL ACTIVITIES NET ASSETS

Governmental activities net assets reported on the government-wide statement of net assets at December 31, 2010 include the following:

Invested in capital assets, net of related debt:	
General obligation bonds payable	\$ (21,027,982)
Capital lease payable	(44,026)
Total invested in capital assets, net of related debt	<u>(21,072,008)</u>
Restricted for special purposes:	
Perpetual care	15,877,681
Capital projects	463,189
Total restricted for special purposes	<u>16,340,870</u>
Unrestricted	<u>7,028,483</u>
Total net assets	<u>\$ 2,297,345</u>

TOWN OF HAMPTON, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2010

NOTE 14 – GOVERNMENTAL FUND BALANCES

Governmental fund balances reported on the fund financial statements at December 31, 2010 include the following:

Reserved:	
Major funds:	
General	\$ 853,917
Permanent fund	15,877,681
Total reserved fund balance	<u>16,731,598</u>
Unreserved, designated:	
Major funds:	
General	<u>698,281</u>
Unreserved, undesignated:	
Major funds:	
General	4,709,009
Nonmajor funds:	
Special revenue	1,829,284
Capital projects fund	463,189
Total unreserved, undesignated fund balance	<u>7,001,482</u>
Total governmental fund balances	<u><u>\$ 24,431,361</u></u>

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. The Town contributed 13.66% for police, 17.28% for fire, and 9.16% for other employees. As of July 1, those rates increased to 14.63% for police, 18.52% for fire. The contribution requirements for the Town of Hampton for the fiscal years 2008, 2009, and 2010 were \$1,171,264, \$1,840,691, and \$1,225,459, respectively, which were paid in full in each year.

For the first six months of 2010, the State of New Hampshire funded 30% 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 25% of the total employer normal contribution rate. This amount \$318,187, 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.

NOTE 16 – OTHER POSTEMPLOYMENT 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.

TOWN OF HAMPTON, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2010

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 2010, 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 common risk management and insurance programs 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 fiscal year ending December 31, 2010, to be recorded as an insurance expenditure totaled \$268,236. There were no unpaid contributions for the year ended December 31, 2010. The Town also paid \$367,784 for workers' compensation for the year ended December 31, 2010. 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 \$200,000 to cover potential losses not covered by insurance. An additional \$498,281 has been designated for contingency to cover real estate tax assessment appeals.

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.

NOTE 20 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the balance sheet date, but before the financial statements are issued. Recognized subsequent events are events or transactions that provided additional evidence about conditions that existed at the balance sheet date, including the estimates inherent in the process of preparing the financial statements. Nonrecognized subsequent events are events that provide evidence about conditions that did not exist at the balance sheet date, but arose after the date. Management has evaluated subsequent events through June 30, 2011, the date the December 31, 2010 financial statements were issued, and no events occurred requiring recognition or disclosure.

NOTE 21 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

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 end December 31, 2011.

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, 2010

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Taxes	\$ 19,175,929	\$ 19,175,929	\$ 19,263,170	\$ 87,241
Licenses and permits	2,695,600	2,695,600	2,641,202	(54,398)
Intergovernmental	1,208,274	1,208,274	1,267,467	59,193
Charges for services	913,202	913,202	947,129	33,927
Miscellaneous	484,173	484,173	547,125	62,952
Total revenues	<u>24,477,178</u>	<u>24,477,178</u>	<u>24,666,093</u>	<u>188,915</u>
Expenditures:				
Current:				
General government	7,175,419	7,660,839	6,634,908	1,025,931
Public safety	7,138,081	6,902,081	6,954,450	(52,369)
Highways and streets	2,087,065	2,180,825	1,702,617	478,208
Sanitation	3,742,824	3,486,758	3,273,272	213,486
Health	346,082	342,041	290,705	51,336
Welfare	144,699	103,000	45,428	57,572
Culture and recreation	199,005	197,631	197,697	(66)
Debt service:				
Principal	2,324,666	2,324,666	2,324,693	(27)
Interest	941,550	901,550	886,028	15,522
Capital outlay	949,000	949,000	1,465,633	(516,633)
Total expenditures	<u>25,048,391</u>	<u>25,048,391</u>	<u>23,775,431</u>	<u>1,272,960</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(571,213)</u>	<u>(571,213)</u>	<u>890,662</u>	<u>1,461,875</u>
Other financing sources (uses):				
Transfers in	802,556	802,556	695,659	(106,897)
Transfers out	(1,176,343)	(1,176,343)	(1,148,493)	27,850
Total other financing sources and uses	<u>(373,787)</u>	<u>(373,787)</u>	<u>(452,834)</u>	<u>(79,047)</u>
Net change in fund balances	<u>\$ (945,000)</u>	<u>\$ (945,000)</u>	437,828	<u>\$ 1,382,828</u>
Increase in fund balance, designated for contingency			(322,715)	
Unreserved fund balance, beginning			4,593,896	
Unreserved fund balance, ending			<u>\$ 4,709,009</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
DECEMBER 31, 2010

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, 2010

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 2010, \$945,000 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)	\$ 25,361,752
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	318,187
Per Exhibit C-3 (GAAP basis)	<u>\$ 25,679,939</u>
Expenditures and other financing uses:	
Per Exhibit E (budgetary basis)	\$ 24,923,924
Adjustment:	
Basis differences:	
Encumbrances, beginning	1,063,259
Encumbrances, ending	(853,917)
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	318,187
Per Exhibit C-3 (GAAP basis)	<u>\$ 25,451,453</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, 2010

	Estimated	Actual	Variance Positive (Negative)
Taxes:			
Property	\$ 18,809,901	\$ 18,866,442	\$ 56,541
Yield	276	276	-
Excavation	252	252	-
Interest and penalties on taxes	365,500	396,200	30,700
Total from taxes	<u>19,175,929</u>	<u>19,263,170</u>	<u>87,241</u>
Licenses, permits and fees:			
Business licenses, permits and fees	6,200	6,865	665
Motor vehicle permit fees	2,488,900	2,427,760	(61,140)
Building permits	175,000	176,599	1,599
Other	25,500	29,978	4,478
Total from licenses, permits and fees	<u>2,695,600</u>	<u>2,641,202</u>	<u>(54,398)</u>
Intergovernmental:			
State:			
Meals and rooms distribution	669,017	669,017	-
Highway block grant	288,256	288,256	-
Water pollution grants	111,335	111,335	-
Other	63,308	84,944	21,636
Federal:			
Other	76,358	113,915	37,557
Total from intergovernmental	<u>1,208,274</u>	<u>1,267,467</u>	<u>59,193</u>
Charges for services:			
Income from departments	913,202	947,129	33,927
Miscellaneous:			
Sale of municipal property	27,900	31,394	3,494
Interest on investments	1,000	-	(1,000)
Rent of property	170,606	170,606	-
Fines and forfeits	47,262	48,700	1,438
Insurance dividends and reimbursements	26,018	26,018	-
Contributions and donations	9,134	24,886	15,752
Other	202,253	245,521	43,268
Total from miscellaneous	<u>484,173</u>	<u>547,125</u>	<u>62,952</u>
Other financing sources:			
Transfers in	802,556	695,659	(106,897)
Total revenues and other financing sources	25,279,734	<u>\$ 25,361,752</u>	<u>\$ 82,018</u>
Unreserved fund balance used to reduce tax rate	945,000		
Total revenues, other financing sources and use of fund balance	<u>\$ 26,224,734</u>		

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, 2010

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
General government:					
Executive	\$ 27,433	\$ 166,339	\$ 184,289	\$ 12,123	\$ (2,640)
Election and registration	9,425	233,605	217,668	-	25,362
Financial administration	215,286	807,618	875,058	95,967	51,879
Legal	-	321,174	298,764	-	22,410
Personnel administration	-	2,420,972	1,643,917	-	777,055
Planning and zoning	-	134,565	122,165	-	12,400
General government buildings	-	112,995	103,292	2,640	7,063
Cemeteries	-	119,031	117,361	-	1,670
Insurance, not otherwise allocated	-	3,278,758	3,151,365	-	127,393
Other	-	65,782	62,443	-	3,339
Total general government	<u>252,144</u>	<u>7,660,839</u>	<u>6,776,322</u>	<u>110,730</u>	<u>1,025,931</u>
Public safety:					
Police	97,022	3,481,574	3,419,629	105,704	53,263
Fire	31,249	2,808,067	2,899,736	56,854	(117,274)
Building inspection	-	178,430	175,986	-	2,444
Emergency management	-	1,000	1,335	-	(335)
Other	-	433,010	423,477	-	9,533
Total public safety	<u>128,271</u>	<u>6,902,081</u>	<u>6,920,163</u>	<u>162,558</u>	<u>(52,369)</u>
Highways and streets:					
Administration	276,713	1,075,194	1,042,384	5,184	304,339
Highways and streets	-	891,631	555,169	173,152	163,310
Street lighting	-	214,000	200,963	2,478	10,559
Total highways and streets	<u>276,713</u>	<u>2,180,825</u>	<u>1,798,516</u>	<u>180,814</u>	<u>478,208</u>
Sanitation:					
Administration	235,552	1,603,669	1,512,574	95,502	231,145
Solid waste collection	-	649,187	709,735	1,214	(61,762)
Solid waste disposal	-	1,026,902	936,248	31,204	59,450
Sewage collection and disposal	-	207,000	203,646	18,701	(15,347)
Total sanitation	<u>235,552</u>	<u>3,486,758</u>	<u>3,362,203</u>	<u>146,621</u>	<u>213,486</u>
Health:					
Pest control	-	163,890	108,754	3,800	51,336
Health agencies	-	178,151	178,151	-	-
Total health	<u>-</u>	<u>342,041</u>	<u>286,905</u>	<u>3,800</u>	<u>51,336</u>
Welfare:					
Administration	-	33,000	29,305	-	3,695
Direct assistance	-	70,000	16,123	-	53,877
Total welfare	<u>-</u>	<u>103,000</u>	<u>45,428</u>	<u>-</u>	<u>57,572</u>
Culture and recreation:					
Parks and recreation	-	195,481	195,481	-	-
Patriotic purposes	-	1,650	1,816	-	(166)
Other	-	500	400	-	100
Total culture and recreation	<u>-</u>	<u>197,631</u>	<u>197,697</u>	<u>-</u>	<u>(66)</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, 2010

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Debt service:					
Principal of long-term debt	-	2,324,666	2,324,693	-	(27)
Interest on long-term debt	-	891,550	885,616	-	5,934
Interest on tax anticipation notes	-	10,000	412	-	9,588
Total debt service	-	3,226,216	3,210,721	-	15,495
Capital outlay:					
Machinery, vehicles and equipment	16,700	546,000	546,000	240,381	(223,681)
Buildings	12,879	150,000	148,875	8,118	5,886
Improvements other than buildings	141,000	253,000	691,943	895	(298,838)
Total capital outlay	170,579	949,000	1,386,818	249,394	(516,633)
Other financing uses:					
Transfers out	-	1,176,343	1,148,493	-	27,850
Total appropriations, expenditures, other financing uses and encumbrances	\$ 1,063,259	\$ 26,224,734	\$ 25,133,266	\$ 853,917	\$ 1,300,810

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, 2010

Unreserved, undesignated fund balance (budgetary basis), beginning		\$ 4,593,896
Changes:		
Unreserved fund balance used to reduce 2010 tax rate		(945,000)
2010 Budget summary:		
Revenue surplus (Schedule 1)	\$ 82,018	
Unexpended balance of appropriations (Schedule 2)	<u>1,300,810</u>	
2010 Budget surplus		1,382,828
Increase in fund balance designated for contingency		<u>(322,715)</u>
Unreserved, undesignated fund balance, ending		<u><u>\$ 4,709,009</u></u>

SCHEDULE 4
TOWN OF HAMPTON, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2010

	Special Revenue Funds									
	Conservation Commission	USS Hampton	Recreation Fund	Police Grants	Memorial Library	Police Detail	Beach Infrastructure	Expendable Trusts	Police Forfeiture Fund	
ASSETS										
Cash and cash equivalents	\$ 60,886	-	\$ 24,125	\$ 24,358	\$ 58,991	\$ 32,184	\$ 179,546	\$ -	\$ 117,129	
Investments	130,485	-	-	-	103,304	-	-	871,602	-	
Accounts receivable	-	-	-	-	-	46,699	-	-	-	
Interfund receivable	-	-	-	-	15,649	-	-	-	-	
Prepaid items	-	-	19,030	-	-	-	-	-	-	
Total assets	\$ 191,371	\$ -	\$ 43,155	\$ 24,358	\$ 177,944	\$ 78,883	\$ 179,546	\$ 871,602	\$ 117,129	

LIABILITIES AND FUND BALANCES

Liabilities:	
Accounts payable	\$ -
Accrued salaries and benefits	-
Interfund payable	-
Deferred revenue	-
Total liabilities	\$ -
Accounts payable	\$ -
Accrued salaries and benefits	908
Interfund payable	12,162
Deferred revenue	21,365
Total liabilities	\$ 34,335

Fund balances:

Unreserved, undesignated reported in:	
Special revenue funds	191,371
Capital projects	-
Total fund balances	\$ 191,371
Unreserved, undesignated reported in:	
Special revenue funds	191,371
Capital projects	-
Total fund balances	\$ 191,371

Total liabilities and fund balances

	\$ 191,371	\$ -	\$ 43,155	\$ 24,358	\$ 177,944	\$ 78,883	\$ 179,546	\$ 871,602	\$ 117,129
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SCHEDULE 4 (continued)
TOWN OF HAMPTON, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2010

		Special Revenue Funds					Capital Project		
		Cable TV	Recreation Infrastructure	Cemetery Trustees	Founders' Day	Beach Infrastructure	Total		
\$ -	\$ 44,393	\$ 51,541	\$ 1,255	\$ 1,808	\$ 463,189	\$ 1,059,405			
-	-	-	-	-	-	1,105,391			
345,054	-	-	-	-	-	391,753			
-	-	-	-	-	-	15,649			
-	-	-	-	-	-	19,030			
<u>\$ 345,054</u>	<u>\$ 44,393</u>	<u>\$ 51,541</u>	<u>\$ 1,255</u>	<u>\$ 1,808</u>	<u>\$ 463,189</u>	<u>\$ 2,591,228</u>			
\$ 2,781	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,696			
629	-	-	-	-	-	2,288			
144,281	-	-	-	612	-	205,967			
-	-	-	-	-	-	82,804			
<u>147,691</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>612</u>	<u>-</u>	<u>298,755</u>			
197,363	44,393	51,541	1,255	1,196	-	1,829,284			
-	-	-	-	-	463,189	463,189			
<u>197,363</u>	<u>44,393</u>	<u>51,541</u>	<u>1,255</u>	<u>1,196</u>	<u>463,189</u>	<u>2,292,473</u>			
<u>\$ 345,054</u>	<u>\$ 44,393</u>	<u>\$ 51,541</u>	<u>\$ 1,255</u>	<u>\$ 1,808</u>	<u>\$ 463,189</u>	<u>\$ 2,591,228</u>			

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, 2010

	Special Revenue Funds									
	Conservation Commission	USS Hampton	Recreation Fund	Police Grants	Lane Memorial Library	Police Detail	Beach Infrastructure	Expendable Trusts	Police Forfeiture Fund	
Revenues:										
Intergovernmental	\$ 12,804	-	\$ -	\$ 4,036	\$ -	\$ -	\$ -	\$ -	\$ 20,375	
Charges for services	-	-	119,742	-	2,856	288,122	-	-	-	
Miscellaneous	1,820	-	7,548	5,394	14,430	-	-	63,133	280	
Total revenues	14,624	-	127,290	9,430	17,286	288,122	-	63,133	20,655	
Expenditures:										
Current:										
Public safety	-	-	-	-	-	239,497	-	7,392	20,375	
Culture and recreation	-	2,462	131,793	-	871,855	-	-	-	-	
Conservation	23,767	-	-	-	-	-	-	-	-	
Total expenditures	23,767	2,462	131,793	-	871,855	239,497	-	7,392	20,375	
Excess (deficiency) of revenues over (under) expenditures	(9,143)	(2,462)	(4,503)	9,430	(854,569)	48,625	-	55,741	280	
Other financing sources (uses):										
Transfers in	3,601	-	-	-	805,080	-	-	340,000	-	
Transfers out	-	-	-	-	-	-	-	(52,205)	-	
Total other financing sources and uses	3,601	-	-	-	805,080	-	-	287,795	-	
Net change in fund balances	(5,542)	(2,462)	(4,503)	9,430	(49,489)	48,625	-	343,536	280	
Fund balances, beginning	196,913	2,462	25,385	2,766	222,518	29,507	179,546	528,066	6,498	
Fund balances, ending	\$ 191,371	\$ -	\$ 20,882	\$ 12,196	\$ 173,029	\$ 78,132	\$ 179,546	\$ 871,602	\$ 6,778	

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, 2010

	Special Revenue Funds				Capital Project		Total
	Cable TV	Recreation Infrastructure	Cemetery Trustees	Founders' Day	Beach Infrastructure		
Emergency Medical							
\$	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 37,215
562,528	67,418	86,694	-	-	-	-	1,127,360
-	95	-	1	-	-	-	92,701
562,528	67,513	86,694	1	-	-	-	1,257,276
837,612	-	-	-	-	-	-	1,104,876
-	82,179	-	-	-	-	-	1,088,289
-	-	-	-	-	-	-	23,767
837,612	82,179	-	-	-	-	-	2,216,932
(275,084)	(14,666)	86,694	1	-	-	-	(959,656)
-	-	-	-	-	-	-	1,148,681
-	-	(75,581)	-	-	-	-	(127,786)
-	-	(75,581)	-	-	-	-	1,020,895
(275,084)	(14,666)	11,113	1	-	-	-	61,239
472,447	59,059	40,428	1,254	1,196	463,189	-	2,231,234
\$ 197,363	\$ 44,393	\$ 51,541	\$ 1,255	\$ 1,196	\$ 463,189	\$	\$ 2,292,473



PLODZIK & SANDERSON

Professional Association/Accountants & Auditors

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INDEPENDENT AUDITOR'S COMMUNICATION OF NO MATERIAL WEAKNESSES

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

In planning and performing our audit of the 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 year ended December 31, 2010, 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 of Hampton's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

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

June 30, 2011

*Plodzik & Sanderson
Professional Association*