

**TOWN OF HAMPTON,
NEW HAMPSHIRE**

ANNUAL FINANCIAL REPORT

**AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2013**

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ANNUAL FINANCIAL REPORT
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PLODZIK & SANDERSON

Professional Association/Accountants & Auditors

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse and unmodified audit opinions.

Basis for Adverse Opinion on Governmental Activities

As discussed in Note 1-B to the financial statements, management has not recorded the capital assets and related accumulated depreciation 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 position, and expenses of the governmental activities. The amount by which this departure would affect the assets, net position, and expenses of the governmental activities is not reasonably determinable.

As discussed in Note 20 to the financial statements, management has not recorded the long-term costs of retirement health care costs and obligations for other postemployment benefits in the governmental activities. Accounting principles generally accepted in the United States of America require that those costs be recorded, which would increase the liabilities, decrease the net position and increase the expenses of the governmental activities. The amount by which this departure would affect the liabilities, net position, and expenses on the governmental activities is not readily determinable.

*Town of Hampton
Independent Auditor's Report*

Adverse Opinion

In our opinion, because of the significance of the matters described in the "Basis for Adverse Opinion on Governmental Activities" paragraph, the financial statements referred to above do not present fairly the financial position of the government-wide financial statements of the Town of Hampton, as of December 31, 2013, or the changes in financial position thereof for the year then ended.

Unmodified Opinion

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, 2013, the respective changes in financial position, and the respective budgetary comparison for the general fund for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Management's Discussion and Analysis

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (pages 3 through 7) 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.

Emphasis of Matter – Supplementary Information

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 financial schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual fund financial schedules and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial schedules and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated July 7, 2014 on our consideration of the Town of Hampton's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Hampton's internal control over financial reporting and compliance.

Sheryl A. Platt, CPA

PLODZIK & SANDERSON
Professional Association

July 7, 2014

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, 2013.

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

The *statement of activities* presents information showing how the government’s net position changed during the most recent fiscal year. All changes in net position 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 *other 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 position may, over time serve as a useful indicator of a government’s financial position. In the case of Hampton, assets exceeded liabilities by \$962,421 at the close of the most recent fiscal year.

Though required by GASB 34, the government-wide statement of net position 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 *Net investment in capital assets* 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 which is equal to the total debt.

Town of Hampton - Statement of Net Position

	Governmental Activities	
	2013	2012
Current & other assets	42,992,586	38,783,192
Capital assets	Not Inventoried	Not Inventoried
Total assets	42,992,586	38,783,192
Long-term liabilities outstanding	24,774,156	17,401,572
Other liabilities	17,237,273	15,742,968
Total liabilities	42,011,429	33,144,540
Deferred inflow of resources	18,736	-
Net Position:		
Net investment in capital assets (deficit)	(25,415,178)	(17,710,058)
Restricted	18,073,623	17,188,494
Unrestricted	8,303,976	5,883,602
Total net position	962,421	5,362,038

The drop in the Total Net Position (a negative \$4,399,617) is a direct result of expending nearly nine million dollars on new capital equipment and not booking them as capital assets.

Town of Hampton - Statement of Activities

Governmental Activities

	2013 Amount	2012 Amount	Difference
Revenues:			
Program revenues:			
Charges for services	2,366,647	2,097,441	269,206
Operating grants	482,291	1,176,567	(694,276)
Restricted Investment Income	-	-	-
Capital Contributions	-	-	-
General revenues:			
Taxes	19,247,465	18,710,014	537,451
Licenses and permits	3,081,602	2,917,020	164,582
Unrestricted grants	662,986	663,258	(272)
Unrestricted Investment Income	671,657	-	671,657
Miscellaneous	2,155,012	2,531,044	(376,032)
Total revenues	28,667,660	28,095,344	572,316
Expenses:			
General Government	7,380,615	7,654,981	(274,366)
Public Safety	8,701,779	8,100,084	601,695
Highways and Streets	2,150,519	2,621,044	(470,525)
Sanitation	3,294,479	3,048,793	245,686
Health	332,195	324,300	7,895
Welfare	40,324	40,566	(242)
Culture & Recreation	1,473,824	1,394,323	79,501
Conservation	43,489	36,858	6,631
Interest on long-term debt	657,331	762,538	(105,207)
Capital Outlay	8,992,722	2,126,331	6,866,391
Total governmental activities	33,067,277	26,109,818	6,957,459
Change in net position	(4,399,617)	1,985,526	(6,385,143)
Net Position, beginning	5,362,038	3,376,512	1,985,526
Net Position, ending	962,421	5,362,038	(4,399,617)

General fund budgetary highlights

As shown in the above chart, revenues received during 2013 increased by \$572,316 from 2012. This is a 2% increase year over year and is explained almost entirely by the change in the tax revenue line. The actual **budgetary revenues** (see Exhibit D) were more than the budget estimate by \$955,234. When compared to the budget, the taxes receivable was higher because of the larger than usual overlay requested by the Board of Selectmen and the licenses and permits were up due to growth in motor vehicle registrations. Charges for services reflect another banner year for parking lot revenues.

The overall, total governmental expenditures increased by \$6,957,459 (26.6%) over the prior year. This was entirely due to the Capital Outlay expenditures of almost nine million dollars. (see also chart of Capital Expenditures below).

The actual **budgetary expenditures** (see Exhibit D) were less than the final budget for expenses by \$447,041 or 1.8% of budget. The \$573,291 favorable variance in General Government resulted from a difference in where some of the personnel costs (employee separation, Social Security, and Medicare) were allocated/reported for internal and external purposes.

In 2013 the total property valuation increased by \$5,017,900 or 0.2%. The total property tax commitment for 2013 was \$49,973,510 which was an increase of \$1,582,551 from the prior year causing the overall tax rate to increase from \$17.77 to \$18.31. The Town's portion of the rate actually decreased by \$0.10 due to receiving more than a million dollars in unbudgeted revenues.

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 2013 financials was an expense of \$8,992,722 with no depreciation being recorded. The following is a list of the items purchased:

Capital Expenditures - 2013

Description	Cost
PD - 4 Ford Explorer Cruisers	\$ 86,531
Fire Station	\$ 5,116,564
Beach Infrastructure	\$ 433,247
Waste Water Treatment Plant	\$ 1,094,908
Church Street Pumping Station	\$ 2,261,472

Total:

\$ 8,992,722

Long Term Debt At the end of the current fiscal year, the Town of Hampton had total debt outstanding of \$25,415,178 which is a 43.5% increase from the \$17,710,058 owed at the end of 2012. In 2013, "new" debt in the amount of \$9,524,313 was a result of the three major building projects that were in process (see above Capital Expenditures).

Two of the Capital Project Funds (Waste Water Treatment Plant, and Church Street Pumping Station) ended the year in a deficit position. This reflects the incurring of construction costs prior to the issuance of authorized and related debt.

NH RSA 33:4-a established a debt limit. Towns may not incur outstanding indebtedness exceeding 3% of the town valuation (\$2,751,933,900) or **\$82,558,017**. Hampton's current debt is 31% of the maximum allowable, so it is well within its debt limit. Hampton has an allowed debt margin of \$57,142,839.

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 Position
December 31, 2013

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 18,850,410
Investments	19,154,997
Taxes receivables (net)	3,110,035
Accounts receivable (net)	287,458
Intergovernmental receivables	1,586,271
Prepaid items	2,706
Tax dedeed property, subject to resale	709
Total assets	42,992,586
LIABILITIES	
Accounts payable	592,063
Accrued salaries and benefits	66,875
Retainage payable	177,594
Contracts payable	370,931
Escrow and performance deposits	99,690
Accrued interest payable	127,824
Intergovernmental payable	13,720,453
Long-term liabilities:	
Due within one year	2,081,843
Due in more than one year	24,774,156
Total liabilities	42,011,429
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue - Donations	18,736
NET POSITION	
Net investment in capital assets (deficit)	(25,415,178)
Restricted	18,073,623
Unrestricted	8,303,976
Total net position	\$ 962,421

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, 2013

	Expenses	Program Revenues		Net Expense and Change In Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental activities:				
General government	\$ 7,380,615	\$ 70,507	\$ 178,415	\$ (7,131,693)
Public safety	8,701,779	1,036,556	14,048	(7,651,175)
Highways and streets	2,150,519	249	264,049	(1,886,221)
Sanitation	3,294,479	404,084	25,779	(2,864,616)
Health	332,195	-	-	(332,195)
Welfare	40,324	-	-	(40,324)
Culture and recreation	1,473,824	855,251	-	(618,573)
Conservation	43,489	-	-	(43,489)
Interest on long-term debt	657,331	-	-	(657,331)
Capital outlay	8,992,722	-	-	(8,992,722)
Total governmental activities	<u>\$ 33,067,277</u>	<u>\$ 2,366,647</u>	<u>\$ 482,291</u>	<u>(30,218,339)</u>
General revenues:				
Taxes:				
Property				18,661,318
Other				586,147
Motor vehicle permit fees				2,810,255
Licenses and other fees				271,347
Grants and contributions not restricted to specific programs				662,986
Unrestricted investment earnings				671,657
Miscellaneous				2,155,012
Total general revenues				<u>25,818,722</u>
Change in net position				(4,399,617)
Net position, beginning, as restated (see Note 17)				5,362,038
Net position, ending				<u>\$ 962,421</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, 2013

	General	Permanent	Fire Station	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 17,173,598	\$ 128,187	\$ 497,007	\$ 642,401	\$ 18,441,193
Investments	-	17,854,508	-	-	17,854,508
Accounts receivable (net)	11,605	-	-	275,853	287,458
Taxes receivable (net)	3,232,979	-	-	-	3,232,979
Due from other governments	33,848	-	-	950,062	983,910
Interfund receivable	1,103,294	-	-	2,473	1,105,767
Voluntary tax liens	78,307	-	-	-	78,307
Voluntary tax liens reserved until collected	(78,307)	-	-	-	(78,307)
Prepaid items	103,712	-	-	2,706	106,418
Tax deeded property, subject to resale	709	-	-	-	709
Restricted assets:					
Cash and cash equivalents	409,217	-	-	-	409,217
Investments	1,300,489	-	-	-	1,300,489
Total assets	\$ 23,369,451	\$ 17,982,695	\$ 497,007	\$ 1,873,495	\$ 43,722,648
LIABILITIES					
Accounts payable	\$ 509,093	\$ -	\$ 3,450	\$ 79,520	\$ 592,063
Accrued salaries and benefits	66,875	-	-	-	66,875
Contracts payable	-	-	191,931	179,000	370,931
Due to other governments	13,720,453	-	-	-	13,720,453
Interfund payable	2,473	-	207,685	895,609	1,105,767
Retainage payable	-	-	20,209	157,385	177,594
Escrow and performance deposits	99,690	-	-	-	99,690
Total liabilities	14,398,584	-	423,275	1,311,514	16,133,373
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - Property taxes	2,426,621	-	-	-	2,426,621
Unavailable revenue - Donations	18,736	-	-	-	18,736
Total deferred inflows of resources	2,445,357	-	-	-	2,445,357
FUND BALANCES (DEFICIT)					
Nonspendable	104,421	16,570,657	-	2,706	16,677,784
Restricted	198,282	1,412,038	73,732	17,196	1,701,248
Committed	1,713,346	-	-	608,645	2,321,991
Assigned	1,993,908	-	-	-	1,993,908
Unassigned (deficit)	2,515,553	-	-	(66,566)	2,448,987
Total fund balances	6,525,510	17,982,695	73,732	561,981	25,143,918
Total liabilities, deferred inflows of resources, and fund balances	\$ 23,369,451	\$ 17,982,695	\$ 497,007	\$ 1,873,495	\$ 43,722,648

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

EXHIBIT C-2
TOWN OF HAMPTON, NEW HAMPSHIRE
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
December 31, 2013

Total fund balances of governmental funds (Exhibit C-1)		\$ 25,143,918
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Interfund receivables and payables between governmental funds are eliminated on the Statement of Net Position.		
Receivables	\$ (1,105,767)	
Payables	<u>1,105,767</u>	-
Property taxes not collected within sixty days of fiscal year-end are not available to pay for current period expenditures, and therefore are deferred in the funds.		
Deferred property taxes	2,426,621	
Allowance for uncollectible taxes	<u>\$ (122,944)</u>	2,303,677
Other long-term assets are not available to pay for current period expenditures, and therefore, are reported as unavailable revenue in the funds.		
Intergovernmental receivable (long-term portion)		602,361
Bond 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		(103,712)
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(127,824)
Long-term liabilities are not due and payable in the current period, therefore, are not reported in the funds.		
Bonds	\$ 24,775,238	
Unamortized bond premium	639,940	
Compensated absences	1,180,821	
Accrued landfill postclosure costs	<u>260,000</u>	<u>(26,855,999)</u>
Net position of governmental activities (Exhibit A)		<u>\$ 962,421</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, 2013

	General	Permanent	Fire Station	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 19,473,548	\$ -	\$ -	\$ 10,000	\$ 19,483,548
Licenses and permits	3,075,804	-	-	-	3,075,804
Intergovernmental	1,207,588	-	-	3,781,621	4,989,209
Charges for services	1,246,194	-	-	1,091,795	2,337,989
Investment earnings	2,422	668,602	300	332	671,657
Miscellaneous	1,080,628	941,505	-	167,335	2,189,468
Total revenues	26,086,184	1,610,107	300	5,051,083	32,747,674
EXPENDITURES					
Current:					
General government	7,393,674	18,607	-	-	7,412,281
Public safety	7,922,209	-	-	871,975	8,794,184
Highways and streets	2,146,013	-	-	-	2,146,013
Sanitation	3,184,479	-	-	-	3,184,479
Health	332,195	-	-	-	332,195
Welfare	40,324	-	-	-	40,324
Culture and recreation	1,184,818	119	-	301,080	1,486,017
Conservation	32,832	-	-	10,657	43,489
Debt service:					
Principal	1,811,548	-	-	-	1,811,548
Interest	676,203	-	-	-	676,203
Capital outlay	86,531	-	5,116,564	3,789,627	8,992,722
Total expenditures	24,810,826	18,726	5,116,564	4,973,339	34,919,455
Excess (deficiency) of revenues over (under) expenditures	1,275,358	1,591,381	(5,116,264)	77,744	(2,171,781)
OTHER FINANCING SOURCES (USES)					
Transfers in	724,819	-	-	84,839	809,658
Transfers out	(84,839)	(649,980)	-	(74,839)	(809,658)
Bond proceeds	-	-	5,116,800	-	5,116,800
Premium on bond issued	-	-	639,940	-	639,940
Total other financing sources (uses)	639,980	(649,980)	5,756,740	10,000	5,756,740
Net change in fund balances	1,915,338	941,401	640,476	87,744	3,584,959
Fund balances (deficit), beginning, as restated (see Note 17)	4,610,172	17,041,294	(566,744)	474,237	21,558,959
Fund balances, ending	\$ 6,525,510	\$ 17,982,695	\$ 73,732	\$ 561,981	\$ 25,143,918

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, 2013

Net change in fund balances of governmental funds (Exhibit C-3)		\$ 3,584,959
Amounts reported for governmental activities in the Statement of Activities are different because:		
Transfers in and out between governmental funds are eliminated on the Statement of Activities.		
Transfers in	\$ (809,658)	
Transfers out	<u>809,658</u>	-
Revenue in the Statement of Activities that does not provide current financial resources is not reported as revenue in the governmental funds.		
Decrease in deferred tax revenue	\$ (236,083)	
Decrease in deferred aid revenue	<u>(76,359)</u>	(312,442)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.		
Proceeds of debt	\$ (8,884,373)	
Bond premium on new issuance	(639,940)	
Repayment of bond principals	<u>1,819,193</u>	(7,705,120)
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	\$ 15,698	
Decrease in prepaid items	3,193	
Decrease in compensated absences payable	124,095	
Increase in accrued landfill postclosure care costs	<u>(110,000)</u>	32,986
Change in net position of governmental activities (Exhibit B)		<u><u>\$ (4,399,617)</u></u>

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

EXHIBIT D
TOWN OF HAMPTON, NEW HAMPSHIRE
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Fiscal Year Ended December 31, 2013

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Taxes	\$ 18,722,307	\$ 19,237,466	\$ 515,159
Licenses and permits	2,877,900	3,075,804	197,904
Intergovernmental	1,091,712	1,207,588	115,876
Charges for services	1,076,172	1,130,481	54,309
Investment earnings	-	1,875	1,875
Miscellaneous	955,487	1,025,598	70,111
Total revenues	<u>24,723,578</u>	<u>25,678,812</u>	<u>955,234</u>
EXPENDITURES			
Current:			
General government	7,950,590	7,377,299	573,291
Public safety	7,887,890	7,864,227	23,663
Highways and streets	2,018,557	2,069,928	(51,371)
Sanitation	3,114,050	3,222,522	(108,472)
Health	330,421	332,497	(2,076)
Welfare	56,885	40,324	16,561
Culture and recreation	245,329	245,458	(129)
Conservation	30,803	32,832	(2,029)
Debt service:			
Principal	1,811,528	1,811,548	(20)
Interest	661,437	676,203	(14,766)
Capital outlay	132,300	119,911	12,389
Total expenditures	<u>24,239,790</u>	<u>23,792,749</u>	<u>447,041</u>
Excess of revenues over expenditures	<u>483,788</u>	<u>1,886,063</u>	<u>1,402,275</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	671,800	752,244	80,444
Transfers out	(1,234,359)	(1,376,889)	(142,530)
Total other financing sources (uses)	<u>(562,559)</u>	<u>(624,645)</u>	<u>(62,086)</u>
Net change in fund balance	<u>\$ (78,771)</u>	1,261,418	<u>\$ 1,340,189</u>
Decrease in nonspendable fund balance		2,313	
Increase in committed fund balance		(28,678)	
Increase in assigned fund balance		(463,703)	
Unassigned fund balance, beginning		<u>4,047,880</u>	
Unassigned fund balance, ending		<u>\$ 4,819,230</u>	

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

EXHIBIT E
TOWN OF HAMPTON, NEW HAMPSHIRE
Fiduciary Fund
Statement of Fiduciary Net Position
December 31, 2013

	<u>Agency</u>
ASSETS	
Cash and cash equivalents	\$ 164,389
Investments	<u>836,871</u>
Total assets	<u>\$ 1,001,260</u>
LIABILITIES	
Due to other governmental units	\$ 997,699
Due to others	<u>3,561</u>
Total liabilities	<u>\$ 1,001,260</u>

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

TOWN OF HAMPTON, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2013

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TOWN OF HAMPTON, NEW HAMPSHIRE
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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Hampton, New Hampshire (the Town), have been prepared in conformity with 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 5-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 Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government, with the exception of the capital assets and related accumulated depreciation, which have been omitted because they have not been inventoried at historical cost. In addition, the long-term costs of retirement health care costs and obligations for other postemployment benefits have been omitted from the government-wide financial statements. For the most part, the effect of interfund activity has been removed from these statements.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

1-C Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and 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 are reported using the *current financial resources* measurement focus and the *modified accrual basis* of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, except for State shared revenue, reimbursement-based grants and interest which use one year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service

TOWN OF HAMPTON, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
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expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Property taxes, licenses and permits, intergovernmental revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

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 a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available.

Non-exchange transactions, in which the Town receives value without directly giving equal value in return, include property taxes, grants, entitlement, and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the tax is levied. Revenue from grants, entitlements, and donations is recognized in the year in which all 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 specific purpose, and expenditure requirements, in which the resources are provided to the Town on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

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.

Fire Station Capital Project Fund – the fire station capital project fund is used to account for the construction of the beach fire substation.

All the governmental funds not meeting the criteria established for major funds are presented in the other governmental column of the fund financial statements.

Additionally, the Town reports the following fund types:

Special Revenue Funds - are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Capital Projects Funds - are used to account for the financial resources and activities relating to specific construction projects.

Agency Fund - used to account for assets held in a trustee or agency capacity on behalf of outside parties, including other governments.

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."

The treasurer is required to deposit such moneys in solvent banks in state or the Public Deposit Investment Pool pursuant to New Hampshire RSA 383:22. Funds may be deposited in banks outside of the state if such banks pledge and deliver to a third party custodial bank or the Federal Reserve Bank, collateral security for such deposits, United States government or government agency obligations or obligations to the State of New Hampshire in value at least equal to the amount of the deposit in each case.

TOWN OF HAMPTON, NEW HAMPSHIRE
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1-E Restricted Assets

Certain cash and investments are classified as restricted assets on the balance sheet because their use is legally restricted for specified purposes through laws and/or enabling legislation.

1-F Investments

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

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

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

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

Investments for the Town are reported at fair value generally based on quoted market prices.

1-G Receivables

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

1-H 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 Position.

1-I 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-J Deferred Inflows of Resources

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, unavailable revenue, which qualifies for reporting in this category. The governmental funds report unavailable revenues from two sources: property taxes and donations. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

1-K Property Taxes

Property tax billings occur semi-annually and are based on the assessed inventory values as of April 1 of each year. Billings for the year were on May 20, 2013 and November 8, 2013. Interest accrues at a rate of 12% on bills outstanding after the due date and 18% on tax liens outstanding.

TOWN OF HAMPTON, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
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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 tax abatement and refunds, known as overlay. This amount is reported as a reduction in tax revenue and is adjusted by management for any reserve for uncollectable 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 to these entities as required by law.

The Town's net assessed valuation as of April 1, 2013 utilized in the setting of the tax rate was as follows:

For the New Hampshire education tax	\$ 2,643,424,700
For all other taxes	\$ 2,751,933,900

The tax rates and amounts assessed for the year ended December 31, 2013 were as follows:

	Per \$1,000 of Assessed Valuation	Property Taxes Assessed
Municipal portion	\$7.04	\$ 19,361,339
School portion:		
State of New Hampshire	\$2.51	6,635,778
Local	\$7.66	21,082,755
County portion	\$1.10	3,035,680
Precinct portions:		
Hampton Beach Village - exempt	\$0.00	60,861
Hampton Beach Village - nonexempt	\$0.00	273,532
Total		<u>\$ 50,449,945</u>

1-L Compensated Absences

Vacation - The Town's policy allows certain employees to earn varying amounts of vacation based on the employee's length of employment. Upon separation from service, employees are paid in full for any accrued leave earned as set forth by personnel policy. The liability for such leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements.

Sick Leave - The Town's policy allows certain employees to earn varying amounts of sick time as set forth by the Town's personnel policy. A liability for those amounts is recorded in the government-wide financial statements.

1-M Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported in addition to the applicable bond premium.

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

1-N 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. There were no significant claims or judgments at year-end.

TOWN OF HAMPTON, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
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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 “due to/from other funds.” Interfund receivables and payables between funds are eliminated in the Statement of Net Position.

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

1-P Net Position/Fund Balance Reporting

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

- a) ***Net investment in capital assets*** – Because the Town has not recorded any of its capital assets, the Statement of Net Position reflects a deficit of \$25,415,178 related directly to the outstanding debt.
- b) ***Restricted net position*** – Consists of net position 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 position*** – Remaining net position that does not meet the definition of “net investment in capital assets” or “restricted.”

Fund Balance Classifications - The fund balance of governmental funds is reported in five categories based on the nature of any limitations requiring the use of resources for specific programs. The Town itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance). The classifications used in the Town’s governmental fund financial statements are as follows:

Nonspendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form; or (b) are legally or contractually required to be maintained intact. The Town has classified prepaid items, tax deeded property subject to resale, and the principal portion of permanent funds as being nonspendable.

Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation. The Town has classified its library, police grants, fire station, cemetery trustees, beach infrastructure, and the income portion of permanent funds as being restricted, because their use is restricted by Federal/State statutes for expenditures.

Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the legislative body (Town Meeting). These amounts cannot be used for any other purpose unless the legislative body removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. Recreation infrastructure, conservation commission, emergency medical, police detail, recreation, cable TV, expendable trust, and legislative body votes relative to the use of unassigned fund balance at year-end, in addition to non-lapsing appropriations, are included in this classification.

Assigned – This classification includes amounts that are constrained by the Town’s intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Selectmen through the budgetary process. The Town has included the beach infrastructure and fire alarm funds in this classification. The Town also has assigned funds consisting of reserve for encumbrances and reserve for abatement contingency in the general fund at year-end.

TOWN OF HAMPTON, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
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Unassigned – This classification includes the residual fund balance for the general fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

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

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

2-A Budgetary Information

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

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

Encumbrance accounting, under which purchase orders, contracts, and continuing appropriations (certain projects and specific items not fully expended at year-end) are recognized, is employed in the governmental funds. Encumbrances are not the equivalent of expenditures, and are therefore reported as part of the assigned fund balance at year-end, and are carried forward to supplement appropriations of the subsequent year.

State statutes require balanced budgets, but provide for the use of beginning unassigned fund balance to achieve that end. In the fiscal year 2013, \$78,771 of the beginning general fund unassigned fund balance was applied for this purpose.

2-B Budgetary Reconciliation to GAAP Basis

The Town employs certain accounting principles for budgetary reporting purposes that differ from a GAAP basis. The Statement of Revenues and Expenditures-Budgetary Basis presents the actual results to provide a comparison with the budget. The major difference between the budgetary basis and GAAP basis is as follows:

Encumbrances outstanding at year-end do not represent GAAP expenditures or liabilities, but represent budgetary accounting controls. Governmental fund budgets are maintained on the modified accrual basis of accounting except that budgetary basis expenditures include purchase orders and commitments (encumbrances) for goods or services not received at year end. Encumbrances are recorded to reserve a portion of fund balance in the governmental fund types for commitments for which no liability exists.

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

Revenues and other financing sources:	
Per Exhibit D (budgetary basis)	\$ 26,431,056
Adjustment:	
Basis difference:	
GASB Statement No. 54:	
To record charges for services from blended funds	115,713
To record miscellaneous income of the blended funds	55,576
To eliminate transfers between blended funds	(27,814)
To record transfer between permanent and library funds	389
Change in deferred tax revenue relating to 60-day revenue recognition	236,083
Per Exhibit C-3 (GAAP basis)	<u>\$ 26,811,003</u>
	<i>(Continued)</i>

TOWN OF HAMPTON, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
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Budgetary reconciliation to GAAP basis continued:

Expenditures and other financing uses:	
Per Exhibit D (budgetary basis)	\$ 25,169,638
Adjustment:	
Basis differences:	
Encumbrances, beginning	523,157
Encumbrances, ending	(551,994)
GASB Statement No. 54:	
To record expenditures of the blended funds	1,046,913
To eliminate transfers between blended funds	(1,292,049)
Per Exhibit C-3 (GAAP basis)	<u>\$ 24,895,665</u>

DETAILED NOTES ON ALL FUNDS

NOTE 3 – CASH AND CASH EQUIVALENTS

At December 31, 2013, the reported amount of the Town’s deposits was \$19,014,799 and the bank balance was \$20,004,541. Of the bank balance, \$19,861,569 was covered by federal depository insurance or by collateral held by the Town’s agent in the Town’s name, and \$142,972 was uninsured and uncollateralized.

Cash and cash equivalents reconciliation:

Cash per Statement of Net Position (Exhibit A)	\$ 18,850,410
Cash per Statement of Fiduciary Net Position (Exhibit E)	<u>164,389</u>
Total cash and cash equivalents	<u>\$ 19,014,799</u>

NOTE 4 – INVESTMENTS

Note 1-F describes statutory requirements covering the investment of the Town funds. The Town maintains a portfolio of short-term 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 short-term maturity investments. At December 31, 2013, the Town had total investments of \$19,991,868, all of which were invested in mutual funds.

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.

Custodial Credit Risk – This is the risk that in the event of the failure of the counterparty (e.g. broker/dealer) to honor a transaction, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

Investment reconciliation:

Investments per Statement of Net Position (Exhibit A)	\$ 19,154,997
Investments per Statement of Fiduciary Net Position (Exhibit E)	<u>836,871</u>
Total investments	<u>\$ 19,991,868</u>

TOWN OF HAMPTON, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 5 – RESTRICTED CASH AND INVESTMENTS

Certain cash and investment accounts in the general fund belong to funds which have been blended with the general fund in accordance with the requirements of GASB Statement No. 54, as follows:

Cash and cash equivalents:	
Expendable trust	\$ 10,410
Library	52,011
Police grants	24,391
Recreation infrastructure	277,617
Beach infrastructure	41,616
Fire alarm	3,172
Total cash and cash equivalents	<u>409,217</u>
Investments:	
Expendable trust	1,180,063
Library	120,426
Total investments	<u>1,300,489</u>
Total restricted assets	<u>\$ 1,709,706</u>

NOTE 6 – TAXES RECEIVABLE

Taxes receivable represent the amount of current and prior year taxes which have not been collected as of December 31, 2013. The amount has been reduced by an allowance for an estimated uncollectible amount of \$122,944. Taxes receivable by year are as follows:

Property:	
Levy of 2013	\$ 2,263,774
Unredeemed (under tax lien):	
Levy of 2012	562,676
Levy of 2011	340,935
Levies of 2010 and prior	32,220
Land use change	33,374
Less: allowance for estimated uncollectible taxes	<u>(122,944) *</u>
Net taxes receivable	<u>\$ 3,110,035</u>

*The allowance for estimated uncollectible taxes is eliminated on Exhibit C-1 due to the deferral of taxes not collected within sixty days of fiscal year-end.

NOTE 7 – OTHER RECEIVABLES

Receivables at December 31, 2013, consisted of accounts (billings for police details, ambulance, and other user charges) and intergovernmental amounts arising from grants. Receivables are recorded on the Town's financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and collectability.

Receivables as of December 31, 2013 for the Town's individual major fund and nonmajor funds in the aggregate, including applicable allowances for uncollectible accounts, are as follows:

	General Fund	Nonmajor Funds	Total
Receivables:			
Accounts	\$ 11,605	\$ 1,247,402	\$ 1,259,007
Due from other governments	33,848	950,062	983,910
Liens	78,307	-	78,307
Gross receivables	<u>123,760</u>	<u>2,197,464</u>	<u>2,321,224</u>
Less: allowances for uncollectibles	<u>(78,307)</u>	<u>(971,549)</u>	<u>(1,049,856)</u>
Net total receivables	<u>\$ 45,453</u>	<u>\$ 1,225,915</u>	<u>\$ 1,271,368</u>

TOWN OF HAMPTON, NEW HAMPSHIRE
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NOTE 8 – INTERFUND BALANCES AND TRANSFERS

Interfund Balances - The composition of interfund balances as of December 31, 2013 is as follows:

Receivable Fund	Payable Fund	Amount
General	Fire station	\$ 207,685
	Nonmajor	895,609
Nonmajor	General	2,473
		\$ 1,105,767

The outstanding balances among funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund Transfers - The composition of interfund transfers for the year ended December 31, 2013 is as follows:

	Transfers In:		
	General Fund	Nonmajor Funds	Total
Transfers out:			
General fund	\$ -	\$ 84,839	\$ 84,839
Permanent fund	649,980	-	649,980
Nonmajor fund	74,839	-	74,839
Total	\$ 724,819	\$ 84,839	\$ 809,658

During the year, transfers are used to (1) move revenues from the fund with collection authority to the fund responsible for expenditure and (2) move general fund resources to provide an annual subsidy.

NOTE 9 – INTERGOVERNMENTAL PAYABLES

Amounts due to other governments of \$14,718,152 at December 31, 2013 consist of the following:

General fund:	
Miscellaneous fees due to:	
State of New Hampshire	\$ 24,025
State of Massachusetts	358
State of Maine	1,719
December portion of retirement due to the New Hampshire Retirement System	225,263
Balance of the 2013-2014 district assessment due to the Hampton School District	9,187,976
Balance of the 2013-2014 district assessment due to the Winnacunnet Cooperative School District	4,281,112
Total general fund	13,720,453
Agency fund:	
Balance due to the Winnacunnet Cooperative School District	596,838
Balance due to the Hampton School District	367,974
Balance due to the Hampton Beach Village District	32,887
Total agency fund	997,699
Total intergovernmental payables due	\$ 14,718,152

NOTE 10 – DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources of \$2,445,357 in the general fund at December 31, 2013 consist of the following:

Property taxes not collected within sixty days of fiscal year end	\$ 2,426,621
Donations received in advance of eligible expenditures being made	18,736
Total deferred inflows of resources	\$ 2,445,357

TOWN OF HAMPTON, NEW HAMPSHIRE
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NOTE 11 – SHORT-TERM DEBT

Changes in the Town’s short-term borrowings during the year ended December 31, 2013 consisted of the following:

Governmental Activities	Original Issue	Balance January 1, 2013	Issues	Redemptions	Balance December 31, 2013
Tax anticipation note	\$ 1,000,000	\$ -	\$ 1,000,000	\$ (1,000,000)	\$ -
Bond anticipation note	4,100,000	-	4,100,000	(4,100,000)	-
Total short-term borrowings	<u>\$ 5,100,000</u>	<u>\$ -</u>	<u>\$ 5,100,000</u>	<u>\$ (5,100,000)</u>	<u>\$ -</u>

The purpose of the short-time borrowings was to provide for interim financing of general fund operations and resources for various capital improvement projects. The amounts issued for capital improvements are accounted for in the capital projects fund.

NOTE 12 – LONG-TERM LIABILITIES

Changes in the Town’s long-term liabilities consisted of the following for the year ended December 31, 2013:

	Balance January 1, 2013	Additions	Reductions	Balance December 31, 2013	Due Within One Year
Bonds payable:					
General obligation bonds	\$ 17,710,058	\$ 8,884,373	\$ (1,819,193)	\$ 24,775,238	\$ 2,028,162
Premium	-	639,940	-	639,940	33,681
Total bonds payable	<u>17,710,058</u>	<u>9,524,313</u>	<u>(1,819,193)</u>	<u>25,415,178</u>	<u>2,061,843</u>
Compensated absences	1,304,916	-	(124,095)	1,180,821	-
Accrued landfill postclosure care costs	150,000	110,000	-	260,000	20,000
Total long-term liabilities	<u>\$ 19,164,974</u>	<u>\$ 9,634,313</u>	<u>\$ (1,943,288)</u>	<u>\$ 26,855,999</u>	<u>\$ 2,081,843</u>

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TOWN OF HAMPTON, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
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Long term bonds are comprised of the following:

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at December 31, 2013	Current Portion
General obligation bonds payable:						
Wastewater treatment plant	\$ 1,398,340	1999	2019	3.80	\$ 411,948	\$ 68,658
Beach infrastructure	\$ 6,000,000	2004	2024	3.86	3,300,000	300,000
SRF	\$ 4,305,000	2005	2019	3.62	1,140,000	385,000
WWTP upgrade	\$ 4,750,000	2005	2024	3.69	2,612,500	237,500
Hurd Farm easement	\$ 2,005,000	2005	2025	4.00	1,189,775	99,148
Beach infrastructure	\$ 725,000	2005	2025	4.07	430,222	35,852
Kings' Highway	\$ 1,731,411	2007	2026	3.35	1,125,417	86,571
Beach infrastructure	\$ 4,582,257	2007	2026	3.49	2,978,469	229,113
Kings' Highway	\$ 468,000	2007	2027	4.99	371,704	18,986
Beach infrastructure	\$ 692,000	2007	2027	4.99	559,992	27,461
WWTP upgrade	\$ 1,380,251	2008	2028	3.35	966,177	-
Recycling equipment	\$ 1,292,300	2011	2016	3.50	738,612	260,410
Library Unitil	\$ 40,048	2012	2022	N/A	34,041	4,005
Library Unitil	\$ 36,581	2012	2022	N/A	32,008	3,658
Fire substation	\$ 5,116,800	2013	2032	5.10	5,116,800	271,800
Wastewater treatment plant*	\$ 1,237,637				1,237,637	-
Church Street pumping station*	\$ 2,529,936				2,529,936	-
					<u>24,775,238</u>	<u>2,028,162</u>
Bond premium					639,940	33,681
Compensated absences payable:						
Vested sick leave					495,162	-
Accrued vacation leave					141,709	-
Other					543,950	-
					<u>1,180,821</u>	<u>-</u>
Accrued landfill postclosure care costs payable					260,000	20,000
Total					<u>\$ 26,855,999</u>	<u>\$ 2,081,843</u>

**Water Pollution Control Revolving Loan Fund Program* – Drawdowns received under the Water Pollution Control Revolving Loan Fund Program will be consolidated by promissory notes upon substantial completion of the wastewater treatment facility and the Church Street pumping station. As of December 31, 2013, drawdowns received to date totaling \$3,767,573 are recorded on the Town's financial statements. Interest on the drawdowns accrues from the date of the drawdown at 1.00% per annum. The notes, plus interest, will be repaid from the Town's governmental funds.

The annual requirements to amortize all general obligation bonds outstanding as of December 31, 2013, less the revolving loan drawdowns above and including interest payments, are as follows:

Fiscal Year Ending December 31,	Principal	Interest	Total
2014	\$ 2,028,162	\$ 847,049	\$ 2,875,211
2015	2,106,986	766,861	2,873,847
2016	1,933,195	711,598	2,644,793
2017	1,492,369	644,125	2,136,494
2018	1,495,093	583,788	2,078,881
2019-2023	7,091,090	1,974,123	9,065,213
2024-2028	3,795,770	614,307	4,410,077
2029-2032	1,065,000	135,405	1,200,405
Totals	<u>\$ 21,007,665</u>	<u>\$ 6,277,256</u>	<u>\$ 27,284,921</u>

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

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Accrued Landfill Postclosure Care Costs – The Town ceased operating its landfill in prior years. Federal and State laws and regulations require that the Town perform certain maintenance and monitoring functions at the landfill site after closure. A liability is being recognized based on the future postclosure care costs that will be incurred. The estimated liability for landfill postclosure care costs has a balance of \$260,000 as of December 31, 2013. 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 monitor and maintain the landfill were acquired as of December 31, 2013. 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.

Bonds Authorized and Unissued – Bonds authorized and unissued as of December 31, 2013 were as follows:

Per District Meeting Vote of	Purpose	Unissued Amount
March 8, 2011	Wastewater treatment plant	\$ 1,385,000
March 13, 2012	Church Street pumping station	4,850,000
Total		<u>\$ 6,235,000</u>

NOTE 13 – ENCUMBRANCES

Encumbrances outstanding at December 31, 2013 are as follows:

General government	\$ 29,114
Public safety	93,252
Highways and streets	137,866
Sanitation	119,994
Health	302
Capital outlay	171,466
Total encumbrances	<u>\$ 551,994</u>

NOTE 14 – STATE AID TO WATER POLLUTION PROJECTS (INTERGOVERNMENTAL RECEIVABLE)

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:

	Amount
Sewer construction loan (C-496)	\$ 56,465
Wastewater treatment facility upgrade (C-715)	671,174
Total	<u>\$ 727,639</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, 2013, the Town is due to receive the following annual amounts to offset debt payments:

Fiscal Year Ending December 31,	Principal	Interest	Total
2014	\$ 76,359	\$ 22,714	\$ 99,073
2015	76,359	19,649	96,008
2016	49,961	16,583	66,544
2017	49,961	14,740	64,701
2018	49,961	12,898	62,859
2019-2023	249,800	36,851	286,651
2024	49,960	1,843	51,803
Totals	<u>\$ 602,361</u>	<u>\$ 125,278</u>	<u>\$ 727,639</u>

TOWN OF HAMPTON, NEW HAMPSHIRE
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NOTE 15 – GOVERNMENTAL ACTIVITIES NET POSITION

Governmental activities net position reported on the government-wide Statement of Net Position at December 31, 2013 include the following:

Net investment in capital assets:	
General obligation bonds payable	\$ (24,775,238)
Unamortized bond premium	(639,940)
Total net investment in capital assets (deficit)	(25,415,178)
Restricted for:	
Perpetual care	17,982,695
Fire station	73,732
Cemetery trustees	1,255
Beach infrastructure	15,941
Total restricted	18,073,623
Unrestricted	8,303,976
Total net position	\$ 962,421

NOTE 16 – GOVERNMENTAL FUND BALANCES

Governmental fund balances reported on the fund financial statements at December 31, 2013 include the following:

Nonspendable:	
Major funds:	
General:	
Prepaid items	\$ 103,712
Tax deeded property, subject to resale	709
	104,421
Permanent - principal portion	16,570,657
Nonmajor fund:	
Recreation:	
Prepaid items	2,706
Total nonspendable fund balance	\$ 16,677,784
Restricted:	
Major funds:	
General:	
Library	\$ 186,053
Police grants	12,229
	198,282
Permanent - income portion	1,412,038
Fire station	73,732
Nonmajor funds:	
Cemetery trustees	1,255
Beach infrastructure	15,941
Total nonmajor funds	17,196
Total restricted fund balance	1,701,248

(Continued)

TOWN OF HAMPTON, NEW HAMPSHIRE
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Governmental fund balances continued:

Committed:			
Major fund:			
General fund:			
Non-lapsing appropriations	\$ 216,578		
Warrant article No. 23 from March 11, 2014 annual meeting	28,678		
Recreation infrastructure	277,617		
Expendable trusts	<u>1,190,473</u>		
	<u>1,713,346</u>		
Nonmajor funds:			
Special revenue:			
Conservation commission	123,753		
Emergency medical	178,194		
Police detail	123,000		
Recreation	100,389		
Cable TV	<u>83,309</u>		
Total nonmajor funds	<u>608,645</u>		
Total committed fund balance		2,321,991	
Assigned:			
Major fund:			
General:			
Tax abatements contingency	\$ 1,613,704		
Encumbrances	335,416		
Beach infrastructure	41,616		
Fire alarm	<u>3,172</u>		
Total assigned fund balance		1,993,908	
Unassigned:			
Major fund:			
General		<u>\$ 2,515,553</u>	
Nonmajor funds (deficits):			
Police forfeiture	(617)		
Wastewater treatment plant	(52,264)		
Church Street pumping station	<u>(13,685)</u>		
Total nonmajor funds	<u>(66,566)</u>		
Total unassigned fund balance		<u>2,448,987</u>	
Total governmental fund balances		<u>\$ 25,143,918</u>	

NOTE 17 – PRIOR PERIOD ADJUSTMENTS

Net position/fund balance at January 1, 2013 was restated to give retroactive effect to the following prior period adjustments:

	<u>Government-wide</u> Statements	<u>General</u>	<u>Emergency</u> Medical	<u>Church Street</u> Pumping Station	<u>Wastewater</u> Treatment Plant
To adjust beginning balance in allowance for uncollectible ambulance receivables to actual	\$ (276,614)	\$ -	\$ (276,614)	\$ -	\$ -
To reclassify expenditures charged to the wrong project	-	-	-	(15,670)	15,670
To defer property taxes not collected within sixty days of fiscal year-end	-	(2,539,759)	-	-	-
Net position/fund balance (deficit), as previously reported	<u>5,638,652</u>	<u>7,149,931</u>	<u>389,245</u>	<u>(266,539)</u>	<u>(210,704)</u>
Net position/fund balance (deficit), as restated	<u>\$ 5,362,038</u>	<u>\$ 4,610,172</u>	<u>\$ 112,631</u>	<u>\$ (282,209)</u>	<u>\$ (195,034)</u>

TOWN OF HAMPTON, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 18 – DEFICIT FUND BALANCES

The police forfeiture, wastewater treatment plant, and Church Street pumping station funds had deficit fund balances at December 31, 2013. These deficits will be financed through future revenues of the fund and bond proceeds that will be issued in the subsequent year.

NOTE 19 – 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. For fiscal year 2013, all employees except police officers and firefighters were required to contribute 7% of earnable compensation. The contribution rates were 11.55% for police officers and 11.80% for firefighters. The Town’s contribution rates for 2013 for pension and medical subsidy were as follows:

Period	Police	Fire	All Other Employees
January 1, 2013 through June 30, 2013	19.95%	22.89%	8.80%
July 1, 2013 through December 31, 2013	25.30%	27.74%	10.77%

The contribution requirements for the Town of Hampton for the fiscal years 2011, 2012, and 2013 were \$1,405,584, \$1,573,456, and \$1,817,192 respectively, which were paid in full in each year.

NOTE 20 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

In addition to pension benefits described in preceding note, 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 (GASB) issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. GASB Statement No. 45, which was effective for the Town on January 1, 2009, requires that the long-term cost of retirement health care and obligations for other postemployment benefits (OPEB) be determined on an actuarial basis and reported on the financial statements. The Town has not implemented GASB Statement No. 45 at December 31, 2013 or contracted with an actuarial firm to assist in evaluating the impact of this new standard on the Town. The amounts that should be recorded as the annual required contribution/OPEB cost and the net OPEB obligation are unknown.

NOTE 21 – 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 2013, 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.

TOWN OF HAMPTON, NEW HAMPSHIRE
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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, 2013, to be recorded as an insurance expenditure totaled \$281,914. The Town also paid \$513,331 for workers' compensation for the year ended December 31, 2013. There were no unpaid contributions for the year ended December 31, 2013.

NOTE 22 – CONTINGENCIES

There are various legal claims and suits pending against the Town which arose in the normal course of the governments activities. In the opinion of management, the ultimate disposition of these various claims and suits will not have a material effect on the financial position of the Town.

The Town participates in various federal grant programs, the principal of which are subject to program compliance audits pursuant to the Single Audit Act as amended. Accordingly, the government's compliance with applicable grant requirements will be established at a future date. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the government anticipates such amounts, if any, will be immaterial.

In addition, as of the date of the financial statements, the Town has several tax abatement cases from previous years filed with the State Board of Tax and Land Appeals. Should all these cases be found in favor of the tax payers, the Town's exposure could be approximately \$1,613,704, which is the amount management has reserved in the general fund.

NOTE 23 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

The following GASB pronouncements were implemented by the Town for the fiscal year ended December 31, 2013. Only GASB Statement No. 65 impacted these financial statements:

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus and Amendments of GASB Statements No. 14 and No. 34*, issued November 2010. This Statement is intended to improve financial reporting for a governmental financial reporting entity by improving guidance for including, presenting, and disclosing information about component units and equity interest transactions of a financial reporting entity.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, issued March 2012. This Statement is intended to improve financial reporting by clarifying the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting.

GASB Statement No. 66, *Technical Corrections – 2012 – An Amendment of GASB Statements No. 10 and No. 62*, issued March 2012. This Statement is intended to resolve conflicting accounting and financial report and guidance that emerged from two recent standards, Statement No. 54 and Statement No. 62. These standards conflicted with existing guidance in Statements No. 10, 13, and 48.

The Governmental Accounting Standards Board (GASB) has issued several pronouncements that have effective dates that may impact future financial presentations. Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements:

GASB Statement No. 67, *Financial Reporting for Pension Plans*, issued in June 2012, will be effective for the Town beginning with its fiscal year ending December 31, 2014. **GASB Statement No. 68, *Accounting and Financial Reporting for Pensions***, issued in June 2012, will be effective for the Town beginning with its fiscal year ending December 31, 2015. The guidance contained in these two Statements will change how governments calculate and report the costs and obligations associated with pensions in important ways. They replace the requirements of Statements No. 27 and 50.

TOWN OF HAMPTON, NEW HAMPSHIRE
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GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, issued in June 2012, will be effective for the Town beginning with its fiscal year ending December 31, 2015. The guidance contained in this statement will change how governments calculate and report the costs and obligations associated with pensions in important ways. This replaces the requirements of Statements No. 27 and 50.

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, issued in January 2013, will be effective for the Town beginning with its fiscal year ending December 31, 2014. This statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations that have been transferred or sold.

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, issued in April 2013, will be effective for the Town beginning with the fiscal year ending December 31, 2014. The objective of this statement is to improve accounting and financial reporting by governments that extend and receive nonexchange financial guarantees.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*, issued in November 2013, will be effective for the Town beginning with its fiscal year ending December 31, 2015. The objective of this statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*, and is required to be applied simultaneously with the provisions of that Statement.

NOTE 24 – 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 July 7, 2014, the date the December 31, 2013 financial statements were available to be issued, and no events occurred that require recognition or disclosure.

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, 2013

	Estimated	Actual	Variance Positive (Negative)
Taxes:			
Property	\$ 18,158,712	\$ 18,661,318	\$ 502,606
Land use change	187,850	177,850	(10,000)
Yield	116	117	1
Payment in lieu of taxes	629	1,279	650
Interest and penalties on taxes	375,000	396,901	21,901
Total from taxes	<u>18,722,307</u>	<u>19,237,465</u>	<u>515,158</u>
Licenses, permits, and fees:			
Business licenses, permits, and fees	8,400	9,173	773
Motor vehicle permit fees	2,667,800	2,810,256	142,456
Building permits	175,000	223,291	48,291
Other	26,700	33,084	6,384
Total from licenses, permits, and fees	<u>2,877,900</u>	<u>3,075,804</u>	<u>197,904</u>
Intergovernmental:			
State:			
Meals and rooms distribution	662,594	662,594	-
Highway block grant	264,738	264,049	(689)
Water pollution grants	102,138	102,138	-
Other	62,242	132,492	70,250
Federal:			
Other	-	46,315	46,315
Total from intergovernmental	<u>1,091,712</u>	<u>1,207,588</u>	<u>115,876</u>
Charges for services:			
Income from departments	<u>1,076,172</u>	<u>1,130,481</u>	<u>54,309</u>
Miscellaneous:			
Sale of municipal property	-	752	752
Interest on investments	-	1,875	1,875
Rent of property	-	166,011	166,011
Fines and forfeits	-	47,779	47,779
Insurance dividends and reimbursements	-	476,282	476,282
Contributions and donations	-	2,590	2,590
Other	955,487	332,184	(623,303)
Total from miscellaneous	<u>955,487</u>	<u>1,027,473</u>	<u>71,986</u>
Other financing sources:			
Transfers in	<u>671,800</u>	<u>752,244</u>	<u>80,444</u>
Total revenues and other financing sources	25,395,378	<u>\$ 26,431,055</u>	<u>\$ 1,035,677</u>
Unassigned fund balance used to reduce tax rate	78,771		
Total revenues, other financing sources, and use of fund balance	<u>\$ 25,474,149</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, 2013

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
General government:					
Executive	\$ -	\$ 171,932	\$ 189,873	\$ 20,000	\$ (37,941)
Election and registration	14,677	223,979	244,945	659	(6,948)
Financial administration	3,032	872,541	908,343	-	(32,770)
Legal	-	238,738	221,858	-	16,880
Personnel administration	-	2,468,794	1,875,822	-	592,972
Planning and zoning	14,350	117,511	150,528	-	(18,667)
General government buildings	-	100,055	94,928	3,390	1,737
Cemeteries	-	120,990	120,783	-	207
Insurance, not otherwise allocated	-	3,568,800	3,520,878	-	47,922
Other	13,430	67,250	65,716	5,065	9,899
Total general government	45,489	7,950,590	7,393,674	29,114	573,291
Public safety:					
Police	105,523	3,909,346	3,943,207	34,661	37,001
Fire	44,685	3,293,078	3,303,355	58,591	(24,183)
Building inspection	-	208,866	208,824	-	42
Emergency management	-	1,000	1,976	-	(976)
Other	-	475,600	463,821	-	11,779
Total public safety	150,208	7,887,890	7,921,183	93,252	23,663
Highways and streets:					
Administration	690	1,297,987	1,453,229	101,701	(256,253)
Highways and streets	92,733	516,570	359,688	32,165	217,450
Street lighting	-	204,000	212,568	4,000	(12,568)
Total highways and streets	93,423	2,018,557	2,025,485	137,866	(51,371)
Sanitation:					
Administration	8,044	1,365,344	1,422,091	8,480	(57,183)
Solid waste collection	-	570,196	552,501	-	17,695
Solid waste disposal	4,020	984,510	1,043,508	1,400	(56,378)
Other	69,887	194,000	166,379	110,114	(12,606)
Total sanitation	81,951	3,114,050	3,184,479	119,994	(108,472)
Health:					
Pest control	-	159,770	161,544	302	(2,076)
Health agencies	-	170,651	170,651	-	-
Total health	-	330,421	332,195	302	(2,076)
Welfare:					
Administration	-	56,885	32,083	-	24,802
Direct assistance	-	-	8,183	-	(8,183)
Other	-	-	58	-	(58)
Total welfare	-	56,885	40,324	-	16,561
Culture and recreation:					
Parks and recreation	14,000	240,029	254,239	-	(210)
Patriotic purposes	-	1,800	1,983	-	(183)
Other	-	3,500	3,236	-	264
Total culture and recreation	14,000	245,329	259,458	-	(129)
Conservation	-	30,803	32,832	-	(2,029)

(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, 2013

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Debt service:					
Principal of long-term debt	-	1,811,528	1,811,548	-	(20)
Interest on long-term debt	-	651,437	665,158	-	(13,721)
Interest on tax anticipation notes	-	10,000	11,045	-	(1,045)
Total debt service	-	<u>2,472,965</u>	<u>2,487,751</u>	-	<u>(14,786)</u>
Capital outlay	138,086	<u>132,300</u>	<u>86,531</u>	<u>171,466</u>	<u>12,389</u>
Other financing uses:					
Transfers out	-	<u>1,234,359</u>	<u>1,376,889</u>	-	<u>(142,530)</u>
Total appropriations, expenditures, other financing uses, and encumbrances	<u>\$ 523,157</u>	<u>\$ 25,474,149</u>	<u>\$ 25,140,801</u>	<u>\$ 551,994</u>	<u>\$ 304,512</u>

SCHEDULE 3
TOWN OF HAMPTON, NEW HAMPSHIRE
Major General Fund
Schedule of Changes in Unassigned Fund Balance (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2013

Unassigned fund balance, beginning		\$ 4,047,880
Changes:		
Unassigned fund balance used to reduce 2013 tax rate		(78,771)
2013 Budget summary:		
Revenue surplus (Schedule 1)	\$ 1,035,677	
Unexpended balance of appropriations (Schedule 2)	<u>304,512</u>	
2013 Budget surplus		1,340,189
Decrease in nonspendable fund balance		2,313
Increase in committed fund balance		(28,678)
Increase in assigned fund balance		<u>(463,703)</u>
Unassigned fund balance, ending, budgetary basis		<u>4,819,230</u>
<i>Reconciliation of Non-GAAP Basis to GAAP Basis</i>		
To comply with generally accepted accounting principles by deferring property taxes not collected within 60 days of year-end		<u>(2,426,621)</u>
Elimination of the allowance for uncollectible taxes		<u>122,944</u>
Unassigned fund balance, ending, GAAP basis (Exhibit C-1)		<u><u>\$ 2,515,553</u></u>

SCHEDULE 4
TOWN OF HAMPTON, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2013

	Special Revenue Funds				
	Cemetery Trustees	Conservation Commission	Emergency Medical	Police Detail	Recreation Fund
ASSETS					
Cash and cash equivalents	\$ 1,255	\$ 121,280	\$ -	\$ 101,549	\$ 108,283
Receivables, net of allowance for uncollectable:					
Accounts	-	-	254,402	21,451	-
Intergovernmental	-	-	-	-	-
Interfund receivable	-	2,473	-	-	-
Prepaid items	-	-	-	-	2,706
Total assets	<u>\$ 1,255</u>	<u>\$ 123,753</u>	<u>\$ 254,402</u>	<u>\$ 123,000</u>	<u>\$ 110,989</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ 17,869	\$ -	\$ 7,894
Contract payable	-	-	-	-	-
Interfund payable	-	-	58,339	-	-
Retainage payable	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>76,208</u>	<u>-</u>	<u>7,894</u>
Fund balances:					
Nonspendable	-	-	-	-	2,706
Restricted	1,255	-	-	-	-
Committed	-	123,753	178,194	123,000	100,389
Unassigned	-	-	-	-	-
Total fund balances	<u>1,255</u>	<u>123,753</u>	<u>178,194</u>	<u>123,000</u>	<u>103,095</u>
Total liabilities and fund balances	<u>\$ 1,255</u>	<u>\$ 123,753</u>	<u>\$ 254,402</u>	<u>\$ 123,000</u>	<u>\$ 110,989</u>

Special Revenue Funds		Capital Project Funds			Total
Cable TV	Police Forfeiture Fund	Beach Infrastructure	Wastewater Treatment Plant	Church Street Pumping Station	
\$ 83,327	\$ 20,285	\$ 47,382	\$ 30,385	\$ 128,655	\$ 642,401
-	-	-	-	-	275,853
-	-	-	17,947	932,115	950,062
-	-	-	-	-	2,473
-	-	-	-	-	2,706
<u>\$ 83,327</u>	<u>\$ 20,285</u>	<u>\$ 47,382</u>	<u>\$ 48,332</u>	<u>\$ 1,060,770</u>	<u>\$ 1,873,495</u>
\$ 18	\$ -	\$ 24,246	\$ 1,564	\$ 27,929	\$ 79,520
-	-	-	-	179,000	179,000
-	20,902	-	77,437	738,931	895,609
-	-	7,195	21,595	128,595	157,385
<u>18</u>	<u>20,902</u>	<u>31,441</u>	<u>100,596</u>	<u>1,074,455</u>	<u>1,311,514</u>
-	-	-	-	-	2,706
-	-	15,941	-	-	17,196
83,309	-	-	-	-	608,645
-	(617)	-	(52,264)	(13,685)	(66,566)
<u>83,309</u>	<u>(617)</u>	<u>15,941</u>	<u>(52,264)</u>	<u>(13,685)</u>	<u>561,981</u>
<u>\$ 83,327</u>	<u>\$ 20,285</u>	<u>\$ 47,382</u>	<u>\$ 48,332</u>	<u>\$ 1,060,770</u>	<u>\$ 1,873,495</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, 2013

	Special Revenue Funds				
	Cemetery Trustees	Conservation Commission	Emergency Medical	Police Detail	Recreation Fund
Revenues:					
Taxes	\$ -	\$ 10,000	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-
Charges for services	-	-	508,946	388,056	194,793
Investment earnings	1	140	-	-	-
Miscellaneous	-	7,752	-	-	61,184
Total revenues	<u>1</u>	<u>17,892</u>	<u>508,946</u>	<u>388,056</u>	<u>255,977</u>
Expenditures:					
Current:					
Public safety	-	-	443,383	406,690	-
Culture and recreation	-	-	-	-	211,151
Conservation	-	10,657	-	-	-
Capital outlay	-	-	-	-	-
Total expenditures	<u>-</u>	<u>10,657</u>	<u>443,383</u>	<u>406,690</u>	<u>211,151</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1</u>	<u>7,235</u>	<u>65,563</u>	<u>(18,634)</u>	<u>44,826</u>
Other financing sources (uses):					
Transfers in	-	10,000	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	1	17,235	65,563	(18,634)	44,826
Fund balances, beginning, as restated (see Note 17)	1,254	106,518	112,631	141,634	58,269
Fund balances, ending	<u>\$ 1,255</u>	<u>\$ 123,753</u>	<u>\$ 178,194</u>	<u>\$ 123,000</u>	<u>\$ 103,095</u>

Special Revenue Funds		Capital Project Funds				Total
Cable TV	Police Forfeiture Fund	Beach Infrastructure	Wastewater Treatment Plant	Church Street Pumping Station		
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,000	
-	14,048	-	1,237,637	2,529,936	3,781,621	
-	-	-	-	-	1,091,795	
-	90	-	41	60	332	
98,399	-	-	-	-	167,335	
<u>98,399</u>	<u>14,138</u>	<u>-</u>	<u>1,237,678</u>	<u>2,529,996</u>	<u>5,051,083</u>	
-	21,902	-	-	-	871,975	
89,929	-	-	-	-	301,080	
-	-	-	-	-	10,657	
-	-	433,247	1,094,908	2,261,472	3,789,627	
<u>89,929</u>	<u>21,902</u>	<u>433,247</u>	<u>1,094,908</u>	<u>2,261,472</u>	<u>4,973,339</u>	
<u>8,470</u>	<u>(7,764)</u>	<u>(433,247)</u>	<u>142,770</u>	<u>268,524</u>	<u>77,744</u>	
74,839	-	-	-	-	84,839	
<u>(74,839)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(74,839)</u>	
-	-	-	-	-	10,000	
8,470	(7,764)	(433,247)	142,770	268,524	87,744	
74,839	7,147	449,188	(195,034)	(282,209)	474,237	
<u>\$ 83,309</u>	<u>\$ (617)</u>	<u>\$ 15,941</u>	<u>\$ (52,264)</u>	<u>\$ (13,685)</u>	<u>\$ 561,981</u>	

***SINGLE AUDIT ACT SCHEDULES
AND INDEPENDENT AUDITOR'S REPORTS***



PLODZIK & SANDERSON

Professional Association/Accountants & Auditors

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

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

We have audited, in accordance with the auditing standards generally accepted in the United State of America and the standards applicable to the financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, 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, 2013, and the related notes to the financial statements, which collectively comprise the Town of Hampton's basic financial statements, and have issued our report thereon dated July 7, 2014. Our report on the financial statements of the governmental activities was adverse as indicated therein.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Hampton's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Hampton'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. 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

*Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed
in Accordance with Government Auditing Standards*

Purpose of this Report

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

July 7, 2014

Sheryl A. Pratt, CPA

PLODZIK & SANDERSON
Professional Association



PLODZIK & SANDERSON

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

We have audited the Town of Hampton's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the Town of Hampton's major federal program for the year ended December 31, 2013. The Town of Hampton's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Town of Hampton's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Hampton's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Town of Hampton's compliance.

Opinion on Each Major Federal Program

In our opinion, the Town of Hampton complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2013.

Report on Internal Control over Compliance

Management of the Town of Hampton is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Hampton's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the major program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Hampton's internal control over compliance.

Town of Hampton

*Independent Auditor's Report on Compliance for Each Major Program and Report on Internal Control
Over Compliance in Accordance with OMB Circular A-133*

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purposes.

July 7, 2014

Sheryl A. Platt, CPA

PLODZIK & SANDERSON
Professional Association

SCHEDULE II
TOWN OF HAMPTON, NEW HAMPSHIRE
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended December 31, 2013

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Community Challenge Planning Grant Program	14.704	N/A	\$ 28,568
U.S. DEPARTMENT OF JUSTICE			
Passed Through Rockingham County, New Hampshire			
Recovery Act - Edward Byrne Memorial Justice Assistant Grant (JAG) Program / Grants to Units of Local Government	16.804	2009-SB-B9-2449	48,543
U.S. DEPARTMENT OF TRANSPORTATION			
Passed Through the New Hampshire Highway Safety Agency			
HIGHWAY SAFETY CLUSTER			
State and Community Highway Safety:			
Operation Safe Commute	20.600	315-13A-065	1,057
Redlight Running Patrol	20.600	315-13A-167	2,087
Route 101 East Corridor Patrol	20.600	315-13A-198	1,348
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	308-13A-078	4,357
<i>CLUSTER TOTAL</i>			<u>8,849</u>
U.S. ENVIRONMENTAL PROTECTION AGENCY			
Passed Through the New Hampshire Department of Environmental Services			
Capitalization Grants for Clean Water State Revolving Funds: <i>(note 3)</i>			
Sludge Handling Improvements to the WWTP	66.458	CS-330195-11	906,347
Church Street Pump Station Upgrade	66.458	CS-330195-12	1,723,428
			<u>2,629,775</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed Through the New Hampshire Department of Safety			
Disaster Grants - Public Assistance (Presidentially Declared Disasters):			
Hurricane Sandy	97.036	FEMA-4095-DR-NH	9,164
Severe Winter Storm and Snow Storm	97.036	FEMA-4105-DR-NH	41,746
<i>PROGRAM TOTAL</i>			<u>50,910</u>
Homeland Security Grant Program	97.067	N/A	8,478
DIRECT FUNDING			
U.S. DEPARTMENT OF COMMERCE			
Investments for Public Works and Economic Development Facilities <i>(note 4)</i>	11.300	N/A	119,223
<i>Total Expenditures of Federal Awards</i>			<u>\$ 2,894,346</u>

The accompanying notes are an integral part of this schedule.

TOWN OF HAMPTON, NEW HAMPSHIRE
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2013

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "schedule") includes the federal grant activity of the Town of Hampton under programs of the federal government for the year ended December 31, 2013. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the Town of Hampton, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Town of Hampton.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

Note 3. Loans Outstanding

The Town of Hampton had the following loan balances outstanding at December 31, 2013. The loans made during the year are included in the federal expenditures presented in the Schedule.

<i>CFDA Number</i>	<i>Program Name</i>	<i>Outstanding Balances at December 31, 2013</i>
66.458	Capitalization Grants for Clean Water State Revolving Funds	\$3,120,445

Note 4. Subrecipients

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

<i>CFDA Number</i>	<i>Program Name</i>	<i>Amount Provided to Subrecipients</i>
11.300	Investments for Public Works and Economic Development Facilities	\$118,323