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***TOWN OF EPSOM,  
NEW HAMPSHIRE***

FINANCIAL STATEMENTS  
(WITH INDEPENDENT AUDITOR'S REPORT  
THEREON)

FOR THE YEAR ENDED  
DECEMBER 31, 2009

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AND SUPPLEMENTAL SCHEDULES**

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MASON + RICH

PROFESSIONAL ASSOCIATION

Certified Public Accountants

## REPORT OF INDEPENDENT AUDITOR'S

To the Board of Selectmen

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Epsom, New Hampshire, as of and for the year ended December 31, 2009, which collectively comprise the Town of Epsom's basic financial statements as listed in the index. These financial statements are the responsibility of the Town of Epsom's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

The Town has not adopted the provisions of GASB Statement #45 (Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions) for reporting of postemployment health insurance benefits. The Town does NOT pay any of the costs associated with the postemployment health insurance benefits of retirees. However, because of current NH RSA's, the Town is required to carry the retirees on its health insurance policy at the same premium as current employees (See Note V D). The amount by which this departure would affect the liabilities, net assets and expenses of the major funds is not reasonably determinable.

In our opinion, except for the effects of not implementing GASB Statement #45 as described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Epsom New Hampshire, as of December 31, 2009 and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and budgetary comparison information on pages 2 through 7 and 34 through 36 are not a required part of the basic financial statements but are supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

Respectfully submitted,

*Mason + Rich, P.A.*

MASON + RICH PROFESSIONAL ASSOCIATION  
Certified Public Accountants

November 22, 2010

SIX  
BICENTENNIAL  
SQUARE  
CONCORD NH  
03301  
T 603.224.2000  
F 603.224.2613

VISIT US AT [WWW.MASONRICH.COM](http://WWW.MASONRICH.COM)

**TOWN MANAGEMENT'S DISCUSSION AND ANALYSIS**

**TOWN OF EPSOM, NEW HAMPSHIRE**  
MANAGEMENT'S DISCUSSION AND ANALYSIS

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The Town of Epsom's Discussion and Analysis is intended to provide an overview of the financial activities of the Town for the year ended December 31, 2009. Please read this in conjunction with the accompanying financial statements.

The Management's Discussion and Analysis (MD&A) is one part of the reporting requirement established by the Government Accounting Standards Board in Statement 34; Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments (GASB 34).

**Financial Highlights**

- The General Fund, Epsom's operating fund, had an increase in the fund balance at year-end of \$226,403. This was a result of higher than anticipated revenue and unexpended appropriations.
- Epsom's net assets increased by \$612,883 for year-end 2009. This amount represents the completion of work to replace the bridges on Center Hill Road and Griffin Road, and the repair to the exterior of the Meetinghouse. The additional work increased the value of these assets of infrastructure and building.
- The Town received \$148,514 from the Hazard Mitigation and Pre-Disaster Mitigation Grant Programs for replacement of four culverts on North Road, Lockes Hill Road, New Orchard Road and Drolet Road. An additional \$92,300 will be received in 2010 upon completion of the projects.

**Overview of the Financial Statements**

The annual financial report for the Town of Epsom is a series of statements detailing the financial activities of the Town over the year. The Town's activities include general government services, police and fire, road maintenance, parks and recreation and community development. Property taxes, franchise fees, user fees and licenses, state and federal grants and interest income pay for these activities.

The basic financial statements are the government-wide financial statements, the fund financial statements, and notes to the financial statements. The report also contains other supplementary information such as the budgetary schedule. These components are described below.

**Government-wide Financial Statements** – These are two statements designed to provide a broad overview of the Town's finances in a manner similar to private sector businesses. They are presented on the accrual basis of accounting. This means that revenues and expenditures are shown when incurred, which could be before cash actually comes in or goes out. These statements also include all assets and liabilities of the Town. This means that Town-owned buildings, equipment and infrastructure (roads, bridges, etc.) are now included in the financial statements along with any related depreciation.

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**TOWN OF EPSOM, NEW HAMPSHIRE**  
MANAGEMENT'S DISCUSSION AND ANALYSIS

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The Statement of Changes in Net Assets presents information on all the Town's assets and liabilities, with the difference between the two reported as net assets. The amount of net assets is one way to gauge the financial health of the Town.

The Statement of Activities presents information about how the Town's net assets have changed throughout the year. All changes in net assets, including revenues and expenditures, are shown even if the cash has not been received or paid at the year's end. An example would be taxes that have been billed but are not paid by December 31.

Over time the increases or decreases in net assets may serve as an indication of whether the Town's overall financial condition is improving or deteriorating. These changes should be viewed in context with the changes in the Town's property tax base and the condition of the Town's infrastructure.

**Fund Financial Statements** – A fund is a grouping of related accounts used to maintain control over money designated for a specific purpose. Fund accounting is used by all state and local governments. Its use ensures and shows compliance with finance related legal requirements.

**Governmental Funds** – Governmental funds are used to account for the Town's basic activities. These funds use a modified accrual accounting method that measures cash and all assets that can be quickly converted to cash. They focus on money in and money out and the balances remaining at the end of the year. Governmental fund statements have a narrower focus 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.

The Town of Epsom reports two major funds-the General Fund and the Capital Reserves fund. The Town also maintains several other governmental funds. Information for those funds is consolidated into a single, aggregated presentation ("Other Governmental Funds").

**Fiduciary Fund**

The Town is responsible for ensuring that the assets reported in this fund are used for their intended purpose. All of the Town's fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the Town's government-wide financial statements because the Town cannot use these assets to finance its operations.

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

**Other Information** – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information.

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**TOWN OF EPSOM, NEW HAMPSHIRE**  
MANAGEMENT'S DISCUSSION AND ANALYSIS

**Government-wide Financial Analysis**

As stated earlier, the amount of net assets may serve over time as a useful indicator of Epsom's financial condition. As of December 31, 2009 assets exceeded liabilities by \$6,808,596.

The following is a summary of the Town's net assets for 2009 compared to 2008.

	Net Assets	
	Governmental Activities 2009	Governmental Activities 2008
Current and Other Assets	\$ 5,799,751	\$ 5,263,656
Capital Assets, net of Depreciation	<u>3,753,855</u>	<u>3,927,802</u>
Total Assets	<u>\$ 9,553,606</u>	<u>\$ 9,191,458</u>
Current Liabilities	\$ 2,723,135	\$ 2,907,774
Non-current Liabilities	<u>21,875</u>	<u>87,971</u>
Total Liabilities	<u>2,745,010</u>	<u>2,995,745</u>
Net Assets:		
Investments in Capital Assets, Net of Related Debt	3,772,528	3,925,153
Restricted	1,233,254	1,060,341
Unrestricted	<u>1,802,814</u>	<u>1,210,219</u>
Total Net Assets	<u>\$ 6,808,596</u>	<u>\$ 6,195,713</u>

55% of Epsom's net assets, \$3,753,855, are the capital assets of land, buildings, infrastructure, equipment and vehicles, less depreciation and net of related debt. Epsom had no debt as of the end of 2009 having made the final payment of \$50,000 on the note payable for the construction of the new library building that was completed in 2006. These assets are used to provide services to the Town and therefore do not represent money available for future spending. 18% of the net assets, \$1,233,254, are restricted for specific uses. These are the Capital Reserve funds and Trust funds. 26% of Epsom's net assets, \$1,802,814, are classified as unrestricted, but include funds designated for a specific purpose such as conservation and ambulance replacement. The undesignated, unrestricted net assets serve to meet the recommendation by the general rules for government finance to retain an amount equal to between 5% and 17% of appropriations.

The amount of total net assets will change from year to year. One of the factors that create a change in net assets is the governmental activity of the Town. The Changes in Net Assets statement shows the revenues and expenses of the Town's governmental activities for 2009 in comparison to 2008.

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**TOWN OF EPSOM, NEW HAMPSHIRE**  
MANAGEMENT'S DISCUSSION AND ANALYSIS

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	Changes in Net Assets	
	Governmental Activities 2009	Governmental Activities 2008
Revenues:		
Program Revenues:		
Charges for Services	\$ 940,665	\$ 952,542
Operating Grants and Contributions	205,079	232,721
Capital Grants and Contributions	565,768	857,980
General Revenues:		
Property Taxes – General Purpose	1,686,660	1,021,697
Property Taxes – Education	5,088,342	5,435,703
Property Taxes – County	1,086,467	1,120,129
Franchise Fees	27,618	26,548
Other Taxes	102,758	211,988
Payment In Lieu of Taxes	19,603	17,017
Unrestricted Grants and Contributions	208,790	242,232
Interest and Investment Earnings	39,334	76,654
Gain (Loss) on Sale of Town Assets	6,175	5,500
Miscellaneous	9,034	11,268
Total Revenues	9,986,293	10,211,979
Expenses:		
General Government And Administration	601,966	588,171
Fire Department	460,775	434,071
Police Department	578,551	518,829
Highway Department	1,116,005	610,222
Trash Disposal and Recycling	172,125	170,749
Health and Welfare	48,352	45,388
Culture and Recreation	33,190	29,124
Conservation	356	4,916
Library	185,710	207,661
Intergovernmental Transfers:		
School District	5,088,342	5,435,703
County	1,086,467	1,120,129
Interest on Long Term Debt	1,571	4,477
Total Expenses	9,373,410	9,169,440
Increase in Net Assets	612,883	1,042,539
Net Assets – Beginning of Year	6,195,713	5,153,174
Net Assets – End of Year	\$ 6,808,596	\$ 6,195,713

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**TOWN OF EPSOM, NEW HAMPSHIRE**  
MANAGEMENT'S DISCUSSION AND ANALYSIS

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Generally revenue from sources other than property taxes was down in 2009 as compared to 2008. Charges for services at \$940,665 made up 9% of Epsom's revenues. The largest decrease occurred in grants and contributions of all types. That total was \$979,637 which provided 10% of revenues, the same percentage as in 2008. The unrestricted contribution from the Rooms and Meals Tax was \$206,790, basically unchanged from 2008. There was no other Revenue Sharing from the State in 2009. Operating and capital contributions and grants equaled \$770,847 and included operating grants such as the Highway Block Grant and Highway Safety grants, and capital grants for specific road projects. The revenues from grants and contributions, and charges for services were second and third to property taxes for all uses. Property taxes for all uses represented 79% of revenues at \$7,861,469. Epsom's expenses included budgetary appropriations, and use of grants and contributions received during the year.

**Financial Analysis of the Government**

Epsom has only government type funds. The focus of these funds is to provide information on near-term inflows, outflows and balances of spendable resources. These funds include the General Fund, Capital Reserve and Special Revenue funds. At year end 2009, the combined fund balance was \$3,076,616, an increase of \$1,035,899 or 51%, above the 2008 year end balance. The major increase was the receipt of reimbursement funds from FEMA for disaster repair projects on Griffin Road and Center Hill Road. The Capital Reserve Fund for Roads increased by the Warrant Article passed at the March election and the Fire & Rescue Apparatus fund was increased by ambulance revenue. Epsom's General Fund balance increased \$226,403 or by 24%.

**Budgetary Highlights**

In accordance with the RSA's, Epsom's annual operating budget runs from January 1 to December 31. The amount of the budget is determined by vote of the Town in March of the budget year. For the year ended December 31, 2009, actual expenditures were less than appropriations by \$159,940, and actual revenue was higher than anticipated by \$66,463. This combined amount of \$226,403 contributes to the increase in Epsom's fund balance.

**Capital Asset and Debt Administration**

**Capital Assets** – As of December 31, 2009 Epsom had capital assets net of depreciation totaling \$3,753,855. These include six buildings, thirty-eight parcels of land, two bridges, the vehicles of the Fire, Police and Highway departments, and equipment with a value greater than \$5,000. The major addition to capital assets was infrastructure in the amount of \$1,168,465, which are the bridges on Center Hill Road and Griffin Road.

**Debt** – As of December 31, 2009 Epsom had no outstanding debt. The final payment of \$50,000 was made in May 2009 on a general obligation bond from the Bank of New Hampshire for the new library building.

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**TOWN OF EPSOM, NEW HAMPSHIRE**  
MANAGEMENT'S DISCUSSION AND ANALYSIS

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**Economic Factors and Next Year's Budgets and Rates**

The proposed operating budget for 2010 failed at the polls in March so Epsom is back on a default budget for 2010. The Town underwent a full revaluation in 2010 as it has been five years since the last revaluation. The result was a decrease in the total valuation of Epsom. The 2010 tax rate is \$19.77 which reflects the lower total valuation.

The Town did not receive a grant from LCHIP to begin interior restoration and renovation work on the Meetinghouse. Two warrant articles related to the Meetinghouse were on the ballot in March 2010, but neither passed.

The Town and DES continue to pursue grants to fund the stabilization of the Suncook River due to the avulsion in 2006.

Revenues remain about the same in 2010. The State's loss of revenue continues to translate into a loss of revenue to the towns and a shifting of costs as seen in the State's reduction of its share of retirement cost through June 30, 2011.

The Highway Department obtained additional funds through the Hazard Mitigation Grant Program for two more drainage projects on Town roads.

**Request for Financial Information**

This financial report is designed to provide a general overview of the Town of Epsom's finances and show accountability for the money the Town receives. The audience for this information is intended to be Epsom's residents, taxpayers, customers and creditors. Questions concerning the information in this report or requests for additional information should be addressed to the Epsom Town Office at 940 Suncook Valley Highway in Epsom, or by mail at PO Box 10, Epsom, NH 03234.

## **BASIC FINANCIAL STATEMENTS**

TOWN OF EPSOM, NEW HAMPSHIRE  
STATEMENT OF NET ASSETS  
DECEMBER 31, 2009

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	<u>Governmental Activities</u>
<b><i>ASSETS</i></b>	
Cash and Equivalents	\$ 2,566,797
Temporary Investments	2,249,164
Taxes Receivable	867,801
Accounts Receivable	45,075
Prepays	11,927
Restricted Assets: Cash and Equivalents	50,970
Property by Tax Deed and Title	8,017
Capital Assets:	
Land and Improvements	487,904
Buildings and Improvements	2,068,587
Infrastructure	1,168,465
Furniture, Equipment and Vehicles	1,107,627
Less Accumulated Depreciation	(1,078,728)
Total Capital Assets, Net of Depreciation	<u>3,753,855</u>
 <b><i>TOTAL ASSETS</i></b>	 <b><u>\$ 9,553,606</u></b>
	(Continued)

TOWN OF EPSOM, NEW HAMPSHIRE  
STATEMENT OF NET ASSETS  
DECEMBER 31, 2009

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	Governmental <u>Activities</u>
<b><i>LIABILITIES</i></b>	
Accounts Payable	\$ 67,127
Due to Other Governments	2,638,342
Accrued Liabilities	17,666
Deferred Revenues	-
Non-current Liabilities:	
Compensated Absences Payable	21,875
<b><i>Total Liabilities</i></b>	<u>2,745,010</u>
<b><i>NET ASSETS</i></b>	
Invested in Capital Assets, Net of Related Debt	3,772,528
Restricted for:	
Capital Reserves	905,591
Permanent Funds:	
Nonexpendable	327,663
Unrestricted	1,802,814
<b><i>Total Net Assets</i></b>	<u>\$ 6,808,596</u>

TOWN OF EPSOM, NEW HAMPSHIRE  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2009

Functions/Programs	Program Revenues				Net (Expense) Revenue and Change in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental Activities:</b>					
General Government	\$ 601,966	\$ 731,006	\$ 77,000	\$ 421,550	\$ 627,590
Fire Department	460,775	176,485	82	-	(284,208)
Police Department	578,551	32,594	10,939	-	(535,018)
Highways and Streets	1,116,005	-	113,573	144,218	(858,214)
Sanitation	172,125	-	-	-	(172,125)
Health and Welfare	48,352	300	-	-	(48,052)
Culture and Recreation	33,190	-	555	-	(32,635)
Conservation	356	-	-	-	(356)
Library	185,710	280	2,930	-	(182,500)
Intergovernmental:					
School District	5,088,342	-	-	-	(5,088,342)
County	1,086,467	-	-	-	(1,086,467)
Interest on Long-term Debt	1,571	-	-	-	(1,571)
<b>Total Governmental Activities</b>	<b>\$ 9,373,410</b>	<b>\$ 940,665</b>	<b>\$ 205,079</b>	<b>\$ 565,768</b>	<b>(7,661,898)</b>
<b>General Revenues:</b>					
<b>Taxes:</b>					
Property Taxes Levied for General Purposes					1,686,660
Property Taxes Levied for Education					5,088,342
Property Taxes Levied for County					1,086,467
Franchise Fees					27,618
Other Taxes					102,758
Payment in Lieu of Taxes					19,603
Grants and Contributions Not Restricted to Specific Programs					208,790
Interest and Investment Earnings					39,334
Gain (Loss) on Disposal of Capital Assets					6,175
Miscellaneous					9,034
Transfers					-
Total General Revenues, Special Items and Transfers					8,274,781
Change in Net Assets					612,883
Net Assets, Beginning of Year					6,195,713
Net Assets, End of Year					\$ 6,808,596

TOWN OF EPSOM, NEW HAMPSHIRE  
 BALANCE SHEET  
 GOVERNMENTAL FUNDS  
 DECEMBER 31, 2009

	MAJOR FUNDS			
	General Fund	Capital Reserves	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash	\$ 2,128,624	\$ -	\$ 438,173	\$ 2,566,797
Temporary Investments	1,000,000	905,591	343,573	2,249,164
Investments	-	-	-	-
Taxes Receivable	867,801	-	-	867,801
Accounts Receivable	-	-	45,075	45,075
Due From Other Funds	92,300	-	214,285	306,585
Prepays	11,927	-	-	11,927
Restricted Assets: Cash and Temporary Investments	-	-	50,970	50,970
Property by Tax Lien and Title	72,291	-	-	72,291
<b>TOTAL ASSETS</b>	<b>\$ 4,172,943</b>	<b>\$ 905,591</b>	<b>\$ 1,092,076</b>	<b>\$ 6,170,610</b>

(Continued)  
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The Accompanying Notes are an Integral Part of This Financial Statement

TOWN OF EPSOM, NEW HAMPSHIRE  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2009

	MAJOR FUNDS				Total Governmental Funds
	General Fund	Capital Reserves	Other Governmental Funds		
<b>LIABILITIES AND FUND BALANCES</b>					
<i>Liabilities</i>					
Accounts Payable	\$ 67,127	\$ -	\$ -	\$ -	\$ 67,127
Accrued Liabilities	16,575	-	1,091	-	17,666
Due to Other Governments	2,638,342	-	-	-	2,638,342
Due to Other Funds	214,285	-	92,300	-	306,585
Deferred Revenue	64,274	-	-	-	64,274
<b>Total Liabilities</b>	<b>3,000,603</b>	<b>-</b>	<b>93,391</b>	<b>-</b>	<b>3,093,994</b>
<b>Fund Balances</b>					
Reserved for Encumbrances	29,872	-	-	-	29,872
Unreserved Reported in:					
General Fund	1,142,468	-	-	-	1,142,468
Special Revenue Funds	-	905,591	652,009	-	1,557,600
Capital Projects Funds	-	-	19,013	-	19,013
Permanent Fund	-	-	327,663	-	327,663
<b>Total Fund Balances</b>	<b>1,172,340</b>	<b>905,591</b>	<b>998,685</b>	<b>-</b>	<b>3,076,616</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 4,172,943</b>	<b>\$ 905,591</b>	<b>\$ 1,092,076</b>	<b>\$ -</b>	<b>\$ 6,170,610</b>

The Accompanying Notes are an Integral Part of This Financial Statement

TOWN OF EPSOM, NEW HAMPSHIRE  
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE  
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2009

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\$ 3,076,616

*Total Governmental Fund Balances Above*

*Amounts Reported for Governmental Activities in the Statement  
of Net Assets Are Different Because of the Following Items:*

Capital Assets Used in Governmental Activities Are NOT  
Financial Resources and Therefore Are NOT reported in the Funds.

3,753,855

Long-term Liabilities, Including Bonds Payable and Unmatured  
Compensated Absences, Are NOT Due and Payable in the  
Current Period and Therefore Are NOT Reported in the Funds:

(21,875)

Compensated Absences  
Bonds Payable

-

*Net Assets of Governmental Activities - Statement 1*

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\$ 6,808,596

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The Accompanying Notes are an Integral Part of This Financial Statement

TOWN OF EPSOM, NEW HAMPSHIRE  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2009

	MAJOR FUNDS				Total Governmental Funds
	General Fund	Capital Reserves	Other Governmental Funds		
<b>Revenues</b>					
Taxes	\$ 7,978,490	\$ -	\$ 1,935	\$ -	\$ 7,980,425
Licenses and Fees	711,562	-	-	-	711,562
Intergovernmental	324,637	-	966,316	-	1,290,953
Charges for Services	22,016	-	201,562	-	223,578
Interest and Dividends	16,656	15,060	7,617	-	39,333
Miscellaneous	46,928	-	9,026	-	55,954
<b>Total Revenues</b>	<u>9,100,289</u>	<u>15,060</u>	<u>1,186,456</u>	<u>-</u>	<u>10,301,805</u>
<b>Expenditures</b>					
<b>Town:</b>					
General Government	519,465	-	77,107	-	596,572
Public Safety	928,995	-	35,553	-	964,548
Highways and Streets	703,984	-	-	-	703,984
Sanitation	168,125	-	-	-	168,125
Water Distribution and Treatment	4,000	-	-	-	4,000
Health	16,885	-	-	-	16,885
Welfare	31,467	-	-	-	31,467
Culture and Recreation	31,198	-	161,303	-	192,501
Conservation	355	-	-	-	355
Debt Service - Principal	50,000	-	-	-	50,000
- Interest	989	-	-	-	989
Special Item - Abatement Agreement	-	-	-	-	-
Capital Outlay	-	-	361,671	-	361,671
<b>Total Town Expenditures</b>	<u>\$ 2,455,463</u>	<u>\$ -</u>	<u>\$ 635,634</u>	<u>\$ -</u>	<u>\$ 3,091,097</u>

The Accompanying Notes are an Integral Part of This Financial Statement

TOWN OF EPSOM, NEW HAMPSHIRE  
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2009

	MAJOR FUNDS			Total Governmental Funds
	General Fund	Capital Reserves	Other Governmental Funds	
<b>Other Governmental Units:</b>				
School District Assessment	\$ 5,088,342	\$ -	\$ -	\$ 5,088,342
County Taxes	1,086,467	-	-	1,086,467
<b>Total Other Governmental Units</b>	<b>6,174,809</b>	<b>-</b>	<b>-</b>	<b>6,174,809</b>
<b>Total Expenditures</b>	<b>8,630,272</b>	<b>-</b>	<b>635,634</b>	<b>9,265,906</b>
Excess (Deficiency) of Revenues Over Expenditures	470,017	15,060	550,822	1,035,899
<b>Other Financing Sources (Uses)</b>				
Proceeds of General Obligation Bonds	-	-	-	-
Operating Transfers In	57,288	151,871	150,902	360,061
Operating Transfers (Out)	(300,902)	-	(59,159)	(360,061)
<b>Total Other Financing Sources (Uses)</b>	<b>(243,614)</b>	<b>151,871</b>	<b>91,743</b>	<b>-</b>
Excess (Deficiency) of Revenues Over Expenditures and Other Financing Sources (Uses)	226,403	166,931	642,565	1,035,899
Fund Balances, Beginning of Year	945,937	738,660	356,120	2,040,717
Fund Balances, End of Year	\$ 1,172,340	\$ 905,591	\$ 998,685	\$ 3,076,616

The Accompanying Notes are an Integral Part of This Financial Statement

TOWN OF EPSOM, NEW HAMPSHIRE  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES (STATEMENT 2)  
FOR THE YEAR ENDED DECEMBER 31, 2009

<i>Net Change in Fund Balances - Total Governmental Funds</i>	\$ 1,035,899
<i>Amounts Reported for Government Activities in the Statement of Activities Are Different Because of the Following Items:</i>	
Governmental Funds Report Capital Outlays as Expenditures. In the Statement of Activities the Cost of Those Capital Outlay Items is Capitalized and the Cost of Those Capitalized Assets is Then Charged Over Their Estimated Useful Lives as Depreciation Expense. This is the Amount by Which Depreciation Expense Exceeded Capital Outlay Expenditures in the Current Period.	(173,947)
Revenues in the Statement of Activities Are Reported in the Funds Statement as They do Provide Current Financial Resources.	(315,511)
Proceeds From Debt Issues Are Reported as an Other Financing Source (Proceeds of Long-term Bonds) in the Funds Statement. However, Debt Issue Proceeds Increase Long-term Liabilities (Bonds Payable) in the Statement of Net Assets. The Repayment of Bond Principal is an Expenditure (Debt Service) in the Governmental Funds. The Repayment of Principal Reduces Long-term Liabilities in the Statement of Net Assets.	64,332
Payment of Interest is Reported as an Expenditure When Due in the Governmental Funds. Interest is Accrued at Year End in the Statement of Activities.	350
Some Expenses Reported in the Statement of Activities, Such as Compensated Absences, do NOT Require the Use of Current Financial Resources. Accordingly, They Have NOT Been Reported as Expenditures in the Governmental Funds.	1,760
<i>Change in Net Assets of Governmental Funds - Statement 2</i>	\$ 612,883

TOWN OF EPSOM, NEW HAMPSHIRE  
STATEMENT OF FIDUCIARY NET ASSETS  
AGENCY AND PRIVATE PURPOSE TRUSTS  
DECEMBER 31, 2009

	Agency Funds	Private Purpose Trusts
<b>ASSETS</b>		
Cash	\$ 63,221	\$ 682
Temporary Investments	-	291,895
Investments, At Fair Value	-	-
Accounts Receivable	-	-
	\$ 63,221	\$ 292,577
<b>TOTAL ASSETS</b>	\$ 63,221	\$ 292,577
<b>LIABILITIES</b>		
Accounts Payable	-	-
Due to Other Governments	-	-
Due to Specific Individuals	63,221	-
<b>Total Liabilities</b>	\$ 63,221	-
<b>NET ASSETS</b>		
Held in Trust for Epsom Village District		67,546
Held in Trust for School District		225,031
<b>Total Net Assets</b>		\$ 292,577

TOWN OF EPSOM, NEW HAMPSHIRE  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
PRIVATE PURPOSE TRUSTS  
FOR THE YEAR ENDED DECEMBER 31, 2009

	School District	Epsom Village District	Total Private Purpose Trust Funds
<b><i>Additions</i></b>			
Gifts and Contributions	\$ -	\$ 2,000	\$ 2,000
Earnings on Investments	4,433	1,318	5,751
<b><i>Total Additions</i></b>	<u>4,433</u>	<u>3,318</u>	<u>7,751</u>
<b><i>Deductions</i></b>			
Scholarships Awarded	-	-	-
Payments to Village District	-	-	-
Payments to School District	-	-	-
<b><i>Total Deductions</i></b>	<u>-</u>	<u>-</u>	<u>-</u>
Changes in Net Assets Held in Trust	4,433	3,318	7,751
Net Assets, Beginning of Year	220,598	64,228	284,826
Net Assets, End of Year	<u>\$ 225,031</u>	<u>\$ 67,546</u>	<u>\$ 292,577</u>

**TOWN OF EPSOM, NEW HAMPSHIRE**  
NOTES TO THE FINANCIAL STATEMENT

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**I | SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***A. Reporting Entity***

The Town of Epsom, New Hampshire (the Town) is a municipal corporation governed by an elected five member Board of Selectmen. The Town was incorporated in 1727. The Town's annual budget is approved by the voters at the Town Meeting held in March each year and the Selectmen are then responsible for managing the Town's day to day operations during the year within the constraints of the budget that was approved. The Town engages in a comprehensive range of municipal services, including general government administration, public safety, health, welfare, human service programs, planning, community development, recreation, cultural, and library activities.

The accompanying financial statements include the transactions of all funds of the Town and any other organizations included in the Town's reporting entity because of the significance of their operations or financial relationships with the Town in accordance with the criteria set forth by the Governmental Accounting Standards Board. There are no agencies or entities which should be presented with the Town in accordance with reporting standards for governmental units.

***B. Government-wide and Fund Financial Statements***

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the Town. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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 or capital 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.

***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, as are the fiduciary fund financial statements. Revenues

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*(Continued on next page)*

**TOWN OF EPSOM, NEW HAMPSHIRE**  
NOTES TO THE FINANCIAL STATEMENT

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are recorded when transactions occur 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 Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, 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. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Town.

The Town's fiduciary funds are presented in the fund financial statements by type (private purpose and agency). Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the Town, these funds are not incorporated into the government-wide financial statements.

The Town reports the following major governmental funds:

The General Fund is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Capital Reserve Fund is used to account for funds in the custody of the Trustees of Trust Funds that were designated by the voters at Town Meeting for future capital expenditures.

Non-Major Governmental Fund Types:

Special Revenue Funds – accounts for specific revenue sources that are restricted by law or administrative action to expenditure for specific purposes. Non-major special revenue funds include the Epsom Public Library, Conservation, Cemetery Maintenance and Repair, Ambulance Replacement, Historic District Commission, Grant Fund, Conservation Reserve Fund, Reid Fund, Webster Park Fund, Police Department Special Duty and Library Expendable Fund.

Capital Projects Funds – account for financial resources segregated for the acquisition or construction of major capital facilities. Non-major capital projects funds include the Library Building Capital Projects Fund.

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**TOWN OF EPSOM, NEW HAMPSHIRE**  
NOTES TO THE FINANCIAL STATEMENT

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Permanent Funds – used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the programs—that is, for the benefit of the Town or its citizenry. Permanent funds report trust arrangements in which the Town is the beneficiary, including public-purpose funds previously classified as nonexpendable trust funds. Permanent funds are used for resources legally restricted to cemeteries, libraries, parks, public land maintenance and social services. Non-major permanent funds include Library Trust Funds, Cemetery Trust Funds and Lillian Morrison Town Police Department and Fire Department Trust Funds.

Additionally, the Town reports the following funds:

Fiduciary funds are used to account for assets held by the Town in a trustee capacity or as an agent for individuals, private organizations or other governments. The fiduciary funds of the Town are the private purpose trusts (School District Trust Fund and Village District Trust Funds) and agency funds (performance bonds). For accounting measurement purposes, the private purpose trust funds are accounted for in essentially the same manner as proprietary funds. Private purpose trust funds account for assets of which the principal may not be spent. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operation. Fiduciary funds are NOT included in the government-wide financial statements.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB).

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

***D. Assets, Liabilities, and Net Assets or Equity***

1. Deposits and Investments

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

The Library Building and Library Funds had restricted cash and restricted temporary investments of \$50,970 designated for future expansion.

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**TOWN OF EPSOM, NEW HAMPSHIRE**  
NOTES TO THE FINANCIAL STATEMENT

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The Town Treasurer is authorized by State statutes to invest excess funds "in obligations of the U.S. Government, in the public deposit investment pool established pursuant to RSA 383:22, in savings bank deposits of banks incorporated under laws of the State of New Hampshire or in certificates of deposit of banks incorporated under the laws of the State of New Hampshire or in national banks located within the States of New Hampshire or Massachusetts."

The Town participates in the New Hampshire Public Deposit Investment Pool established in accordance with RSA 383:22-24. At year end the Town funds had no funds on deposit with the Pool. At this time, the Pool's investments are limited to "short-term U.S. Treasury and U.S. Government Agency obligations, State of New Hampshire and New Hampshire municipal obligations, certificates of deposit from A1/P1-rated banks, money market mutual funds (maximum 20% portfolio), overnight to 30-day repurchase agreements (no limit, but collateral level at 102% in U.S. Treasury and Government Agency instruments delivered to the Custodian of the Pool) and reverse overnight repurchase agreements with primary dealers or dealer banks."

Under New Hampshire law, the trustees of trust funds may invest:

"Only by deposit in savings bank or in the savings department of a national bank or trust company in this State or in shares of any building and loan association or co-operative bank, incorporated and doing business under the laws of this State or in the shares of any federal savings and loan association, located and doing business in this State or in bonds, notes or other obligations of the United States government or in State, County, Town, City, School District, water and sewer district bonds and the notes of Towns or Cities in this State; and such stocks and bonds as are legal for investment by New Hampshire savings banks and when so invested, the trustees shall not be liable for the loss thereof; and in any common trust fund established by the New Hampshire Charitable Fund in accordance with RSA 292.23."

2. Receivables and Payables

Activities 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". All other outstanding balances between funds are reported as "due to/from other funds."

All trade and property tax receivables are shown net of an allowance for uncollectibles.

The Town semiannually, in May and November, bills and collects its own property taxes as well as property taxes for the School District and for the County. Town property tax revenue is recognized in the fiscal year for which taxes have been levied.

Property taxes billed or collected in advance of the fiscal year for which they are levied are recorded as deferred revenue.

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**TOWN OF EPSOM, NEW HAMPSHIRE**  
NOTES TO THE FINANCIAL STATEMENT

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Property taxes are due by December. If the taxes are not paid by the following March, a lien is recorded on the property at the Register of Deeds. The lien is a priority tax lien which accrues interest at the rate of 18% per annum. If the delinquent taxes (“redemptions”) are not paid within two years of the tax lien date, the property is conveyed to the Town by deed and subsequently sold at public sale.

The Town budgets, following New Hampshire budget procedures, an amount (\$19,483 in the current year) for property tax abatements and refunds. All abatements and refunds are charged to the account and they are reported net of property tax revenues. The actual total for the current year was \$20,598.

The tax rate for the year was \$17.74; \$4.03 Town, \$2.41 County, \$9.13 School District and \$2.17 State Education Tax.

3. Property by Tax Lien and Title

Elderly Tax Liens – Under New Hampshire Revised Statutes Annotated (RSA) 72:38A, elderly property owners in the Town may request that the Town file a tax lien against their property for the amount of their annual property taxes. Interest accrues annually at 5% and is payable along with the property taxes from the individual’s estate.

Other Tax Liens – Under New Hampshire Revised Statutes Annotated, if property taxes have not been paid within two years of the tax lien date, the property may be conveyed to the Town by deed.

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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*(Continued on next page)*

**TOWN OF EPSOM, NEW HAMPSHIRE**  
**NOTES TO THE FINANCIAL STATEMENT**

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Property, plant, and equipment is depreciated using the straight line method over the following estimated useful lives:

<b>Assets</b>	<b>Years</b>
Land Improvements	20
Building and Improvements	15-40
Infrastructure - Roads	40
Infrastructure - Bridges	50
Furniture, Equipment and Vehicles	5-20

Pursuant to GASB Statement #34, Phase 3 governments “are encouraged but are NOT required to report major infrastructure assets retroactively.” Accordingly, the Town has elected to report its general infrastructure assets beginning with the effective date of the Statement - the year ended December 31, 2004.

5. Vacation

Vacation pay is earned the prior year and employees are eligible to take it up to their anniversary date at which time it lapses. If an employee leaves prior to their anniversary date, they are compensated for the balance at that time.

Sick pay does not vest and accordingly have not been accrued in the financial statements.

All compensated absences are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

6. 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, fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

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**TOWN OF EPSOM, NEW HAMPSHIRE**  
**NOTES TO THE FINANCIAL STATEMENT**

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7. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

- Encumbrances – These monies have been reserved for goods and services encumbered, or ordered before the end of the fiscal year, for which delivery of goods and services had not been made prior to the close of the fiscal year.
- Prepaids – These monies have been reserved for reported prepaids in the General Fund to comply with accounting standards.

8. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets (net of accumulated depreciation) reduced by the outstanding balances of any debt used for the acquisition, construction or improvement of those capital assets. Net assets are reported as restricted when there are limitations imposed on their use either through constitutional provision on enabling legislation or through external restrictions imposed by creditors, grantors or law or regulations of other governments. The Town reports the following restricted net asset categories:

Capital Reserves – Under New Hampshire RSA 35:1, the Town may raise and appropriate funds for the “construction, reconstruction or acquisition of a specific capital improvement, or the acquisition of a specific item or specific items of equipment.” Such resources that have been appropriated at Town Meeting are reported as restricted net assets at year end.

Other Purposes – Endowments – The nonexpendable portion of permanent funds is reported as a component of restricted net assets.

Unrestricted Net Assets – This amount is all net assets that do not meet the definition of “invested in capital assets, net of related debt” or “restricted net assets.”

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**TOWN OF EPSOM, NEW HAMPSHIRE**  
**NOTES TO THE FINANCIAL STATEMENT**

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**II | RECONCILIATION OF GOVERNMENT WIDE AND FUND FINANCIAL STATEMENTS**

***A. Explanation of Certain Differences between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Assets***

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net assets - governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities, including bonds payable and unmatured compensated absences, are not due and payable in the current period and therefore are not reported in the funds.” The details of this difference are as follows:

Bonds Payable	\$ -
Add: Accrued Interest Payable on Bonds and Capital Leases at Fiscal Year End	-
Capital Leases Payable	-
Compensated Absences	<u>(21,875)</u>
Net Adjustment to Reduce Fund Balance – Total Governmental Funds to Arrive at Net Assets – Governmental Activities	<u>\$ (21,875)</u>

***B. Explanation of Certain Differences between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities***

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. In the statement of activities the cost of those ASSETS is then charged over their estimated useful lives as depreciation expense.” The details of this difference are as follows:

Capital Outlay	\$ (24,311)
Depreciation Expense	<u>(149,636)</u>
Net Adjustment to Increase Net Changes in Fund Balances – Total Governmental Funds to Arrive at Changes in Net Assets of Governmental Activities	<u>\$ (173,947)</u>

**III | STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

***A. Budgetary Information***

The Town observes the following procedures in establishing the budgetary data reflected in the financial statements:

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*(Continued on next page)*

**TOWN OF EPSOM, NEW HAMPSHIRE**  
**NOTES TO THE FINANCIAL STATEMENT**

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Expenditures in budgetary funds are limited to the Town's budget adopted at the annual or special Town meeting subject to RSA Chapter 32. The Selectmen are required by statute to properly enter and record expenditure. They may transfer budget amounts between appropriations, but no new purpose may be introduced that was not contained in the adopted budget. No amounts may be transferred from special warrant articles. Total expenditures may not exceed the total amount approved at the annual or special Town meeting, with certain statutory exceptions.

All appropriations lapse at year end unless 1) the expenditure has been legally committed by an outstanding contract or purchase order, 2) the amount is in a special non-lapsing fund such as a Capital Reserve, Special Revenue or Trust Funds, 3) the amount has been raised by a bond issue or is to be received as part of a grant, or 4) is a special warrant article. A special warrant article may be encumbered by the Selectmen for one additional year, or for up to five years, if the original adopted article so states.

Under rules adopted by the Department of Revenue Administration, beginning General Fund fund balance may be used at the discretion of the Selectmen as a revenue source in establishing the tax rate. The General Fund is budgeted.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year.

#### **IV | DETAILED NOTES ON ALL FUNDS**

##### ***A. Deposits and Credit Risk***

Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk. At year end the carrying amount of the Town's deposits was \$5,222,729. At year end, \$3,198,620 of the Town's bank balance of \$3,771,238 was exposed to custodial credit risk as follows:

Collateralized by Stand-by letters of Credit Issued by the Federal Home Loan Bank of Pittsburgh – Total of \$3,500,000	\$ 2,278,332
Uncollateralized and Uninsured	<u>920,288</u>
Total	<u>\$ 3,198,620</u>

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*(Continued on next page)*

**TOWN OF EPSOM, NEW HAMPSHIRE**  
NOTES TO THE FINANCIAL STATEMENT

**B. Receivables**

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

	<b>General</b>	<b>Other Funds</b>	<b>Total</b>
Receivables:			
Taxes	\$ 661,956	\$ -	\$ 661,956
Tax Liens	212,945	-	212,945
Accounts Receivable	-	<u>45,075</u>	<u>45,075</u>
Gross Receivables	874,901	45,075	919,976
Less: Allowance for Uncollectibles	<u>(7,100)</u>	-	<u>(7,100)</u>
Net Total Receivables	<u>\$ 867,801</u>	<u>\$ 45,075</u>	<u>\$ 912,876</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but are not yet recognizable. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<b>Unavailable</b>	<b>Unearned</b>
Deferred Revenue on Welfare Liens	\$ 64,274	\$ -
Total	<u>\$ 64,274</u>	<u>\$ -</u>

**C. Capital Assets**

Capital asset activity for the year was as follows:

	<b>Beginning Balances</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balances</b>
<b>Governmental Activities:</b>				
<b>Capital Assets, Not Being Depreciated:</b>				
Land	\$ 487,904	\$ -	\$ -	\$ 487,904
Construction in Progress	<u>1,452,371</u>	-	<u>(1,452,371)</u>	-
Total Capital Assets, Not Being Depreciated	<u>1,940,275</u>	-	<u>(1,452,371)</u>	<u>487,904</u>
<b>Capital Assets, Being Depreciated:</b>				
Land Improvements	-	-	-	-
Buildings and Improvements	1,866,439	202,148	-	2,068,587
Infrastructure	-	1,168,465	-	1,168,465
Equipment and Vehicles	<u>1,097,582</u>	<u>57,447</u>	<u>(47,402)</u>	<u>1,107,627</u>
Total Capital Assets Being Depreciated	<u>\$ 2,964,021</u>	<u>\$ 1,428,060</u>	<u>\$ (47,402)</u>	<u>\$ 4,344,679</u>

*(Continued on next page)*

**TOWN OF EPSOM, NEW HAMPSHIRE**  
NOTES TO THE FINANCIAL STATEMENT

	Beginning Balances	Increases	Decreases	Ending Balances
Less: Accumulated Depreciation for:				
Land Improvements	\$ -	\$ -	\$ -	\$ -
Buildings and Improvements	(301,185)	(37,822)	-	(339,007)
Infrastructure	-	(19,474)		(19,474)
Equipment and Vehicles	<u>(675,309)</u>	<u>(92,340)</u>	<u>47,402</u>	<u>(720,247)</u>
Total Accumulated Depreciation	<u>(976,494)</u>	<u>(149,636)</u>	<u>47,402</u>	<u>(1,078,728)</u>
Total Capital Assets, Being Depreciated, Net	<u>1,987,527</u>	<u>1,278,424</u>	<u>-</u>	<u>3,265,951</u>
Governmental Activities Capital Assets, Net	<u>\$ 3,927,802</u>	<u>\$ 1,278,424</u>	<u>\$ (1,452,371)</u>	<u>\$ 3,753,855</u>

Depreciation expense was charged to functions/programs of the Town as follows:

**Governmental Activities:**

General Government	\$ 1,326
Fire Department	62,473
Police Department	38,177
Highways and Streets	23,187
Culture and Recreation	1,942
Library	<u>22,531</u>
Total Depreciation Expense – Governmental Activities	<u>\$ 149,636</u>

**D. Interfund Receivables, Payables, and Transfers**

The composition of interfund balances as of year end, is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General	Nonmajor Governmental Funds	\$ 92,300
Nonmajor Governmental Funds	General	<u>214,285</u>
Total		<u>\$ 306,585</u>

Interfund Transfers:

Transfer out:	General	Capital Reserves	Nonmajor Governmental	Totals
General Fund	\$ -	\$ 150,000	\$ 150,902	\$ 300,902
Nonmajor Governmental Funds	<u>57,288</u>	<u>1,871</u>	<u>-</u>	<u>59,159</u>
Totals	<u>\$ 57,288</u>	<u>\$ 151,871</u>	<u>\$ 150,902</u>	<u>\$ 360,061</u>

(Continued on next page)

**TOWN OF EPSOM, NEW HAMPSHIRE**  
NOTES TO THE FINANCIAL STATEMENT

**E. Leases**

*Operating Leases*

The Town has an operating lease for its Town Office facilities. The Town is responsible for all utilities for the facility. Total lease expense for the year was \$23,100. Future lease payments are as follows:

Year Ended December 31,

2010	\$ 9,625
Total	<u>\$ 9,625</u>

**F. Long-term Debt**

General Obligation Bonds

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities.

General obligation bonds are direct obligations and pledge the full faith and credit of the Town.

Changes in Long-Term Liabilities

Long-term liability activity for the year was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
General Obligation Bonds	\$ 50,000	\$ -	\$ (50,000)	\$ -	\$ -
Capital Leases	14,332	-	(14,332)	-	-
Compensated Absences	<u>23,639</u>	-	<u>(1,764)</u>	<u>21,875</u>	-
<b>Governmental Activity - Long-Term Liabilities</b>	<u>\$ 87,971</u>	<u>\$ -</u>	<u>\$ (66,096)</u>	<u>\$ 21,875</u>	<u>\$ -</u>

For the governmental activities, claims and judgments and compensated absences are generally liquidated by the General Fund.

The Town may issue tax anticipation notes annually in advance of the property tax collections in May and December of each year. These notes are necessary to meet the Town's cash flow needs during the year which include the Town's normal operating budget as well as payment to the School District for the School District Assessment. There was no short-debt activity for the year.

*(Continued on next page)*

**TOWN OF EPSOM, NEW HAMPSHIRE**  
NOTES TO THE FINANCIAL STATEMENT

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**V | OTHER INFORMATION**

***A. Risk Management***

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The Town, along with numerous other municipalities in the State, is a member of a public entity risk pool in the State currently operating as a common risk management and insurance program for which all political subdivisions in the State are eligible to participate. The pool provides coverage for workers' compensation and also property/liability insurance. The total premiums paid to the pool for the fiscal year amounted to \$45,031. The member participation agreement permits the pool to make additional assessments to members, should there be a deficiency in contributions for any member year. At this time, the pool foresees no likelihood of an assessment for the current or any prior fiscal year.

***B. Contingent Liabilities***

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

***C. Employee Retirement Systems and Pension Plans***

Plan Description - Substantially all Town employees participate in the State of New Hampshire's Retirement System (the System), a cost-sharing multiple-employer defined benefit public employee retirement system (PERS). All Town full-time employees are eligible to participate in the System. The System is divided into two employee groups: Group I which includes all employees except fire fighters and police officers and Group II which is for fire fighters and police officers (including County Sheriff's Departments). The New Hampshire Retirement System issues annually a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the New Hampshire Retirement System, Four Chenell Drive, Concord, NH.

Group I employees who retire at or after age 60 but before age 65 are entitled to retirement benefits equal to 1.667% of the average of their three highest paid years of compensation, multiplied by their years of service. At age 65 the benefit is recalculated at 1.50% of AFC multiplied by their years of service credit. Earlier retirement allowances at reduced rates are available after age 50 with 10 years of service. Benefits fully vest upon reaching 10 years of service or attaining age 60.

Group II employees who attain age 45 with 20 years or more of service are entitled to retirement benefits equal to 2.5% of the average of their three highest paid years of service, multiplied by their years of service, not to exceed 40. Benefits vest ratably beginning after 10 years of service.

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**TOWN OF EPSOM, NEW HAMPSHIRE**  
**NOTES TO THE FINANCIAL STATEMENT**

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The System also provides death and disability benefits. Cost-of-living increases have been periodically granted to retirees by the State Legislature.

Funding Policy - The System is funded by contributions from both the employees and employers. Group I employees are required by State statute to contribute 5.0% of gross earnings. Group II employees are required to contribute 9.3 percent of their gross earnings. The employer must, under the same statute, contribute monthly at an actuarially determined rate. The current employer rates are 9.16% regular employees, 13.66% for police officers and 17.28% for firefighters of covered payroll. The contribution requirement for the year was \$157,822, which consisted of \$97,476 from the Town and \$60,346 from employees. The Town's contributions to the System for the years 2008 and 2007 were \$79,046 and \$70,837, respectively. The Town's annual contributions for the three years were equal to the amount required under State statute to be contributed for each year.

***D. GASB #45 and Postemployment Benefits***

GASB # 45 addresses the reporting of postemployment benefits other than pensions. This includes the healthcare costs that arise from the implicit rate subsidy when current and retired employees are rated together by the insurance provider to determine the health insurance premium cost. New Hampshire RSA 100-A:50 requires that the insurance premiums be rated together ("retired employees shall be deemed to be part of the same group of active employees.....for purposes of determining medical insurance premiums"). This results in the blended insurance rate that is an increased cost for current employees and a lower cost for retired employees, even if the retiree pays 100% of their health insurance premium. The Town currently is a member of a group, along with many other municipalities in the State, that operates a public entity pool that provides health insurance for the municipalities. The Town does NOT currently pay any portion of the health insurance premiums for its retirees.

The Town is required to implement the provisions of GASB #45 for its fiscal year beginning after December 15, 2008, i.e., the year end December 31, 2009.

The Town believes that the amount of time and expense required to implement the requirements of GASB #45 are excessive, especially since the Town does NOT pay for retiree health insurance. In addition, the requirement to provide health insurance to retirees is mandated by State RSA's and not by a vote of the Town Meeting. Implementing the requirements of GASB #45 would result in the Town carrying a liability on its full accrual statements (Statement 1) that would never be liquidated. At year end, the Town has 11 current employees on its health insurance plan and 3 retirees.

New Hampshire Retirement System does offer, for qualified retirees, an insurance subsidy that is paid directly to the insurance pool. However, the subsidy ceased July 1, 2009 for those Group 1 employees retiring after that date and the Town has no plans or intentions to pay the lapsed subsidy.

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**TOWN OF EPSOM, NEW HAMPSHIRE**  
NOTES TO THE FINANCIAL STATEMENT

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The following is provided for the year end December 31, 2009 for informational purposes only:

- a) **Plan Type:** The Town provides medical benefits to eligible retirees.
- b) **Eligibility:** Group I – 60 or older with no minimum service  
50 with ten years of service  
Members age plus service equals 70  
with a minimum of 20 years of service  
  
Group II - 60 or older with no minimum service  
45 with 20 years of service
- c) **Benefit Costs:** The retiree is responsible for the full price of the medical premium.
- d) **Premium Costs:** At year end, there were eleven full-time employees covered by the insurance plan and three retired employees on the plan. Monthly premiums were as follows:

<u>Single</u>	<u>Married</u>	<u>Family</u>	<u>Retiree</u>
\$542.53	\$1,132.69	\$1,464.83	\$363.89

**REQUIRED SUPPLEMENTAL INFORMATION**

TOWN OF EPSOM, NEW HAMPSHIRE  
 ACTUAL REVENUES AND EXPENDITURES COMPARED TO LEGALLY ADOPTED BUDGET  
 GENERAL FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2009

	Adopted Budget	Prior Year's Encumbrances	Revised Budget	Actual	Variance With Final Budget
<b>REVENUES</b>					
<i>Taxes</i>					
Property, Net of Overlay	\$ 7,828,015	\$ -	\$ 7,828,015	\$ 7,858,419	\$ 30,404
Land Use Change	17,500	-	17,500	17,415	(85)
Yield	10,000	-	10,000	11,348	1,348
Excavation Activity	100	-	100	-	(100)
In Lieu of Taxes	19,603	-	19,603	19,603	-
Interest and Penalties	66,000	-	66,000	71,705	5,705
<b>Total Taxes</b>	<b>7,941,218</b>	<b>-</b>	<b>7,941,218</b>	<b>7,978,490</b>	<b>37,272</b>
<i>Licenses and Permits</i>					
Motor Vehicle Permit Fees	690,000	-	690,000	682,948	(7,052)
Building Permits	13,500	-	13,500	16,081	2,581
Other Licenses, Permits and Fees	10,500	-	10,500	12,533	2,033
<b>Total Licenses and Permits</b>	<b>714,000</b>	<b>-</b>	<b>714,000</b>	<b>711,562</b>	<b>(2,438)</b>
<i>Intergovernmental</i>					
Room and Meals Tax	206,790	-	206,790	206,790	-
Highway Block Grant	113,573	-	113,573	113,573	-
Other State Grants	-	-	-	4,274	4,274
<b>Total Intergovernmental</b>	<b>320,363</b>	<b>-</b>	<b>320,363</b>	<b>324,637</b>	<b>4,274</b>
<i>Charges for Services</i>					
Income from Departments	39,600	-	39,600	22,016	(17,584)
<i>Interest and Dividends</i>					
Interest on Deposits	5,000	-	5,000	16,656	11,656
<i>Miscellaneous</i>					
Boat Tax	5,800	-	5,800	6,310	510
Cable Franchise	16,017	-	16,017	27,618	11,601
Sale of Town Property	-	-	-	6,175	6,175
Other	-	-	-	6,825	6,825
<b>Total Miscellaneous</b>	<b>21,817</b>	<b>-</b>	<b>21,817</b>	<b>46,928</b>	<b>25,111</b>
<b>Total Revenues</b>	<b>9,041,998</b>	<b>-</b>	<b>9,041,998</b>	<b>9,100,289</b>	<b>58,291</b>
<i>Other Financing Sources</i>					
Operating Transfers In:					
From Grant Funds	-	-	-	57,288	57,288
<b>Total Other Financing Sources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>57,288</b>	<b>57,288</b>
<i>Fund Balance Used:</i>					
To Reduce the Tax Rate	-	-	-	-	-
For Prior Year's Encumbrances	-	49,116	49,116	-	(49,116)
<b>Total Fund Balance Used</b>	<b>-</b>	<b>49,116</b>	<b>49,116</b>	<b>-</b>	<b>(49,116)</b>
<b>Total Revenues and Other Financing Sources</b>	<b>\$ 9,041,998</b>	<b>\$ 49,116</b>	<b>\$ 9,091,114</b>	<b>\$ 9,157,577</b>	<b>\$ 66,463</b>

(Continued)

GAAP is the budgetary basis used in the preparation of this schedule.

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TOWN OF EPSOM, NEW HAMPSHIRE  
ACTUAL REVENUES AND EXPENDITURES COMPARED TO LEGALLY ADOPTED BUDGET  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2009

	Budget	Prior Year's Encumbrances	Revised Budget	Actual	Variance With Final Budget
<b>EXPENDITURES</b>					
<i>Town:</i>					
<i>General Government</i>					
Executive	\$ 186,348	\$ 300	\$ 186,648	\$ 178,818	\$ 7,830
Elections and Registrations	46,880	-	46,880	42,802	4,078
Financial Administration	163,479	-	163,479	160,579	2,900
Assessing	33,500	-	33,500	33,500	-
Legal	20,000	-	20,000	11,558	8,442
Planning and Zoning	80,495	-	80,495	59,311	21,184
General Government Buildings	26,905	-	26,905	19,571	7,334
Cemeteries	12,500	-	12,500	11,000	1,500
Insurance	2,000	-	2,000	2,326	(326)
Other General Government	-	-	-	-	-
<b>Total General Government</b>	<b>572,107</b>	<b>300</b>	<b>572,407</b>	<b>519,465</b>	<b>52,942</b>
<i>Public Safety</i>					
Police Department	574,118	7,643	581,761	539,478	42,283
Fire Department	394,038	12,559	406,597	382,614	23,983
Emergency Management	8,566	-	8,566	6,903	1,663
<b>Total Public Safety</b>	<b>976,722</b>	<b>20,202</b>	<b>996,924</b>	<b>928,995</b>	<b>67,929</b>
<i>Highways and Streets</i>					
Highways and Streets	683,053	27,125	710,178	703,984	6,194
<b>Total Highways and Streets</b>	<b>683,053</b>	<b>27,125</b>	<b>710,178</b>	<b>703,984</b>	<b>6,194</b>
<i>Sanitation</i>					
Solid Waste Disposal	167,625	-	167,625	167,625	-
Other Sanitation	510	-	510	500	10
<b>Total Sanitation</b>	<b>168,135</b>	<b>-</b>	<b>168,135</b>	<b>168,125</b>	<b>10</b>
<i>Water Distribution and Treatment</i>					
Water Services	4,000	-	4,000	4,000	-
<i>Health</i>					
Health	7,424	-	7,424	7,384	40
Pest Control	1,591	-	1,591	-	1,591
Other Health	9,501	-	9,501	9,501	-
<b>Total Health</b>	<b>18,516</b>	<b>-</b>	<b>18,516</b>	<b>16,885</b>	<b>1,631</b>
<i>Welfare</i>					
Administration	15,175	-	15,175	13,890	1,285
Direct Assistance	44,750	-	44,750	17,577	27,173
<b>Total Welfare</b>	<b>59,925</b>	<b>-</b>	<b>59,925</b>	<b>31,467</b>	<b>28,458</b>
<i>Culture and Recreation</i>					
Parks and Recreation	27,850	1,489	29,339	28,174	1,165
Patriotic Purposes	1,020	-	1,020	1,024	(4)
Town Band	2,000	-	2,000	2,000	-
<b>Total Culture and Recreation</b>	<b>\$ 30,870</b>	<b>\$ 1,489</b>	<b>\$ 32,359</b>	<b>\$ 31,198</b>	<b>\$ 1,161</b>

(Continued)

GAAP is the budgetary basis used in the preparation of this schedule.

TOWN OF EPSOM, NEW HAMPSHIRE  
ACTUAL REVENUES AND EXPENDITURES COMPARED TO LEGALLY ADOPTED BUDGET  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2009

	Budget	Prior Year's Encumbrances	Revised Budget	Actual	Variance With Final Budget
<b>Conservation</b>					
Conservation	\$ 256	\$ -	\$ 256	\$ 355	\$ (99)
<b>Economic Development</b>	40	-	40	-	40
<b>Debt Services</b>					
Principal - Long-term Debt	50,000	-	50,000	50,000	-
Interest - Long-term Debt	997	-	997	989	8
Interest - Tax Anticipation Note	-	-	-	-	-
<b>Total Interest</b>	997	-	997	989	8
<b>Total Town Expenditures</b>	2,564,621	49,116	2,613,737	2,455,463	158,274
<b>Other Governmental Units</b>					
School District Assessment	5,088,342	-	5,088,342	5,088,342	-
County Taxes	1,086,467	-	1,086,467	1,086,467	-
<b>Total Other Governmental Units</b>	6,174,809	-	6,174,809	6,174,809	-
<b>Total Expenditures</b>	8,739,430	49,116	8,788,546	8,630,272	158,274
<b>Other Financing Uses:</b>					
Operating Transfers Out:					
To Library	(147,999)	-	(147,999)	(146,333)	1,666
To Conservation Fund	(4,569)	-	(4,569)	(4,569)	-
To Capital Reserves	(150,000)	-	(150,000)	(150,000)	-
<b>Total Other Financing Uses</b>	(302,568)	-	(302,568)	(300,902)	1,666
Excess (Deficiency) of Revenues Over Expenditures and Other Financing Sources (Uses)	-	-	-	226,403	226,403
Fund Balance, Beginning of Year	945,937	-	945,937	945,937	-
Fund Balance, End of Year	\$ 945,937	\$ -	\$ 945,937	\$ 1,172,340	\$ 226,403

GAAP is the budgetary basis used in the preparation of this schedule.