

TOWN OF EXETER, NEW HAMPSHIRE

Annual Financial Statements

For the Year Ended December 31, 2008

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INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen
Town of Exeter, New Hampshire

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of the Town of Exeter, New Hampshire, as of and for the year ended December 31, 2008, which collectively comprise a portion of the Town's basic financial statements as required by accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

Management has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities. Accounting principles generally accepted in the United States of America require the presentation of government-wide financial statements. The amounts that would be reported in government-wide financial statements for the Town's governmental activities are not reasonably determinable.

Management has elected to follow the accrual basis of accounting for property tax revenue in the general fund. Accounting principles generally accepted in the United States of America require the use of the current financial resources measurement focus and the modified accrued basis of accounting. The amount by which this departure would affect fund balances and revenue of the general fund has not been determined.

Management has elected to classify and report the water and sewer funds as governmental funds, instead of Enterprise Funds, as required by accounting principles generally accepted in the United States of America.

In our opinion, because of the effects of the matter discussed in the preceding paragraphs, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Town of Exeter, New Hampshire as of December 31, 2008, or the changes in its financial position for the year then ended.

The Town has not presented management's discussion and analysis, or a Schedule of Funding Progress of its Other-Post Employment Benefits Liability that, under accounting principles generally accepted in the United States, is necessary to supplement, although not required to be part of, the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 4, 2010, on our consideration of the Town'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Melanson, Heath + Company P.C.

Nashua, New Hampshire
January 4, 2010

TOWN OF EXETER, NEW HAMPSHIRE

GOVERNMENTAL FUNDS

BALANCE SHEET

DECEMBER 31, 2008

ASSETS	<u>General</u>	<u>Water</u>	<u>Epping Road Construction</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash and short-term investments	\$ 8,246,295	\$ 299,493	\$ 1,046,522	\$ 1,791,885	\$ 11,384,195
Investments	7,321	-	-	352,601	359,922
Receivables:					
Property taxes	5,403,255	-	-	-	5,403,255
Departmental	1,363	434,639	-	346,763	782,765
Intergovernmental	143,656	-	-	24,438	168,094
Due from other funds	142,186	206,845	-	171,000	520,031
Other assets	-	-	-	33,662	33,662
TOTAL ASSETS	\$ <u>13,944,076</u>	\$ <u>940,977</u>	\$ <u>1,046,522</u>	\$ <u>2,720,349</u>	\$ <u>18,651,924</u>
 LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 321,181	\$ 17,617	\$ 302,720	\$ 116,282	\$ 757,800
Accrued liabilities	95,431	-	-	-	95,431
Due to other funds	171,000	-	-	349,031	520,031
Due to other governments	10,674,660	-	-	-	10,674,660
Notes payable	1,500,000	-	5,159,704	-	6,659,704
Other liabilities	-	-	-	24,901	24,901
TOTAL LIABILITIES	12,762,272	17,617	5,462,424	490,214	18,732,527
Fund Balances:					
Reserved for:					
Encumbrances and continuing appropriations	48,700	-	-	300,000	348,700
Perpetual (unexpendable) permanent funds	-	-	-	53,708	53,708
Other purposes	343,134	-	-	-	343,134
Unreserved:					
Undesignated, reported in:					
General fund	789,970	-	-	-	789,970
Special revenue funds	-	923,360	-	1,769,744	2,693,104
Capital project funds	-	-	(4,415,902)	(286,985)	(4,702,887)
Permanent funds	-	-	-	393,668	393,668
TOTAL FUND BALANCES	<u>1,181,804</u>	<u>923,360</u>	<u>(4,415,902)</u>	<u>2,230,135</u>	<u>(80,603)</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>13,944,076</u>	\$ <u>940,977</u>	\$ <u>1,046,522</u>	\$ <u>2,720,349</u>	\$ <u>18,651,924</u>

See notes to financial statements.

TOWN OF EXETER, NEW HAMPSHIRE

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>General</u>	<u>Water</u>	<u>Epping Road Construction</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Property taxes	\$ 10,082,376	\$ -	\$ -	\$ -	\$ 10,082,376
Excises	2,251,595	-	-	-	2,251,595
Penalties, interest, and other taxes	127,320	-	-	-	127,320
Charges for services	1,136,212	1,914,639	-	2,231,977	5,282,828
Intergovernmental	1,576,169	46,058	537,782	409,349	2,569,358
Licenses and permits	316,186	-	-	-	316,186
Investment income	107,577	179	-	37,537	145,293
Payment in lieu	37,714	-	-	-	37,714
Contributions	-	-	-	18,363	18,363
Miscellaneous	<u>174,592</u>	<u>40,683</u>	<u>-</u>	<u>28,984</u>	<u>244,259</u>
 Total Revenues	 15,809,741	 2,001,559	 537,782	 2,726,210	 21,075,292
Expenditures:					
Current:					
General government	2,717,583	-	-	72,304	2,789,887
Public safety	6,542,698	-	-	105,743	6,648,441
Public works	2,475,614	-	-	50,000	2,525,614
Health and human services	333,801	-	-	-	333,801
Culture and recreation	1,247,871	-	-	679,671	1,927,542
Sanitation	790,601	-	-	1,168,649	1,959,250
Water distribution and treatment	-	1,389,138	-	-	1,389,138
Conservation	36,403	-	-	-	36,403
Debt service	843,254	505,557	-	154,200	1,503,011
Capital outlay	<u>498,347</u>	<u>226,498</u>	<u>2,573,471</u>	<u>270,412</u>	<u>3,568,728</u>
Total Expenditures	<u>15,486,172</u>	<u>2,121,193</u>	<u>2,573,471</u>	<u>2,500,979</u>	<u>22,681,815</u>
 Excess (deficiency) of revenues over expenditures	 323,569	 (119,634)	 (2,035,689)	 225,231	 (1,606,523)
Other Financing Sources (Uses):					
Transfers in	-	-	-	409,877	409,877
Transfers out	<u>(409,877)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(409,877)</u>
Total Other Financing Sources (Uses)	<u>(409,877)</u>	<u>-</u>	<u>-</u>	<u>409,877</u>	<u>-</u>
 Change in fund balance	 (86,308)	 (119,634)	 (2,035,689)	 635,108	 (1,606,523)
Fund Equity, at Beginning of Year	<u>1,268,112</u>	<u>1,042,994</u>	<u>(2,380,213)</u>	<u>1,595,027</u>	<u>1,525,920</u>
Fund Equity, at End of Year	<u>\$ 1,181,804</u>	<u>\$ 923,360</u>	<u>\$ (4,415,902)</u>	<u>\$ 2,230,135</u>	<u>\$ (80,603)</u>

See notes to financial statements.

TOWN OF EXETER, NEW HAMPSHIRE

GENERAL FUND

STATEMENT OF REVENUES AND OTHER SOURCES,
AND EXPENDITURES AND OTHER USES - BUDGET AND ACTUAL

FOR THE YEAR ENDED DECEMBER 31, 2008

	Original Budget	Final Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
Revenues and other sources:				
Property taxes	\$ 10,068,547	\$ 10,068,547	\$ 10,068,547	\$ -
Interest, penalties, and other taxes	164,452	164,452	165,034	582
Licenses and permits	2,495,000	2,495,000	2,447,207	(47,793)
Intergovernmental	1,372,560	1,372,560	1,317,287	(55,273)
Charges for services	1,400,000	1,400,000	1,310,804	(89,196)
Investment income	110,000	110,000	107,577	(2,423)
Miscellaneous	11,500	11,500	-	(11,500)
Other financing sources:				
Use of fund balance	<u>216,241</u>	<u>216,241</u>	<u>216,241</u>	<u>-</u>
Total Revenues	15,838,300	15,838,300	15,632,697	(205,603)
Expenditures and other uses:				
Current:				
General government	2,840,099	2,840,099	2,759,283	80,816
Public safety	6,515,225	6,515,225	6,283,816	231,409
Highways and streets	2,483,759	2,483,759	2,475,614	8,145
Sanitation	844,820	844,820	790,601	54,219
Health and welfare	374,758	374,758	333,801	40,957
Culture and recreation	1,298,699	1,298,699	1,247,871	50,828
Conservation	42,850	42,850	43,403	(553)
Capital outlay	179,201	179,201	167,172	12,029
Debt service	893,254	893,254	843,254	50,000
Other financing uses:				
Transfers out	<u>365,635</u>	<u>365,635</u>	<u>377,635</u>	<u>(12,000)</u>
Total Expenditures	<u>15,838,300</u>	<u>15,838,300</u>	<u>15,322,450</u>	<u>515,850</u>
Excess of revenues and other sources over expenditures and other uses	\$ <u>-</u>	\$ <u>-</u>	\$ <u>310,247</u>	\$ <u>310,247</u>

See notes to financial statements.

TOWN OF EXETER, NEW HAMPSHIRE
 FIDUCIARY FUNDS
 STATEMENT OF FIDUCIARY NET ASSETS
 FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
<u>ASSETS</u>		
Cash and short-term investments	\$ <u>19,407</u>	\$ <u>4,572,356</u>
Total Assets	19,407	4,572,356
 <u>LIABILITIES AND NET ASSETS</u>		
Due to other governments	-	4,092,234
Deposits held in custody	-	62,103
Due to others	-	<u>418,019</u>
Total Liabilities	<u>-</u>	<u>4,572,356</u>
 <u>NET ASSETS</u>		
Net assets	\$ <u><u>19,407</u></u>	\$ <u><u>-</u></u>

See notes to financial statements.

TOWN OF EXETER, NEW HAMPSHIRE
 FIDUCIARY FUNDS
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Private Purpose Trust Funds</u>
Additions:	
Interest	\$ <u>473</u>
Total additions	473
Deductions:	
Scholarships	<u>165</u>
Total deductions	<u>165</u>
Net increase	308
Net assets:	
Beginning of year	<u>19,099</u>
End of year	<u><u>\$ 19,407</u></u>

See notes to financial statements.

TOWN OF EXETER, NEW HAMPSHIRE

Notes to Financial Statements

1. Summary of Significant Accounting Policies

The accounting policies of the Town of Exeter (the Town) conform to generally accepted accounting principles (GAAP) as applicable to governmental units, except as indicated in Note 2. The following is a summary of the more significant policies:

A. Reporting Entity

The government is a municipal corporation governed by an elected Board of Selectmen. As required by generally accepted accounting principles, these financial statements present the government and applicable component units for which the government is considered to be financially accountable. In fiscal year 2008, it was determined that no entities met the required GASB-39 criteria of component units.

B. Fund Financial Statements

Separate financial statements are provided for governmental funds and fiduciary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Fund Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are 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. All other revenue items are considered to be measurable and available only when cash is received by the government. 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.

The government reports the following major governmental funds:

- The *general fund* is the government'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 *water fund* accounts for the operating activities of the Town's water services.
- The *Epping Road Construction fund* accounts for the Town's ongoing water and sewer construction projects.

The *private-purpose trust fund* is used to account for trust arrangements, other than those properly reported in the pension trust fund or permanent fund, under which principal and investment income exclusively benefit individuals, private organizations, or other governments.

The *agency funds* account for fiduciary assets held by the Town in a custodial capacity as an agent on behalf of others. Agency funds report only assets and liabilities, and therefore, have no measurement focus.

D. Cash and Short-Term Investments

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash. Cash balances are invested to the extent available, and interest earnings are recognized in the General Fund. Certain special revenue and fiduciary funds segregate cash, and investment earnings become a part of those funds.

Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, and savings accounts. A cash and investment 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 short-term investments". The interest earnings attributable to each fund type are included under investment income.

E. Investments

State and local statutes place certain limitations on the nature of deposits and investments available. Deposits in any financial institution may not exceed certain levels within the financial institution. Non-fiduciary fund investments can be made in securities issued by or unconditionally guaranteed by the U.S. Government or agencies that have a maturity of one year or less from the date of purchase and repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase.

Investments for the Trust Funds consist of marketable securities, bonds and short-term money market investments. Investments are carried at market value.

F. Interfund Receivables and Payables

Transactions between funds that are representative of lending/ borrowing arrangements outstanding at the end of the fiscal year are referred to as “due from/to other funds” (i.e., the current portion of interfund loans).

G. 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.

H. Use of Estimates

The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures for contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of the revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

2. Departures from Generally Accepted Accounting Principles

The significant departures of the financial statements from generally accepted accounting principles are as follows:

- Management has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities.
- Management has elected to follow the accrual basis of accounting for property tax revenue in the general fund. Accounting principals generally accepted in the United States of America require the use of the current financial resources measurement focus and the modified accrued basis of accounting.
- Management has elected to classify and report water and sewer funds as governmental funds, instead of Enterprise Funds, as required by accounting principles generally accepted in the United States of America.

- Management has elected to omit a Management Discussion and Analysis and a Schedule of Funding Progress, as required by accounting principles generally accepted in the United States of America.

3. Stewardship, Compliance, and Accountability

A. Budgetary Information

The Town's budget is originally prepared by the Town Manager under the supervision of the Board of Selectmen. It is then reviewed by the Budget Recommendations Committee. The Board of Selectmen then finalizes the operating budget, which is subject to deliberative session under RSA 40:13.

The final version of the budget is then voted on by the general population at the ballot the second Tuesday in March of each year. Should the operating budget of the Town fail to pass, the Town operates under a default budget as described in RSA 40:13.

The approved budget is subsequently reported to the State of New Hampshire on the statement of appropriation form in order to establish the current property tax rate.

The Selectmen cannot increase the total of the approved budget; however, they have the power to reclassify its components when necessary.

B. Budgetary Basis

The General Fund final appropriation appearing on the "Budget and Actual" page of the fund financial statements represents the final amended budget after all reserve fund transfers and supplemental appropriations.

C. Budget/GAAP Reconciliation

The budgetary data for the general fund is based upon accounting principles that differ from generally accepted accounting principles (GAAP). Therefore, in addition to the GAAP basis financial statements, the results of operations of the general fund are presented in accordance with budgetary accounting principles to provide a meaningful comparison with budgetary data.

The following is a summary of adjustments made to the actual revenues and other sources, and expenditures and other uses, to conform to the budgetary basis of accounting.

<u>General Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP basis)	\$ 15,809,741	\$ 15,486,172
Other financing sources/uses (GAAP basis)	<u>-</u>	<u>409,877</u>
Subtotal (GAAP Basis)	15,809,741	15,896,049
Adjust tax revenue to accrual basis	(134,403)	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(363,417)
Add end of year appropriation carryforwards to expenditures	-	48,700
To reverse NHRS on behalf contributions	(258,882)	(258,882)
Recognize use of fund balance as funding source	<u>216,241</u>	<u>-</u>
Budgetary basis	<u>\$ 15,632,697</u>	<u>\$ 15,322,450</u>

D. Deficit Fund Equity

The following funds had deficits as of December 31, 2008:

Major Governmental:

Epping Road Construction	\$ (4,415,902)	(A)
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Nonmajor Governmental:

Great Bridge	\$ (173,774)	(B)
Water Treatment Design	\$ (63,566)	(B)
Stewart Park Seawall	\$ (105,794)	(B)
Police Grant Fund	\$ (2,865)	(A)
Planning Board Fund	\$ (33,894)	(A)

(A) The deficits in these funds will be eliminated through future departmental revenues and bond proceeds.

(B) The Town will develop a plan to address these deficits.

4. Cash and Short-Term Investments

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. RSA 48:16 limits "deposit in any one bank shall not at any time exceed the sum of its paid-up capital and surplus, exception that a Town with a population in excess of 50,000 is authorized to deposit funds in a solvent bank in excess of the paid-up capital surplus of said bank." The Town does not have a deposit policy for custodial credit risk

As of December 31, 2008, the Town's bank balance of \$ 10,131,184 was not exposed to custodial credit risk. The Town's bank balances are fully insured and collateralized through additional collateral agreements with the financial institutions.

5. Investments

A. Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. State law employs the prudent person rule whereby investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments.

Presented below (in thousands) is the actual rating as of year end for each investment of the Town:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Rating as of Year End</u>
Certificates of deposits	\$ 81	N/A
Corporate equities	230	N/A
Corporate bonds	14	A2
Mutual funds	28	N/A
State investment pool	<u>7</u>	N/A
Total investments	<u>\$ 360</u>	

B. Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral

securities that are in the possession of another party. The Town does not have policies for custodial credit risk.

Of the investment in Corporate bonds of \$ 14,064, mutual funds of \$ 27,489, and pooled funds of \$ 7,321, the government has a custodial credit risk exposure of \$ 48,874 because the related securities are uninsured, unregistered and held by the Town's brokerage firm, which is also the Counterparty to these securities. However, of the \$ 7,321 in pooled funds, the Town is invested in the New Hampshire State Investment Pool.

C. Concentration of Credit Risk

The Town places no limit on the amount the Town may invest in any one issuer. Investments in any one issuer (other than U.S. Treasury securities and mutual funds) that represent 5% or more of total investments are:

Bank of the Commonwealth (CD)	\$ 20,027
Carolina First Bank (CD)	\$ 25,270
Irwin Union Bank & Trust (CD)	\$ 25,780

D. Interest Rate Risk

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

Information about the sensitivity of the fair values of the Town's investments to market interest rate fluctuations is as follows:

<u>Investment Type</u>	Fair <u>Value</u>	<u>Investment Maturities (in Years)</u>	
			<u>6-10</u>
Corporate bonds	\$ <u>14</u>		\$ <u>14</u>
Total	\$ <u><u>14</u></u>		\$ <u><u>14</u></u>

E. Foreign Currency Risk

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. The Town does not have policies for foreign currency risk.

6. Taxes Receivable

The Town bills property taxes semi-annually, in May and November. Property tax revenues are recognized in the fiscal year for which taxes have been levied. Property taxes are due on July 1 and December 1. Delinquent accounts are charged 12% interest. In March of the next year, a lien is recorded on delinquent property at the Registry of Deeds. The Town purchases all the delinquent accounts by paying the delinquent balance, recording costs and accrued interest. The accounts that are liened by the Town will be reclassified from property taxes receivable to unredeemed tax liens receivable. After this date, delinquent accounts will be charged interest at a rate of 18%. The Town annually budgets amounts (overlay for abatements) for property tax abatements and refunds.

Taxes receivable at December 31, 2008 consist of the following (in thousands):

Property Taxes		
2008	\$ 4,885	
2007	<u>239</u>	
		5,124
Unredeemed		
2006	151	
2005 & prior	<u>11</u>	
		162
Land Use		115
Yield Taxes		<u>2</u>
Total		<u>\$ 5,403</u>

7. Intergovernmental Receivables

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2008.

8. Interfund Fund Receivables/Payables

Although self-balancing funds are maintained, most transactions flow through the general fund. In order to obtain accountability for each fund, interfund receivable and payable accounts must be utilized. The following is an analysis of the December 31, 2008 balances in interfund receivable and payable accounts:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General fund	\$ 142,186	\$ 171,000
Capital Project Funds	105,895	193,936
Special Revenue Funds:		
Water	206,845	-
Sewer	-	118,804
Trust and Agency Funds:		
Expendable Trusts	<u>171,000</u>	<u>142,186</u>
Total	<u>\$ 625,926</u>	<u>\$ 625,926</u>

9. Accounts Payable and Accrued Expenses

Accounts payable represent additional 2008 expenditures paid after December 31, 2008.

10. Due to Other Governments

The school district assessments for the period July 1, 2008 through June 30, 2009 were \$ 10,760,944 for the Exeter School District and \$ 12,666,736 for the Exeter Regional Cooperative. The school district assessments are paid in monthly installments. As of December 31, 2008, \$ 5,644,612 and \$ 7,108,408 was paid, respectively, leaving a total balance of \$ 10,674,660 to be paid through June 30, 2009.

11. Anticipation Notes Payable

The Town had the following notes outstanding at December 31, 2008:

	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Balance at 12/31/08</u>
Bond anticipation note	3.72%	11/09/08	05/08/09	\$ 2,030,000
State revolving fund note payable	1.00%	07/16/03	upon construction completion	3,129,704
Tax anticipation note	3.50%	12/02/08	01/05/09	<u>1,500,000</u>
Total				<u>\$ 6,659,704</u>

The following summarizes activity in notes payable during fiscal year 2008:

	Balance Beginning of Year	New Issues	Maturities	Balance End of Year
Bond anticipation	\$ 2,030,000	\$ 2,030,000	\$ (2,030,000)	\$ 2,030,000
State revolving fund	1,927,643	1,202,061	-	3,129,704
Tax anticipation note	-	1,500,000	-	1,500,000
Total	<u>\$ 3,957,643</u>	<u>\$ 4,732,061</u>	<u>\$ (2,030,000)</u>	<u>\$ 6,659,704</u>

12. Capital Lease Obligations

The Town is the lessee of certain equipment under capital and operating leases expiring in various years through 2010. Future minimum lease payments under the capital and operating leases consisted of the following as of December 31, 2008:

	Capital Leases
2009	\$ 112,468
2010	<u>74,822</u>
Total minimum lease payments	187,290
Less amounts representing interest	<u>(11,617)</u>
Present Value of Minimum Lease Payments	<u>\$ 175,673</u>

13. Long-Term Debt

A. General Obligation Bonds

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental activities. General obligation bonds currently outstanding are as follows:

<u>Governmental Activities:</u>	Serial Maturities Through	Interest Rate(s) %	Amount Outstanding as of <u>December 31, 2008</u>
General and Sewer	09/01/16	4.0 - 4.5%	\$ 680,000
General and Sewer	07/01/11	2.49%	627,143
Conservation Land	05/01/15	3.90%	2,100,000
Stewart Park Seawall	12/01/09	4.10%	84,000
Sewer	12/01/22	3.98%	302,749
Water Treatment Plan Design	06/01/09	1.58%	<u>270,868</u>
Total Governmental Activities:			<u>\$ 4,064,760</u>

B. Future Debt Service

The annual principal payments to retire all general obligation long-term debt outstanding as of December 31, 2008 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 970,540	\$ 144,563	\$ 1,115,103
2010	615,672	116,842	732,514
2011	615,672	95,688	711,360
2012	406,625	74,533	481,158
2013	406,625	58,488	465,113
2014-2018	963,126	87,813	1,050,939
2019-2022	<u>86,500</u>	<u>8,598</u>	<u>95,098</u>
Total	<u>\$ 4,064,760</u>	<u>\$ 586,525</u>	<u>\$ 4,651,285</u>

The following governmental funds have been designated as the sources to repay the governmental-type general obligation long-term debt outstanding as of December 31, 2008:

General fund	\$ 3,049,026
Water	270,868
Sewer	<u>744,866</u>
Total	<u>\$ 4,064,760</u>

C. Changes in General Long-Term Liabilities

During the year ended December 31, 2008, the following changes occurred in long-term liabilities (in thousands):

	Total Balance <u>1/1/08</u>	<u>Additions</u>	<u>Reductions</u>	Total Balance <u>12/31/08</u>	Less Current Portion	Equals Long-Term Portion <u>12/31/08</u>
<u>Governmental Activities</u>						
Bonds payable	\$ 5,310,900	\$ -	\$ (1,246,140)	\$ 4,064,760	\$ (970,540)	\$ 3,094,220
Other:						
Capital leases	<u>288,012</u>	<u>-</u>	<u>(112,339)</u>	<u>175,673</u>	<u>(104,276)</u>	<u>71,397</u>
Totals	<u>\$ 5,598,912</u>	<u>\$ -</u>	<u>\$ (1,358,479)</u>	<u>\$ 4,240,433</u>	<u>\$ (1,074,816)</u>	<u>\$ 3,165,617</u>

14. Reserves of Fund Equity

“Reserves” of fund equity are established to segregate fund balances which are either not available for expenditure in the future or are legally set aside for a specific future use.

The following types of reserves are reported at December 31, 2008:

Reserved for Encumbrances - An account used to segregate that portion of fund balance committed for expenditure of financial resources upon vendor performance.

Reserved for Perpetual Funds - Represents the principal of the nonexpendable trust fund investments. The balance cannot be spent for any purpose; however, it may be invested and the earnings may be spent.

Reserved for Other Purposes - Represents amounts segregated to cover deficits reported in nonmajor governmental funds without a specific funding source.

15. Commitments and Contingencies

Outstanding Lawsuits - There are several pending lawsuits in which the Town is involved. The Town’s management is of the opinion that the potential future settlement of such claims would not materially affect its financial statements taken as a whole.

Grants - Amounts received or receivable from grantor 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 of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

16. Retirement System

The Town follows the provisions of GASB Statement No. 27, Accounting for Pensions for State and Local Government Employees, with respect to the employees' retirement funds.

A. Plan Description

Full-time employees participate in the State of New Hampshire Retirement System (the System), a 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. Substantially all full-time state employees, public school teachers and administrators, permanent firefighters and permanent police officers within the State of New Hampshire are eligible and required to participate in the system. Full-time employees of political subdivisions, including counties, municipalities and school districts, are also eligible to participate as a group if the governing body of the political subdivision has elected participation.

The New Hampshire Retirement System, a Public Employees Retirement System (PERS), is divided into two membership groups. State or local employees and teachers belong to Group I. Police officers and firefighters belong to Group II. All assets are held in a single trust and are available to each group, funding policies, vesting requirements, contribution requirements and plan assets available to pay benefits are disclosed in the System's annual report available from the New Hampshire Retirement System located at 4 Chenell Drive, Concord, New Hampshire 03301-8509.

B. Funding Policy

Plan members are required to contribute a percentage of their gross earnings to the pension plan, which the contribution rates are 5% for employees and teachers and 9.3% for police and fire. The Town makes annual contributions to the pension plan equal to the amount required by Revised Statutes Annotated 100-A:16, and is 3.7% for teachers and 6.81% for all other covered employees. The Town's contributions to the System for the years ended December 31, 2008, 2007, and 2006 were \$ 762,084, \$ 698,745, and \$ 439,926, respectively, which were equal to its annual required contributions for each of these years.

The payroll for employees covered by the System for the year ended December 31, 2008, was unavailable. Contribution requirements for the year ended December 31, 2008, were as follows:

State of New Hampshire	\$ 258,882
Town	762,084
Employees' contributions	<u>478,706</u>
Total	\$ <u><u>1,499,672</u></u>

17. Post-Employment Health Care and Life Insurance Benefits

In addition to the pension benefits described in a previous note, the Town provides post-employment health care and life insurance benefits, in accordance with state statute RSA 100-A:50, to participating retirees. Presently the Town finances these benefits on the pay-as-you-go basis and does not contribute to a qualified plan (trust) as defined by *GASB Statement No. 43 Financial Reporting for Post-Employment Benefit Plans Other Than Pension Plans*. The number of participants currently eligible to receive benefits and cost of benefits for retirees, their dependents, or their survivors for year-ended December 31, 2008 was not available.

GASB Statement No. 45, Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions was effective December 31, 2008.

The Town plans to fully implement GASB 45 in fiscal 2009.

18. 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; and natural disasters for which the government carries commercial insurance. There were no significant reductions in insurance coverage from the previous year and have been no material settlements in excess of coverage in any of the past three fiscal years.