

**TOWN OF NEWMARKET,  
NEW HAMPSHIRE**

**ANNUAL FINANCIAL REPORT**

**AS OF AND FOR THE FISCAL YEAR ENDED  
JUNE 30, 2013**

**TOWN OF NEWMARKET, NEW HAMPSHIRE**  
**ANNUAL FINANCIAL REPORT**  
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# PLODZIK & SANDERSON

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## ***INDEPENDENT AUDITOR'S REPORT***

To the Members of the Town Council  
Town of Newmarket  
Newmarket, New Hampshire

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, business-type activities, major funds, and aggregate remaining fund information of the Town of Newmarket as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, major funds, and aggregate remaining fund information of the Town of Newmarket as of June 30, 2013, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

**Required Supplementary Information** - Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (pages 3 through 10) and the Schedule of Funding Progress for Other Postemployment Benefit Plan (page 44) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers them to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or

*Town of Newmarket  
Independent Auditor's Report*

historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Supplementary Information** - Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Newmarket's basic financial statements. The combining and individual fund financial schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

July 30, 2014

*Plodnyk & Sanderson  
Professional Association*

As management of the Town of Newmarket, New Hampshire ("Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2013. We encourage readers to consider the information presented here in conjunction with the Town's financial statements, which begin on page 11.

## **1. Financial Highlights**

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$62,487,411 (*net position*). Of this amount, \$9,074,776 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$60,048. Much of the increase is attributed to a one-time sale of municipal real estate coupled with better than expected expenditure budget performance.
- As of the close of the current fiscal year, the Town's governmental funds reported a combined ending fund balance of \$7,017,939, an increase of \$1,057,966 in comparison with the prior year. Of the combined fund balance, \$898,336 is *available for spending* at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$2,122,336.
- The Town's total bonded debt increased by \$139,204 during the current fiscal year. The key factor in this increase was the issuance of a \$940,000 obligation for the sewer upgrades in the New Village area of the Town.

## **2. Overview of the Financial Statements**

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

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

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

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

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town include general government, public safety, highways and streets, welfare, culture and recreation, and conservation. The business-type activities of the Town include water, wastewater, solid waste, and parking.

**Fund Financial Statements.** A *fund* is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

The Town maintains fourteen individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund and the Fire/Public works building, both of which are considered to be major funds. Data from the other twelve governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

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

**Proprietary funds.** The Town maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the governmental-wide financial statements. The Town uses enterprise funds to account for its water, wastewater, solid waste, and parking operations.

Proprietary funds provide the same type of information as the governmental-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water, wastewater, solid waste, and parking operations, all of which are considered to be major funds.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements, because the resources of those funds are *not* available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

**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 *required supplementary information* that is required to be disclosed by accounting principles generally accepted in the United States of America.

### **3. Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities by \$62,487,411 at the close of the most recent fiscal year.

By far the largest portion of the Town's net position (83.6 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following is a summary of condensed statement of net position and statement of activities for government-wide financial data for the current and prior fiscal years.

	Town of Newmarket's Condensed Statement of Net Position					
	Governmental		Business-Type		Total	
	Activities		Activities			
	2013	2012*	2013	2012*	2013	2012*
Current and other assets	\$ 17,540,731	\$ 15,608,141	\$ 3,813,630	\$ 2,544,265	\$ 21,354,361	\$ 18,152,406
Capital assets	47,992,074	50,747,592	7,319,777	7,388,787	55,311,851	58,136,379
<b>Total assets</b>	<b>65,532,805</b>	<b>66,355,733</b>	<b>11,133,407</b>	<b>9,933,052</b>	<b>76,666,212</b>	<b>76,288,785</b>
Long-term liabilities						
outstanding	2,445,409	2,477,864	1,363,127	909,004	3,808,536	3,386,868
Other liab. and def. inflow s	10,297,342	9,409,237	72,923	(593,349)	10,370,265	8,815,888
<b>Total liab. and def. inflow s</b>	<b>12,742,751</b>	<b>11,887,101</b>	<b>1,436,050</b>	<b>315,655</b>	<b>14,178,801</b>	<b>12,202,756</b>
Net position:						
Net investment in capital assets	46,242,074	47,532,109	5,999,273	6,382,487	52,241,347	53,914,596
Restricted	1,171,288	1,322,251	-	-	1,171,288	1,322,251
Unrestricted	5,376,692	5,614,272	3,698,084	3,234,910	9,074,776	8,849,182
<b>Total net position</b>	<b>\$ 52,790,054</b>	<b>\$ 54,468,632</b>	<b>\$ 9,697,357</b>	<b>\$ 9,617,397</b>	<b>\$ 62,487,411</b>	<b>\$ 64,086,029</b>

Town of Newmarket's Condensed Statement of Activities							
	Governmental		Business-Type		Total		
	Activities		Activities				
	2013	2012*	2013	2012*	2013	2012*	
Revenues:							
Programs revenues:							
Charges for service	\$ 451,194	\$ 747,341	\$ 2,442,791	\$ 2,432,118	\$ 2,893,985	\$ 3,179,459	
Operating grants and contributions	280,933	34,011	48,084	6,321	329,017	40,332	
Capital grants and contributions	-	243,612	-	-	-	243,612	
General revenues	6,614,179	7,229,193	826	6,887	6,615,005	7,236,080	
Total revenues	7,346,306	8,254,157	2,491,701	2,445,326	9,838,007	10,699,483	
Expenses:							
General government	2,604,973	2,562,884	-	-	2,604,973	2,562,884	
Public safety	1,925,977	2,119,813	-	-	1,925,977	2,119,813	
Highways and streets	2,448,330	2,245,987	-	-	2,448,330	2,245,987	
Welfare	77,145	88,494	-	-	77,145	88,494	
Culture and recreation	710,660	1,061,898	-	-	710,660	1,061,898	
Conservation	7,392	13,372	-	-	7,392	13,372	
Interest on long-term debt	77,075	84,496	-	-	77,075	84,496	
Other	63,425	2,000	-	-	63,425	2,000	
Water	-	-	547,885	580,755	547,885	580,755	
Wastewater	-	-	886,362	899,481	886,362	899,481	
Solid waste	-	-	428,735	412,194	428,735	412,194	
Parking	-	-	-	-	-	-	
Total expenses	7,914,977	8,178,944	1,862,982	1,892,430	9,777,959	10,071,374	
Change in net position before transfers	(568,671)	75,213	628,719	552,896	60,048	628,109	
Interfund transfers and permanent fund contributions	233,518	182,547	(233,518)	(175,147)	-	7,400	
Change in net position	(335,153)	257,760	395,201	377,749	60,048	635,509	
Net position - beginning of year	\$ 53,125,207	\$ 54,210,872	\$ 9,302,156	\$ 9,239,648	\$ 62,427,363	\$ 63,450,520	
Net position - end of year	52,790,054	54,468,632	9,697,357	9,617,397	62,487,411	64,086,029	

\* Prior year financial data does not reflect prior year adjustments identified in note 15 of the notes to the basic financial statements.

An additional portion of the Town's net position (1.9 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$9,074,776) may be used to meet the government's ongoing obligations to citizens and creditors.

**Governmental activities.** As noted above, governmental activities changed the Town's net position by \$(335,153). Key elements of this change are as follows:

Governmental funds activities:	
General fund	\$ 714,844
Fire/Public works building	136,000
Nonmajor funds	207,122
Depreciation expense as compared to principal debt service:	
Depreciation expense	(1,890,050)
Principal debt service	175,000
Capital asset purchases	
	443,879
Other GAAP accruals	
	(121,948)
Total	\$ (335,153)

**Business-type activities.** Business-type activities for the year resulted in a change in net position of \$395,201, which included discontinuing the parking operation. Key elements of this change are as follows:

Water operations	\$ 219,057
Wastewater operations	366,731
Solid waste operations	(11,482)
Parking operations	(179,105)
Total	\$ 395,201

#### 4. **Financial Analysis of the Government's Funds**

As noted earlier, fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements.

*Governmental funds.* The focus of the Town's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Town's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$7,017,939, which is a change of \$1,057,966 in comparison with the prior year. Key elements of this change are as follows:

Governmental funds activities:	
General fund	\$ 714,844
Fire/Public works building	136,000
Nonmajor funds:	
Special revenue funds	72,042
Capital project funds	26,061
Permanent funds	<u>109,019</u>
Total	<u>\$ 1,057,966</u>

The general fund is the chief operating und of the Town. At the end of the current fiscal year, unassigned fund balance of the general fund was \$2,122,336, while total fund balance was \$6,611,854. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 37 percent of total general fund expenditures, while total fund balance represents 116 percent of that same amount.

As noted above, total fund balance of the general fund changed by \$714,844 during the current fiscal year. Key elements of this change are as follows:

Revenues in excess of budget	\$ 428,637
Expenditures less than budget	404,394
Other financing sources net of uses	414,087
Use of fund balance	(486,000)
Income earned on blended funds	11,680
Interfund transfers eliminated due to GASB 54	(233,826)
Change in deferred tax revenue	169,292
Change in encumbrances	<u>6,580</u>
Total	<u>\$ 714,844</u>

*Proprietary funds.* The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the enterprise funds at the end of the year amounted to \$3,698,084. Other factors concerning the finances of proprietary funds have been addressed in the entity-wide discussion of business-type activities.

## 5. General Fund Budgetary Highlights

There is no change between the total original and total final budget. However, the governing body of the Town authorized movement of appropriation among various functions.

## 6. Capital Asset and Debt Administration

**Capital Assets.** The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2013, amounts to \$55,311,851 (net of accumulated depreciation). This investment in capital assets includes land; buildings and building improvements; machinery, equipment and furnishings; and infrastructure. The total change in the Town's investment in total capital assets for the current fiscal year was \$(1,568,527), which is comprised of \$(1,460,198) from governmental activities and \$(108,329) from business activities.

Major capital asset events during the current fiscal year included the following:

- \$137,800 for an International dump truck with a plow.
- \$39,059 for a police car and related equipment.
- \$18,395 for a new water tank and upgrade.
- \$141,011 for a pilot study to develop the Macintosh Well.
- \$21,105 for replacing the water line on North Main Street.

Additional information on the Town's capital assets can be found in the notes to the financial statements.

**Long-term debt.** At the end of the current fiscal year, the Town had total bonded debt outstanding of \$3,070,504, all of which was backed by the full faith and credit of the government.

During the current fiscal year, the government issued \$940,000 of debt for the New Village project, which included a principal loan forgiveness of \$470,000 as part of a American Recovery Act program.

Additional information on the Town's long-term debt can be found in the notes to the financial statements.

## 7. Request for Information

This financial report is designed to provide a general overview of the Town's financing for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, Town of Newmarket, 186 Main Street, Newmarket, New Hampshire 03857.

***BASIC FINANCIAL STATEMENTS***

**EXHIBIT A**  
**TOWN OF NEWMARKET, NEW HAMPSHIRE**  
**Statement of Net Position**  
**June 30, 2013**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current:			
Cash and cash equivalents	\$ 13,797,005	\$ 531,098	\$ 14,328,103
Restricted cash	-	1,514,080	1,514,080
Investments	697,165	-	697,165
Receivables, net of allowances for uncollectible	2,954,153	545,605	3,499,758
Intergovernmental receivable	28,127	20,684	48,811
Internal balances	1,936	1,057,373	1,059,309
Prepaid items	40,869	-	40,869
Tax deeded property, subject to resale	21,476	-	21,476
Noncurrent:			
Intergovernmental receivable	-	144,790	144,790
Capital assets:			
Land and construction in progress	5,702,442	699,742	6,402,184
Other capital assets, net of depreciation	42,289,632	6,620,035	48,909,667
Total assets	<u>65,532,805</u>	<u>11,133,407</u>	<u>76,666,212</u>
<b>LIABILITIES</b>			
Accounts payable	385,665	38,693	424,358
Accrued salaries and benefits	71,343	7,887	79,230
Accrued interest payable	32,274	24,407	56,681
Internal balances	1,057,373	1,936	1,059,309
Intergovernmental payable	12,663	-	12,663
Escrow and performance deposits	12,354	-	12,354
Long-term liabilities:			
Due within one year	227,430	159,361	386,791
Due in more than one year	2,217,979	1,203,766	3,421,745
Total liabilities	<u>4,017,081</u>	<u>1,436,050</u>	<u>5,453,131</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - property taxes	8,725,670	-	8,725,670
<b>NET POSITION</b>			
Net investment in capital assets	46,242,074	5,999,273	52,241,347
Restricted	1,171,288	-	1,171,288
Unrestricted	5,376,692	3,698,084	9,074,776
Total net position	<u>\$ 52,790,054</u>	<u>\$ 9,697,357</u>	<u>\$ 62,487,411</u>

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

**EXHIBIT B**  
**TOWN OF NEWMARKET, NEW HAMPSHIRE**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2013**

	Program Revenues		Net (Expense) Revenue and Change in Net Position	
	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities
<b>Governmental activities:</b>				
General government	\$ 2,604,973	\$ 4,991	\$ (2,599,982)	\$ (2,599,982)
Public safety	1,925,977	35,060	(1,642,354)	(1,642,354)
Highways and streets	2,448,330	239,266	(2,209,064)	(2,209,064)
Welfare	77,145	-	(77,145)	(77,145)
Culture and recreation	710,660	197,640	(513,020)	(513,020)
Conservation	7,392	6,607	(785)	(785)
Interest on long-term debt	77,075	-	(77,075)	(77,075)
Other	63,425	-	(63,425)	(63,425)
Total governmental activities	7,914,977	280,933	(7,182,850)	(7,182,850)
<b>Business-type activities:</b>				
Water services	547,885	24,042	-	414,684
Wastewater services	886,362	24,042	-	413,375
Solid waste services	428,735	-	-	(208,785)
Parking services	-	8,619	-	8,619
Total business-type activities	1,862,982	48,084	-	627,893
Total	9,777,959	329,017	(7,182,850)	(6,554,957)
General revenues and interfund transfers:				
Taxes:				
Property			4,412,536	4,412,536
Other			2,085	2,085
Motor vehicle permit fees			1,135,779	1,135,779
Licenses and other fees			249,972	249,972
Grants and contributions not restricted to specific programs			399,333	399,333
Miscellaneous			414,474	415,300
Interfund transfers			233,518	-
Total general revenues and interfund transfers			6,847,697	6,615,005
Change in net position			(335,153)	60,048
Net position, beginning, as restated (see Note 15)			53,125,207	62,427,363
Net position, ending			\$ 52,790,054	\$ 62,487,411

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

**EXHIBIT C-1**  
**TOWN OF NEWMARKET, NEW HAMPSHIRE**  
**Governmental Funds**  
**Balance Sheet**  
**June 30, 2013**

	General	Fire/Public Works Building	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 12,992,809	\$ -	\$ 804,196	\$ 13,797,005
Investments	-	-	697,165	697,165
Receivables, net of allowances for uncollectible:				
Accounts	57,780	-	13,375	71,155
Taxes	2,958,296	-	-	2,958,296
Intergovernmental	-	-	28,127	28,127
Interfund receivable	1,303,826	-	187,179	1,491,005
Voluntary tax liens	31,215	-	-	31,215
Prepaid items	40,869	-	-	40,869
Tax deeded property, subject to resale	21,476	-	-	21,476
Total assets	<u>\$ 17,406,271</u>	<u>\$ -</u>	<u>\$ 1,730,042</u>	<u>\$ 19,136,313</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 374,966	\$ -	\$ 10,699	\$ 385,665
Accrued salaries and benefits	59,972	-	11,369	71,341
Due to other governments	12,663	-	-	12,663
Interfund payable	1,244,553	1,224,000	77,889	2,546,442
Escrow and performance deposits	12,354	-	-	12,354
Total liabilities	<u>1,704,508</u>	<u>1,224,000</u>	<u>99,957</u>	<u>3,028,465</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - Property taxes	9,089,909	-	-	9,089,909
<b>FUND BALANCES (DEFICIT)</b>				
Nonspendable	62,345	-	606,672	669,017
Restricted	-	-	564,616	564,616
Committed	4,418,910	-	458,797	4,877,707
Assigned	8,263	-	-	8,263
Unassigned (deficit)	2,122,336	(1,224,000)	-	898,336
Total fund balances	<u>6,611,854</u>	<u>(1,224,000)</u>	<u>1,630,085</u>	<u>7,017,939</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 17,406,271</u>	<u>\$ -</u>	<u>\$ 1,730,042</u>	<u>\$ 19,136,313</u>

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

*EXHIBIT C-2*  
**TOWN OF NEWMARKET, NEW HAMPSHIRE**  
*Reconciliation of Total Governmental Fund Balances to the Statement of Net Position*  
*For the Fiscal Year Ended June 30, 2013*

Total fund balances of governmental funds (Exhibit C-1)		\$ 7,017,939
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources, therefore, are not reported in the funds.		
Cost	\$ 75,990,520	
Less accumulated depreciation	<u>(27,998,446)</u>	47,992,074
Interfund receivables and payables between governmental funds are eliminated on the Statement of Net Position.		
Receivables	\$ (1,055,437)	
Payables	<u>1,055,437</u>	-
Other long-term assets are not available to pay for current period expenditures, and therefore, are reported as unavailable revenue in the funds.		
Deferred tax revenue		257,724
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(32,274)
Long-term liabilities are not due and payable in the current period, therefore, are not reported in the funds.		
Bonds	\$ 1,750,000	
Compensated absences	198,166	
Other postemployment benefits	105,883	
Accrued landfill postclosure care costs	<u>391,360</u>	(2,445,409)
Net position of governmental activities (Exhibit A)		<u>\$ 52,790,054</u>

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

**EXHIBIT C-3**  
**TOWN OF NEWMARKET, NEW HAMPSHIRE**  
**Governmental Funds**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**For the Fiscal Year Ended June 30, 2013**

	General	Fire/Public Works Building	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Taxes	\$ 4,497,307	\$ -	\$ -	\$ 4,497,307
Licenses and permits	1,386,446	-	-	1,386,446
Intergovernmental	553,370	-	130,407	683,777
Charges for services	168,576	-	290,065	458,641
Miscellaneous	262,851	-	139,970	402,821
Total revenues	<u>6,868,550</u>	<u>-</u>	<u>560,442</u>	<u>7,428,992</u>
<b>EXPENDITURES</b>				
Current:				
General government	2,604,968	-	9,982	2,614,950
Public safety	1,517,706	-	126,955	1,644,661
Highways and streets	919,279	-	70,218	989,497
Welfare	77,145	-	-	77,145
Culture and recreation	61,461	-	617,723	679,184
Conservation	471	-	6,921	7,392
Debt service:				
Principal	175,000	-	-	175,000
Interest	82,706	-	-	82,706
Capital outlay	257,998	-	76,011	334,009
Total expenditures	<u>5,696,734</u>	<u>-</u>	<u>907,810</u>	<u>6,604,544</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,171,816</u>	<u>-</u>	<u>(347,368)</u>	<u>824,448</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	392,710	136,000	554,490	1,083,200
Transfers out	<u>(849,682)</u>	<u>-</u>	<u>-</u>	<u>(849,682)</u>
Total other financing sources (uses)	<u>(456,972)</u>	<u>136,000</u>	<u>554,490</u>	<u>233,518</u>
Net change in fund balances	714,844	136,000	207,122	1,057,966
Fund balances (deficit), beginning, as restated (see Note 15)	<u>5,897,010</u>	<u>(1,360,000)</u>	<u>1,422,963</u>	<u>5,959,973</u>
Fund balances (deficit), ending	<u>\$ 6,611,854</u>	<u>\$ (1,224,000)</u>	<u>\$ 1,630,085</u>	<u>\$ 7,017,939</u>

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

*EXHIBIT C-4*  
**TOWN OF NEWMARKET, NEW HAMPSHIRE**  
*Reconciliation of the Statement of Revenues, Expenditures, and*  
*Changes in Fund Balances of Governmental Funds to the Statement of Activities*  
*For the Fiscal Year Ended June 30, 2013*

Net change in fund balances of governmental funds (Exhibit C-3)		\$ 1,057,966
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. In the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capitalized capital outlay and capital asset disposals in the current period.		
Capitalized capital outlay	\$ 443,879	
Capital asset disposals	(14,027)	
Depreciation expense	<u>(1,890,050)</u>	
		(1,460,198)
Transfers in and out between governmental funds are eliminated on the Statement of Activities.		
Transfers in	\$ (516,556)	
Transfers out	<u>516,556</u>	
		-
Revenue in the Statement of Activities that does not provide current financial resources is not reported as revenue in the governmental funds.		
Change in deferred tax revenue		(82,686)
The repayment of long-term debt consumes the current financial resources of governmental funds, but has no effect on net position.		
Repayment of bond principals		175,000
Some expenses reported in the Statement of Activities do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds.		
Decrease in accrued interest expense	\$ 5,631	
Increase in compensated absences payable	(90,044)	
Decrease in postemployment benefits payable	26,565	
Decrease in accrued landfill postclosure care costs	<u>32,613</u>	
		<u>(25,235)</u>
Change in net position of governmental activities (Exhibit B)		<u><u>\$ (335,153)</u></u>

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

**EXHIBIT D**  
**TOWN OF NEWMARKET, NEW HAMPSHIRE**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual (Non-GAAP Budgetary Basis)**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2013**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 4,312,044	\$ 4,312,044	\$ 4,328,017	\$ 15,973
Licenses and permits	1,255,300	1,255,300	1,386,446	131,146
Intergovernmental	537,747	537,747	553,370	15,623
Charges for services	129,850	129,850	168,576	38,726
Miscellaneous	24,000	24,000	251,169	227,169
Total revenues	<u>6,258,941</u>	<u>6,258,941</u>	<u>6,687,578</u>	<u>428,637</u>
<b>EXPENDITURES</b>				
Current:				
General government	2,729,849	2,824,947	2,608,612	216,335
Public safety	1,626,445	1,602,220	1,520,641	81,579
Highways and streets	1,009,669	1,006,579	919,279	87,300
Health	113,200	-	-	-
Welfare	40,400	88,600	77,145	11,455
Culture and recreation	67,048	67,048	61,461	5,587
Conservation	610	610	471	139
Economic development	2,000	2,000	-	2,000
Debt service:				
Principal	236,000	175,000	175,000	-
Interest	50,050	82,705	82,706	(1)
Capital outlay	281,701	257,998	257,998	-
Total expenditures	<u>6,156,972</u>	<u>6,107,707</u>	<u>5,703,313</u>	<u>404,394</u>
Excess of revenues over expenditures	<u>101,969</u>	<u>151,234</u>	<u>984,265</u>	<u>833,031</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	90,099	458,535	877,322	418,787
Transfers out	(678,068)	(1,095,769)	(1,100,469)	(4,700)
Total other financing sources (uses)	<u>(587,969)</u>	<u>(637,234)</u>	<u>(223,147)</u>	<u>414,087</u>
Net change in fund balance	<u>\$ (486,000)</u>	<u>\$ (486,000)</u>	761,118	<u>\$ 1,247,118</u>
Decrease in nonspendable fund balance			(62,347)	
Increase in committed fund balance			136,000	
Unassigned fund balance, beginning, as restated (see Note 15)			1,545,289	
Unassigned fund balance, ending			<u>\$ 2,380,060</u>	

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

**EXHIBIT E-1**  
**TOWN OF NEWMARKET, NEW HAMPSHIRE**  
**Proprietary Funds**  
**Statement of Proprietary Net Position**  
**June 30, 2013**

	Business-type Activities				
	Enterprise Funds				
	Water	Wastewater	Solid Waste	Parking	Total
<b>ASSETS</b>					
Current:					
Cash and short-term investments	\$ 281,865	\$ 12,119	\$ 237,114	\$ -	\$ 531,098
Restricted cash	838,377	675,703	-	-	1,514,080
Accounts receivable	216,194	310,001	19,410	-	545,605
Due from other governments	-	20,684	-	-	20,684
Interfund receivable	741,801	330,547	33,913	-	1,106,261
Total current assets	<u>2,078,237</u>	<u>1,349,054</u>	<u>290,437</u>	<u>-</u>	<u>3,717,728</u>
Noncurrent:					
Due from other governments	-	144,790	-	-	144,790
Capital assets, not being depreciated:					
Land	400	340,000	-	-	340,400
Construction in progress	222,347	136,995	-	-	359,342
Capital assets, net of accumulated depreciation:					
Buildings and building improvements	38,137	836,449	-	-	874,586
Machinery, equipment, and vehicles	511,433	15,191	-	-	526,624
Infrastructure	3,105,627	2,113,198	-	-	5,218,825
Total noncurrent assets	<u>3,877,944</u>	<u>3,586,623</u>	<u>-</u>	<u>-</u>	<u>7,464,567</u>
Total assets	<u>5,956,181</u>	<u>4,935,677</u>	<u>290,437</u>	<u>-</u>	<u>11,182,295</u>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	3,793	12,337	22,563	-	38,693
Accrued salaries and benefits	3,133	4,545	209	-	7,887
Accrued interest payable	6,249	18,158	-	-	24,407
Interfund payables	13,686	37,138	-	-	50,824
Noncurrent liabilities:					
Due within one year:					
Bond	65,963	90,790	-	-	156,753
Compensated absences	511	2,097	-	-	2,608
Due in more than one year:					
Bond	319,931	843,820	-	-	1,163,751
Compensated absences	4,601	18,870	-	-	23,471
Other postemployment benefits	8,272	8,272	-	-	16,544
Total liabilities	<u>426,139</u>	<u>1,036,027</u>	<u>22,772</u>	<u>-</u>	<u>1,484,938</u>
<b>NET POSITION</b>					
Net investment in capital assets	3,492,050	2,507,223	-	-	5,999,273
Unrestricted	2,037,992	1,392,427	267,665	-	3,698,084
Total net position	<u>\$ 5,530,042</u>	<u>\$ 3,899,650</u>	<u>\$ 267,665</u>	<u>\$ -</u>	<u>\$ 9,697,357</u>

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

**EXHIBIT E-2**  
**TOWN OF NEWMARKET, NEW HAMPSHIRE**  
**Proprietary Funds**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**For the Fiscal Year Ended June 30, 2013**

	Business-type Activities				
	Enterprise Funds				
	Water	Wastewater	Solid Waste	Parking	Total
Operating revenues:					
User charges	\$ 847,644	\$ 1,273,773	\$ 215,531	\$ 8,619	\$ 2,345,567
Miscellaneous	90,883	1,922	4,419	-	97,224
Total operating revenues	<u>938,527</u>	<u>1,275,695</u>	<u>219,950</u>	<u>8,619</u>	<u>2,442,791</u>
Operating expenses:					
Operating expenses	392,272	699,783	428,735	-	1,520,790
Depreciation	148,877	155,640	-	-	304,517
Total operating expenses	<u>541,149</u>	<u>855,423</u>	<u>428,735</u>	<u>-</u>	<u>1,825,307</u>
Operating gain/loss	<u>397,378</u>	<u>420,272</u>	<u>(208,785)</u>	<u>8,619</u>	<u>617,484</u>
Nonoperating revenue (expense):					
Interest income	411	202	176	37	826
Interest expense	(6,736)	(30,939)	-	-	(37,675)
Intergovernmental	24,042	24,042	-	-	48,084
Total nonoperating revenues (expenses)	<u>17,717</u>	<u>(6,695)</u>	<u>176</u>	<u>37</u>	<u>11,235</u>
Income (loss) before transfers	<u>415,095</u>	<u>413,577</u>	<u>(208,609)</u>	<u>8,656</u>	<u>628,719</u>
Other financing sources (uses):					
Transfers in	8,911	-	197,127	-	206,038
Transfers out	(204,949)	(46,846)	-	(187,761)	(439,556)
Total other financing sources (uses)	<u>(196,038)</u>	<u>(46,846)</u>	<u>197,127</u>	<u>(187,761)</u>	<u>(233,518)</u>
Changes in net position	219,057	366,731	(11,482)	(179,105)	395,201
Net position, beginning, as restated (see Note 15)	5,310,985	3,532,919	279,147	179,105	9,302,156
Net position, ending	<u>\$ 5,530,042</u>	<u>\$ 3,899,650</u>	<u>\$ 267,665</u>	<u>\$ -</u>	<u>\$ 9,697,357</u>

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

**EXHIBIT E-3**  
**TOWN OF NEWMARKET, NEW HAMPSHIRE**  
**Proprietary Funds**  
**Statement of Cash Flows**  
**For the Fiscal Year Ended June 30, 2013**

	Business-type Activities				
	Enterprise Funds				
	Water	Wastewater	Solid Waste	Parking	Total
Cash flows from operating activities:					
Receipts from customers and users	\$ 1,389,698	\$ 1,407,162	\$ 228,949	\$ 8,619	\$ 3,034,428
Payments to employees and suppliers	(916,393)	(971,287)	(439,575)	-	(2,327,255)
Net cash provided (used) by operating activities	<u>473,305</u>	<u>435,875</u>	<u>(210,626)</u>	<u>8,619</u>	<u>707,173</u>
Cash flows from capital and related financing activities:					
Principal paid on bonds	(535,006)	(536,749)	-	-	(1,071,755)
State revolving fund loan proceeds	470,000	470,000	-	-	940,000
Acquisition and construction of fixed assets	(177,793)	(18,393)	-	-	(196,186)
Payments from State	24,042	24,042	-	-	48,084
Change in restricted cash	(439,044)	(179,665)	-	-	(618,709)
Interest paid	(1,932)	(27,299)	-	-	(29,231)
Net cash used by capital and related financing activities	<u>(659,733)</u>	<u>(268,064)</u>	<u>-</u>	<u>-</u>	<u>(927,797)</u>
Cash flows from non-capital financing activities:					
Interfund borrowing	367,134	(106,028)	-	-	261,106
Operating transfers in (out)	24,041	(61,976)	210,626	(64,079)	108,612
Net cash provided (used) by non-capital financing activities	<u>391,175</u>	<u>(168,004)</u>	<u>210,626</u>	<u>(64,079)</u>	<u>369,718</u>
Cash flows from investing activities:					
Interest received	411	202	176	37	826
Net increase (decrease) in cash	205,158	9	176	(55,423)	149,920
Cash, beginning	76,707	12,110	236,938	55,423	381,178
Cash, ending	<u>\$ 281,865</u>	<u>\$ 12,119</u>	<u>\$ 237,114</u>	<u>\$ -</u>	<u>\$ 531,098</u>
<b>Reconciliation of Operating Gain/Loss to Net Cash Provided/Used by Operating Activities</b>					
Operating gain (loss)	\$ 397,378	\$ 420,272	\$ (208,785)	\$ 8,619	\$ 617,484
Adjustments to reconcile operating gain (loss) to net cash provided (used) by operating activities:					
Depreciation expense	148,877	155,640	-	-	304,517
Decrease in accounts receivable	451,171	141,811	8,999	-	601,981
Increase in intergovernmental receivable	-	(10,344)	-	-	(10,344)
Decrease in accounts payable	(473,721)	(233,404)	(11,049)	-	(718,174)
Increase in accrued salaries and benefits	3,133	4,545	209	-	7,887
Increase in compensated absences payable	254	11,142	-	-	11,396
Decrease in other postemployment benefits payable	(53,787)	(53,787)	-	-	(107,574)
Total adjustments	<u>75,927</u>	<u>15,603</u>	<u>(1,841)</u>	<u>-</u>	<u>89,689</u>
Net cash provided (used) by operating activities	<u>\$ 473,305</u>	<u>\$ 435,875</u>	<u>\$ (210,626)</u>	<u>\$ 8,619</u>	<u>\$ 707,173</u>

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

*EXHIBIT F-1*  
**TOWN OF NEWMARKET, NEW HAMPSHIRE**  
*Fiduciary Funds*  
*Statement of Fiduciary Net Position*  
*June 30, 2013*

	Private Purpose Trust	Agency
<b>ASSETS</b>		
Cash and cash equivalents	\$ 78,488	\$ 960,788
Investments	442,985	-
Accounts receivable	-	24,241
Total assets	<u>521,473</u>	<u>985,029</u>
<b>LIABILITIES</b>		
Due to other governmental units	-	954,793
Due to others	-	30,236
Total liabilities	<u>-</u>	<u>985,029</u>
<b>NET POSITION</b>		
Held in trust for specific purposes	<u>\$ 521,473</u>	<u>\$ -</u>

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

*EXHIBIT F-2*  
**TOWN OF NEWMARKET, NEW HAMPSHIRE**  
*Fiduciary Funds*  
**Statement of Changes in Fiduciary Net Position**  
**For the Fiscal Year Ended June 30, 2013**

	Private Purpose Trust
<b>ADDITIONS</b>	
New funds	\$ 2,275
Interest	34,179
Total additions	36,454
<b>DEDUCTIONS</b>	
Scholarships	12,100
General government	84,975
Total deductions	97,075
Change in net position	(60,621)
Net position, beginning	582,094
Net position, ending	\$ 521,473

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

*TOWN OF NEWMARKET, NEW HAMPSHIRE*  
*NOTES TO THE BASIC FINANCIAL STATEMENTS*  
*AS OF AND FOR THE FISCAL YEAR ENDED*  
*JUNE 30, 2013*

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**TOWN OF NEWMARKET, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2013**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Town of Newmarket, New Hampshire (the Town), have been prepared in conformity with accounting principles generally accepted in the United States of America for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources.

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

**1-A Reporting Entity**

The Town of Newmarket is a municipal corporation governed by an elected 7-member Town Council. The reporting entity is comprised of the primary government and any other organizations (*component units*) that are included to ensure that the financial statements are not misleading.

Component units are legally separate organizations for which the Town is financially accountable. The Town is financially accountable for an organization if the Town appoints a voting majority of the organization's governing board, and (1) the Town is able to significantly influence the programs or services performed or provided by the organizations; or (2) the Town is legally entitled to or can otherwise access the organization's resources; (3) the Town is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the Town is obligated for the debt of the organization. Based on the foregoing criteria, no other organizations are included in the Town's financial reporting entity.

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

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. 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 Net Position presents the financial position of the governmental activities of the Town at year-end. This statement includes all of the Town's assets, liabilities, and net position.

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

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

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

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements, except for agency funds which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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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, licenses and permits, intergovernmental revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges for services. Operating expenses for the enterprise funds include depreciation on capital assets, labor, supplies, and contracted services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available.

Non-exchange transactions, in which the Town receives value without directly giving equal value in return, include property taxes, grants, entitlement, and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the tax is levied. Revenue from grants, entitlements, and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the Town must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the Town on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

The Town reports the following major governmental funds:

**General Fund** – all general revenues and other receipts that are not allocated by law or contracted agreement to another fund are accounted for in this fund. This fund accounts for general operating expenditures, fixed charges, and the capital improvement costs that are not reported in other funds.

**Fire/Public Works Building Capital Project Fund** – accounts for the activity pertaining to the construction of the fire/public works building.

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

Additionally, the Town reports the following fund types:

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

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

**Permanent Fund** - is used to record activity of legal trusts for which the interest on the corpus provides funds for the Town's cemetery operations.

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

***1-D Cash and Cash Equivalents***

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

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

***1-E Statement of Cash Flows***

For purposes of the Statement of Cash Flows, the Town considers all highly liquid investments (including restricted assets) with a maturity when purchased of three months or less and all local government investment pools to be cash equivalents.

***1-F Restricted Assets***

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

***1-G Investments***

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

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

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

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

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

***1-H Receivables***

Receivables recorded in the financial statements represent amounts due to the Town at June 30. They are aggregated into a single accounts receivable (net of allowance for uncollectibles) line for certain funds and aggregated columns. They consist primarily of taxes, billing for charges, and other user fees.

***1-I Interfund Balances***

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

***1-J Prepaid Items***

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

***1-K 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 column in the government-wide financial statements.

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Capital assets are defined by the Town as assets with an initial, individual cost of more than \$5,000 and an estimated minimum useful life in excess of two years. As the Town constructs or acquires additional capital assets each year, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated fair value at the date of donation.

Interest incurred during the construction phase of capital assets of enterprise funds is included as part of the capitalized value of the assets constructed. The amount of interest capitalized depends on the specific circumstances (i.e., tax-exempt bond anticipation notes (BANS) were issued to finance specific improvements).

Land and construction in progress are not depreciated. The other property, plant, and equipment of the Town are depreciated using the straight-line method over the following estimated useful lives:

<b>Capital Asset Classes:</b>	<u>Years</u>
Buildings	40
Building improvements	20
Infrastructure	20-60
Vehicles	5
Office equipment	5
Computer equipment	5
Other equipment and furnishings	10

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets are not capitalized and related depreciation is not reported in the fund financial statements.

***1-L Deferred Inflows of Resources***

In addition to liabilities, the Statement of Net Position and Governmental Funds Balance Sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item (unavailable revenue), which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Unavailable revenues arise from property taxes levied prior to their due date, or property tax receivables not collected within 60 days of the end of the fiscal year. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

***1-M Property Taxes***

Property tax billings occur semi-annually and are based on the assessed inventory values as of April 1 of each year. Billings for the year were on November 14, 2012 and May 20, 2013. Interest accrues at a rate of 12% on bills outstanding after the due date and 18% on tax liens outstanding.

In connection with the setting of the tax rate, Town officials, with the approval of the Department of Revenue Administration, establish and raise through taxation an amount for tax abatement and refunds, known as overlay. This amount is reported as a reduction in tax revenue and is adjusted by management for any reserve for uncollectable at year end. The property taxes collected by the Town include taxes levied for the State of New Hampshire, Newmarket School District, and Rockingham County, which are remitted to these entities as required by law.

The Town net assessed valuation as of April 1, 2012 utilized in the setting of the tax rate was as follows:

For the New Hampshire education tax	\$ 738,154,483
For all other taxes	\$ 743,157,083

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The tax rates and amounts assessed for the year ended June 30, 2013 were as follows:

	Per \$1,000 of Assessed Valuation	Property Taxes Assessed
Municipal portion	\$6.07	\$ 4,517,119
School portion:		
State of New Hampshire	\$2.45	1,806,155
Local	\$14.12	10,492,953
County portion	\$1.03	762,044
Total		\$ 17,578,271

***1-N Compensated Absences***

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

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

***1-O Long-Term Obligations***

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund Statements of Net Position.

***1-P Claims and Judgments***

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments that would normally be liquidated with expendable available financial resources are recorded during the year as expenditures in the governmental funds. Claims and judgments are recorded in the government-wide financial statements as expense when the related liabilities are incurred. There were no significant claims or judgments at year-end.

***1-Q Interfund Activities***

Interfund activities are reported as follows:

***Interfund Receivables and Payables*** – Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business activities are reported in the government-wide financial statements as “internal balances.” Interfund receivables and payables between funds are eliminated in the Statement of Net Position.

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

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***1-R Net Position/Fund Balance Reporting***

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

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

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

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

**Restricted** – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation. The Town has classified its library, pistol permits, drug forfeiture, grants, open space, and federal drug forfeiture funds, as well as the income portion of permanent funds, as being restricted.

**Committed** – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the legislative body (Town Meeting). These amounts cannot be used for any other purpose unless the legislative body removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The recreation, ambulance revolving, public safety services revolving, and conservation commission funds, as well as the expendable trust funds and interfund advances, are included in this classification.

**Assigned** – This classification includes amounts that are constrained by the Town’s intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Town Council through the budgetary process. The Town has assigned funds consisting of encumbrances in the general fund at year-end.

**Unassigned** – This classification includes the residual fund balance for the general fund. The unassigned classification also includes negative residual fund balance of the fire/public works building capital project fund.

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

In the general fund, the Town strives to maintain a minimum unassigned fund balance to be used for unanticipated emergencies of approximately 5% of appropriations.

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**NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**2-A Budgetary Information**

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

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

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

State statutes require balanced budgets, but provide for the use of beginning unassigned fund balance to achieve that end. In the fiscal year 2013, \$486,000 of the beginning general fund unassigned fund balance was applied for this purpose.

**2-B Budgetary Reconciliation to GAAP Basis**

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

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

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

Revenues and other financing sources:	
Per Exhibit D (budgetary basis)	\$ 7,564,900
Adjustments:	
Basis difference:	
GASB Statement No. 54:	
Interest income earned on eliminated expendable trust funds	11,680
To eliminate transfers between general and expendable trust funds	(484,612)
Change in deferred tax revenue relating to 60-day revenue recognition	169,292
Per Exhibit C-3 (GAAP basis)	<u>\$ 7,261,260</u>
Expenditures and other financing uses:	
Per Exhibit D (budgetary basis)	\$ 6,803,782
Adjustments:	
Basis differences:	
Encumbrances, beginning	1,683
Encumbrances, ending	(8,263)
GASB Statement No. 54:	
To eliminate transfers between general and expendable trust funds	(281,701)
To recognize transfer between expendable trust and library funds	30,915
Per Exhibit C-3 (GAAP basis)	<u>\$ 6,546,416</u>

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**DETAILED NOTES ON ALL FUNDS**

**NOTE 3 – CASH AND CASH EQUIVALENTS**

At June 30, 2013, the reported amount of the Town’s deposits was \$16,880,524 and the bank balance was \$16,901,616. Petty cash totaled \$935. Of the bank balance, \$6,706,928 was covered by federal depository insurance or by collateral held by the Town’s agent in the Town’s name, and \$10,194,688 was uninsured and uncollateralized. The Town held \$52,708 in certificates of deposit at various banks at year-end.

Cash and cash equivalents reconciliation:

Cash per Statement of Net Position (Exhibit A)	\$ 15,842,183
Cash per Statement of Fiduciary Net Position (Exhibit F-1)	<u>1,039,276</u>
Total cash and cash equivalents	<u><u>\$ 16,881,459</u></u>

**NOTE 4 – INVESTMENTS**

Note 1-G describes statutory requirements covering the investment of the Town funds. The Town also maintains a portfolio of intermediate maturity investments that are reported at fair value, based on quoted market prices. The Town’s fiscal agent or custodian provides the fair value of all intermediate maturity investments.

At June 30, 2013, this Town had the following investments and maturities:

	Fair Value	Less Than 1 Year	1-5 Years	6-10 Years
Investment type:				
Corporate bonds	\$ -	\$ 76,400	\$ 212,554	\$ 47,532
Corporate equities	444,067	-	-	-
Mutual funds	359,597	-	-	-
Total	<u>\$ 803,664</u>	<u>\$ 76,400</u>	<u>\$ 212,554</u>	<u>\$ 47,532</u>

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

**Credit Risk** - The Town has no formal policy on managing credit risk; however, state law limits investments as explained in Note G. As of June 30, 2013, the Town’s investments in US Agencies (Federal Home Loan Bank, Federal Farm Credit Bank, and Federal Home Loan Mortgage Corporation) are rated AAA by Standard and Poor’s and Aaa by Moody’s Investor’s Services.

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

Investment reconciliation:

Investments per Statement of Net Position (Exhibit A)	\$ 697,165
Investments per Statement of Fiduciary Net Position (Exhibit F-1)	<u>442,985</u>
Total investments	<u><u>\$ 1,140,150</u></u>

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**NOTE 5 – RESTRICTED CASH**

Restricted cash and cash equivalents in the enterprise funds, consisting of balances held in the expendable trust funds at June 30, 2013, are as follows:

Water:			
Water system	\$ 838,375		
Water surplus	<u>2</u>		
		\$ 838,377	
Wastewater:			
Sewer fund	\$ 672,944		
Wastewater legal	<u>2,759</u>		
			<u>675,703</u>
Total restricted cash			<u><u>\$ 1,514,080</u></u>

**NOTE 6 – TAXES RECEIVABLE**

Taxes receivable represent the amount of current and prior year taxes which have not been collected as of June 30, 2013. Taxes receivable by year are as follows:

Property:		
Levy of 2013		\$ 2,517,884
Unredeemed (under tax lien):		
Levy of 2012		268,435
Levy of 2011		162,156
Levies of 2010 and prior		9,270
Excavation		551
Less: allowance for estimated uncollectible taxes		<u>(106,513) *</u>
Net taxes receivable		<u><u>\$ 2,851,783</u></u>

\* The allowance for estimated uncollectible taxes is eliminated on Exhibit C-1 due to the deferral of taxes receivable not collected within 60 days of fiscal year-end.

**NOTE 7 – OTHER RECEIVABLES**

Receivables at June 30, 2013, consisted of accounts (billings for water, sewer, ambulance, police details, and other user charges) and intergovernmental amounts arising from grants. Receivables are recorded on the Town's financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and collectability.

Receivables as of June 30, 2013 for the Town's individual major and enterprise funds, and nonmajor funds in the aggregate, including the applicable allowance for uncollectible accounts, are as follows:

	Governmental Funds		Enterprise Funds			Total
	General Fund	Nonmajor Funds	Water Fund	Wastewater Fund	Solid Waste Fund	
	Receivables:					
Accounts	\$ 146,893	\$ 13,375	\$ 216,194	\$ 310,001	\$ 19,410	\$ 705,873
Intergovernmental	-	28,127	-	20,684	-	68,221
Voluntary tax liens	31,215	-	-	-	-	31,215
Gross receivables	<u>178,108</u>	<u>41,502</u>	<u>216,194</u>	<u>330,685</u>	<u>19,410</u>	<u>805,309</u>
Less: allowance for uncollectibles	<u>(89,113)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(89,113)</u>
Net total receivables	<u><u>\$ 88,995</u></u>	<u><u>\$ 41,502</u></u>	<u><u>\$ 216,194</u></u>	<u><u>\$ 330,685</u></u>	<u><u>\$ 19,410</u></u>	<u><u>\$ 716,196</u></u>

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**NOTE 8 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2013 consisted of the following:

	Balance, beginning (as restated)	Additions	Disposals	Balance, ending
<b>Governmental activities:</b>				
At cost:				
Not being depreciated:				
Land	\$ 5,693,208	\$ -	\$ -	\$ 5,693,208
Construction in progress	-	9,234	-	9,234
Total capital assets not being depreciated	<u>5,693,208</u>	<u>9,234</u>	<u>-</u>	<u>5,702,442</u>
Being depreciated:				
Buildings and building improvements	4,526,537	30,915	-	4,557,452
Machinery, equipment, and furnishings	4,393,529	184,875	(191,500)	4,386,904
Infrastructure	61,124,867	218,855	-	61,343,722
Total capital assets being depreciated	<u>70,044,933</u>	<u>434,645</u>	<u>(191,500)</u>	<u>70,288,078</u>
Total all capital assets	<u>75,738,141</u>	<u>443,879</u>	<u>(191,500)</u>	<u>75,990,520</u>
Less accumulated depreciation:				
Buildings and building improvements	(1,128,946)	(97,808)	-	(1,226,754)
Machinery, equipment, and furnishings	(3,224,050)	(264,311)	177,473	(3,310,888)
Infrastructure	(21,932,873)	(1,527,931)	-	(23,460,804)
Total accumulated depreciation	<u>(26,285,869)</u>	<u>(1,890,050)</u>	<u>177,473</u>	<u>(27,998,446)</u>
Net book value, capital assets being depreciated	<u>43,759,064</u>	<u>(1,455,405)</u>	<u>(14,027)</u>	<u>42,289,632</u>
Net book value, all governmental activities capital assets	<u>\$ 49,452,272</u>	<u>\$ (1,446,171)</u>	<u>\$ (14,027)</u>	<u>\$ 47,992,074</u>
<b>Business-type activities:</b>				
At cost:				
Not being depreciated:				
Land	\$ 340,400	\$ -	\$ -	\$ 340,400
Construction in progress	675,545	181,540	(497,743)	359,342
Total capital assets not being depreciated	<u>1,015,945</u>	<u>181,540</u>	<u>(497,743)</u>	<u>699,742</u>
Being depreciated:				
Buildings and building improvements	6,050,000	-	-	6,050,000
Machinery, equipment, and furnishings	107,274	497,743	-	605,017
Infrastructure	10,074,395	14,648	-	10,089,043
Total capital assets being depreciated	<u>16,231,669</u>	<u>512,391</u>	<u>-</u>	<u>16,744,060</u>
Total all capital assets	<u>17,247,614</u>	<u>693,931</u>	<u>(497,743)</u>	<u>17,443,802</u>
Less accumulated depreciation:				
Buildings and building improvements	(5,080,414)	(95,000)	-	(5,175,414)
Machinery, equipment, and furnishings	(68,769)	(9,624)	-	(78,393)
Infrastructure	(4,670,325)	(199,893)	-	(4,870,218)
Total accumulated depreciation	<u>(9,819,508)</u>	<u>(304,517)</u>	<u>-</u>	<u>(10,124,025)</u>
Net book value, capital assets being depreciated	<u>6,412,161</u>	<u>207,874</u>	<u>-</u>	<u>6,620,035</u>
Net book value, all business-type capital assets	<u>\$ 7,428,106</u>	<u>\$ 389,414</u>	<u>\$ (497,743)</u>	<u>\$ 7,319,777</u>

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Depreciation expense was charged to functions of the Town based on their usage of the related assets. The amounts allocated to each function are as follows:

<b>Governmental activities:</b>	
General government	\$ 25,337
Public safety	232,670
Highways and streets	1,609,366
Culture and recreation	22,677
Total depreciation expense	<u>\$ 1,890,050</u>
<b>Business-type activities:</b>	
Water	\$ 148,877
Wastewater	155,640
Total depreciation expense	<u>\$ 304,517</u>

**NOTE 9 – INTERFUND BALANCES AND TRANSFERS**

**Interfund Balances** - The composition of interfund balances as of June 30, 2013 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Fire/public works building	\$ 1,224,000
	Water	1,936
	Nonmajor	77,889
Water	General	704,663
	Wastewater	37,138
Wastewater	General	318,797
	Water	11,750
Solid waste	General	33,913
Nonmajor	General	187,179
		<u>\$ 2,597,265</u>

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

**Interfund Transfers** - The composition of interfund transfers for the year ended June 30, 2013 is as follows:

	<u>Transfers In:</u>					<u>Total</u>
	<u>General Fund</u>	<u>Fire/Public Works Building Fund</u>	<u>Water Fund</u>	<u>Solid Waste Fund</u>	<u>Nonmajor Funds</u>	
Transfers out:						
General fund	\$ -	\$ 136,000	\$ -	\$ 197,127	\$ 516,555	\$ 849,682
Water fund	204,949	-	-	-	-	204,949
Wastewater fund	-	-	8,911	-	37,935	46,846
Parking fund	187,761	-	-	-	-	187,761
Total	<u>\$ 392,710</u>	<u>\$ 136,000</u>	<u>\$ 8,911</u>	<u>\$ 197,127</u>	<u>\$ 554,490</u>	<u>\$ 1,289,238</u>

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

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**NOTE 10 – DEFERRED INFLOWS OF RESOURCES**

Deferred inflows of resources of \$9,089,909 in the general fund at June 30, 2013 consist of the following:

Property taxes levied prior to their due date	\$ 8,725,670
Property taxes not collected within 60 days of fiscal year-end	<u>364,239</u>
Total deferred inflows of resources	<u><u>\$ 9,089,909</u></u>

**NOTE 11 – LONG-TERM LIABILITIES**

Changes in the Town's long-term liabilities consisted of the following for the year ended June 30, 2013:

	Balance June 30, 2012 (as restated)	Additions	Reductions	Balance June 30,2013	Due Within One Year
<b>Governmental activities:</b>					
General obligation bonds payable	\$ 1,925,000	\$ -	\$ (175,000)	\$ 1,750,000	\$ 175,000
Compensated absences	108,122	90,044	-	198,166	19,817
Net other postemployment benefits	132,448	-	(26,565)	105,883	-
Accrued landfill postclosure care costs	423,973	-	(32,613)	391,360	32,613
Total long-term liabilities	<u>\$ 2,589,543</u>	<u>\$ 90,044</u>	<u>\$ (234,178)</u>	<u>\$ 2,445,409</u>	<u>\$ 227,430</u>
<b>Business-type activities:</b>					
General obligation bonds payable	\$ 1,006,300	\$ 940,000	\$ (625,796)	\$ 1,320,504	\$ 156,753
Compensated absences	14,683	11,396	-	26,079	2,608
Net other postemployment benefits	124,118	-	(107,574)	16,544	-
Total long-term liabilities	<u>\$ 1,145,101</u>	<u>\$ 951,396</u>	<u>\$ (733,370)</u>	<u>\$ 1,363,127</u>	<u>\$ 159,361</u>

Long term bonds are comprised of the following:

	Original Amount	Issue Date	Maturity Date	Interest Rate	Outstanding at June 30, 2013
General obligation bonds payable:					
<b>Governmental activities:</b>					
Open space land acquisition	\$ 2,000,000	2003	2023	4.25-4.90%	\$ 1,000,000
Downtown TIF improvements	\$ 1,500,000	2003	2023	4.25-4.90%	<u>750,000</u>
					<u>1,750,000</u>
<b>Business-type activities:</b>					
Creighton Street pump/outfall	\$ 1,964,777	2003	2023	3.70%	711,360
Drinking water state revolving fund loan	\$ 265,495	2012	2016	0.895%	162,644
Clean water state revolving fund loan	\$ 940,000	2013	2032	1.104%	446,500
					<u>1,320,504</u>
					<u>\$ 3,070,504</u>

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The annual requirements to amortize all *governmental activities* general obligation bonds outstanding as of June 30, 2013, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2014	\$ 175,000	\$ 75,268	\$ 250,268
2015	175,000	67,289	242,289
2016	175,000	59,784	234,784
2017	175,000	52,064	227,064
2018	175,000	44,189	219,189
2019-2023	875,000	87,153	962,153
Totals	<u>\$ 1,750,000</u>	<u>\$ 385,747</u>	<u>\$ 2,135,747</u>

The annual requirements to amortize all *business-type activities* general obligation bonds outstanding as of June 30, 2013, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2014	\$ 156,753	\$ 25,621	\$ 182,374
2015	156,753	22,743	179,496
2016	157,239	19,861	177,100
2017	102,540	16,975	119,515
2018	102,540	14,578	117,118
2019-2023	433,179	36,938	470,117
2024-2028	117,500	9,081	126,581
2029-2032	94,000	2,594	96,594
Totals	<u>\$ 1,320,504</u>	<u>\$ 148,391</u>	<u>\$ 1,468,895</u>

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

**Accrued Landfill Postclosure Care Costs** – The Town ceased operating its landfill in past years. Federal and State laws and regulations require that the Town perform certain maintenance and monitoring functions at the landfill site after closure. A liability is being recognized based on the future postclosure care costs that will be incurred. The recognition of these landfill postclosure care costs is based on the amount of the landfill used through the end of the year. The estimated liability for landfill postclosure care costs has a balance of \$391,360 as of June 30, 2013, which is based on the amount that would be paid if all equipment, facilities, and services required to monitor and maintain the landfill were acquired as of June 30, 2013. However, the actual cost of postclosure care may be higher or lower due to inflation, changes in technology, or changes in landfill laws and regulations.

**NOTE 12 – STATE AID TO WATER POLLUTION PROJECTS**

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

Bonds Issued	Amount
Sewerage Improvements Program	<u>\$ 165,474</u>

Under New Hampshire RSA Chapter 486, the Town receives from the State of New Hampshire a percentage of the annual amortization charges on the original costs resulting from the acquisition and construction of sewage disposal facilities.

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At June 30, 2013, the Town is due to receive the following annual amounts to offset debt payments:

Fiscal Year Ending June 30,	Amount
2014	\$ 20,684
2015	20,110
2016	19,535
2017	18,961
2018	18,386
2019-2022	67,798
Totals	<u>\$ 165,474</u>

**NOTE 13 – GOVERNMENTAL ACTIVITIES NET POSITION**

Governmental activities net position reported on the government-wide Statement of Net Position at June 30, 2013 include the following:

	Governmental Activities	Business-type Activities	Total
Net investment in capital assets:			
Net property, buildings, and equipment	\$ 47,992,074	\$ 7,319,777	\$ 55,311,851
Less:			
General obligation bonds payable	(1,750,000)	(1,320,504)	(3,070,504)
Total net investment in capital assets	<u>46,242,074</u>	<u>5,999,273</u>	<u>52,241,347</u>
Restricted for:			
Library	321,692	-	321,692
Pistol permits	7,751	-	7,751
Drug forfeiture	836	-	836
Grants	53,862	-	53,862
Open space	83,323	-	83,323
Federal drug forfeiture	6,659	-	6,659
Permanent	697,165	-	697,165
Total restricted	<u>1,171,288</u>	<u>-</u>	<u>1,171,288</u>
Unrestricted	<u>5,376,692</u>	<u>3,698,084</u>	<u>9,074,776</u>
Total net position	<u>\$ 52,790,054</u>	<u>\$ 9,697,357</u>	<u>\$ 62,487,411</u>

**NOTE 14 – GOVERNMENTAL FUND BALANCES**

Governmental fund balances reported on the fund financial statements at June 30, 2013 include the following:

**Nonspendable:**

Major fund:

General:

Prepaid items	\$ 40,869
Tax deeded property, subject to resale	21,476
	<u>62,345</u>

Nonmajor fund:

Permanent - principal balance
 606,672 |

Total nonspendable fund balance
 \$ 669,017 |

*(continued)*

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*Governmental fund balances continued:*

<b>Restricted:</b>		
Nonmajor funds:		
Special revenue:		
Library	\$ 321,692	
Pistol permits	7,751	
Drug forfeiture	836	
Grants	53,862	
	384,141	
Capital project:		
Open space	83,323	
Federal drug forfeiture	6,659	
	89,982	
Permanent - income balance	90,493	
Total restricted fund balance		564,616
<b>Committed:</b>		
Major fund:		
General:		
Voted from surplus - March 2013	\$ 1,224,000	
Expendable trusts	3,194,910	
	4,418,910	
Nonmajor funds:		
Special revenue:		
Recreation	\$ 35,217	
Ambulance revolving	159,810	
Public safety service revolving	55,667	
Conservation commission	208,103	
	458,797	
Total committed fund balance		4,877,707
<b>Assigned:</b>		
Major fund:		
General:		
Encumbrances		8,263
<b>Unassigned:</b>		
Major funds:		
General	\$ 2,122,336	
Fire/public works building	(1,224,000)	
Total unassigned fund balance		898,336
Total governmental fund balances		\$ 7,017,939

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**NOTE 15 – PRIOR PERIOD ADJUSTMENTS**

Net position/fund balance at July 1, 2012 was restated to give retroactive effect to the following prior period adjustments:

	Governmental Activities		Business-type Activities		General Fund	Other Governmental Funds
	Governmental Activities	Water Fund	Wastewater Fund	General Fund		
To record an interfund with the trustees of trust funds	\$ 18,903	\$ -	\$ -	\$ 18,903	\$ -	\$ -
To record sewer legal capital reserve fund current year activity	-	-	35,000	-	-	-
To adjust prior year other postemployment benefits payable to actual	106,746	(58,068)	(44,261)	-	-	-
To adjust capital assets, net of accumulated depreciation	(1,295,320)	42,640	(3,319)	-	-	-
To record prior year accrued bond interest	-	(1,445)	(14,518)	-	-	-
To record prior year liability for construction loan related to SRF project	-	(235,000)	(210,959)	-	-	-
To blend the water/sewer ARRA fund with the water and wastewater funds	30,260	-	(30,260)	-	30,260	-
To reclassify water meters to Main Street project	935	-	-	-	935	-
To adjust for a transfer recorded in the wrong year	(204,949)	204,949	-	(204,949)	-	-
Net position/fund balance, as previously reported	54,468,632	5,357,909	3,801,236	6,083,056	31,768	-
Net position/fund balance, as restated	\$ 53,125,207	\$ 5,310,985	\$ 3,532,919	\$ 5,897,010	\$ 62,963	\$ -

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**NOTE 16 – DEFICIT FUND BALANCE**

The fire/public works building capital project fund had a deficit fund balance of \$1,224,000 at June 30, 2013. This deficit will be financed through a transfer from the general fund in the subsequent fiscal year. This transfer was approved by the voters at the March 2013 annual meeting.

**NOTE 17 – EMPLOYEE RETIREMENT PLAN**

The Town participates in the New Hampshire Retirement System (the System) which is the administrator of a cost-sharing multiple-employer contributory pension plan and trust established in 1967 by RSA 100-A:2 and is qualified as a tax-exempt organization under Sections 401(a) and 501(a) of the Internal Revenue Code. The plan is a contributory, defined benefit plan providing service, disability, death and vested retirement benefits to members and their beneficiaries. Provision for benefits and contributions are established and can be amended by the New Hampshire Legislature. The System issues a publicly available financial report that may be obtained by writing the New Hampshire Retirement System, 54 Regional Drive, Concord, NH 03301.

The System is financed by contributions from both the employees and the Town. Member contribution rates are established and may be amended by the State legislature while employer contribution rates are set by the System trustees based on an actuarial valuation. For fiscal year 2013, all employees except police officers and firefighters were required to contribute 7% of earnable compensation. The contribution rates were 11.55% for police officers and 11.80% for firefighters. The Town's contribution rates for 2013 for pension and medical subsidy were as follows; police officers 19.95%; firefighter, 22.89%; all other employees, 8.80%.

The contribution requirements for the Town of Newmarket for the fiscal years 2011, 2012, and 2013 were \$284,756, \$353,788, and \$341,741, respectively, which were paid in full in each year.

**NOTE 18 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

In addition to pension benefits described in the preceding note, the Town provides postemployment benefit options for health care, dental insurance, and life insurance to eligible retirees, terminated employees, and their dependents. The benefits are provided in accordance with the Town's agreements, collective bargaining agreements, and the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA). The criteria to determine eligibility include: years of service, employee age, and whether the employee has vested in the respective retirement plan. The Town funds the benefits on a pay-as-you-go basis. Eligible employees are required to pay set premiums for a portion of the cost with the Town subsidizing the remaining costs. Expenses for the postretirement health care benefits are recognized as eligible employee claims are paid.

The Governmental Accounting Standards Board (GASB) issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. GASB Statement No. 45 requires that the long-term cost of retirement health care and obligations for other postemployment benefits (OPEB) be determined on an actuarial basis and reported similar to pension plans. GASB Statement No. 45 does not mandate the pre-funding of postemployment benefit liabilities. However, any pre-funding of these benefits will help minimize or eliminate the postemployment benefit obligation that will be required to be reported on the financial statements.

The Town has only partially funded (on a pay-as-you-go basis) the annual required contribution (ARC), an actuarially determined rate in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table presents the OPEB cost for the year, the amount contributed and changes in the OPEB plan for fiscal year 2013:

Annual required contribution/OPEB cost	\$ 122,427
Contributions made (pay-as-you-go)	(256,566)
Increase in net OPEB obligation	<u>(134,139)</u>
Net OPEB obligation, beginning, as restated (see Note 15)	256,566
Net OPEB obligation, ending	<u><u>\$ 122,427</u></u>

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The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2013 was as follows:

Fiscal Year Ended	Annual OPEB Contribution Cost	Actual Contributions (pay-as-you-go)	Percentage Contributed	Net OPEB Obligation
2013	\$ 122,427	\$ 256,566	210%	\$ 122,427
2012	\$ 107,917	\$ 11,871	11%	\$ 260,983
2011	\$ 79,760	\$ 18,345	23%	\$ 164,672
2010	\$ 79,760	\$ 18,345	23%	\$ 102,902

As of June 30, 2013, the date of the most recent actuarial valuation, the actuarial accrued liability (AAL) for benefits was \$1,180,553, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,180,553. The covered payroll (annual payroll of active employees covered by the plan) was \$3,303,819 during fiscal year 2013, and the ratio of the UAAL to the covered payroll was 35.73%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for Other Postemployment Benefits Plan, presented as required supplementary information following the notes to the financial statements, is designed to present multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. The actuarial methods and assumptions used include techniques that are designed to reduce the effect of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2013 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 4% investment rate of return per annum. The projected annual healthcare cost trend is 10% initially, reduced by decrements to an ultimate rate of 5% after ten years. The UAAL is being amortized as a level dollar amount over an open basis. The remaining amortization period at June 30, 2013 was 30 years.

**NOTE 19 – RISK MANAGEMENT**

The Town is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. During fiscal year 2013, the Town was a member of the Local Government Center Property-Liability Trust, LLC. This entity is considered a public entity risk pool, currently operating as a common risk management and insurance program for member Towns and cities.

The Local Government Center Property-Liability Trust, LLC, is a Trust organized to provide certain property and liability insurance coverages to member Towns, cities and other qualified political subdivisions of New Hampshire. As a member of the Local Government Center Property-Liability Trust, LLC, the Town shares in contributing to the cost of, and receiving benefits from, a self-insured pooled risk management program. The membership and coverage run from July 1 to June 30. The program maintains a self-insured retention above which it purchases reinsurance and excess insurance. This policy covers property, auto physical damage, crime, general liability, and public officials' liability subject to a \$1,000 deductible.

Contributions paid in fiscal year ending June 30, 2013, to be recorded as an insurance expenditure totaled \$105,862. There were no unpaid contributions for the year ended June 30, 2013. The Town also paid \$126,740 for workers' compensation and \$9,992 for unemployment compensation in fiscal year 2013.

**TOWN OF NEWMARKET, NEW HAMPSHIRE**  
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**NOTE 20 – CONTINGENCIES**

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

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

**NOTE 21 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS**

The following GASB pronouncements were implemented by the Town for the fiscal year ended June 30, 2013, which included the early implementation of GASB Statement No. 65. Only GASB Statement No. 63 and GASB Statement No. 65 impacted these financial statements:

**GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements***, issued November 2010. This Statement is intended to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership.

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

**GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements***, issued January 2011. This Statement is intended to enhance the usefulness of the Codification of the Governmental Accounting and Financial Reporting Standards by incorporating guidance that previously could only be found in certain FASB and AICPA pronouncements.

**GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position***, issued July 2011. This statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. The Statement of Net Assets is renamed the Statement of Net Position and includes four components: assets, deferred outflows of resources, liabilities, and deferred inflows of resources. The Town has determined that they have no deferred outflows as defined by this standard.

**GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities***, issued March 2012, has an effective date of the Town beginning with its fiscal year ending June 30, 2014. This Statement is intended to improve financial reporting by clarifying the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. Because GASB Statement No. 65 is so closely related to GASB Statement No. 63, implementing both as of June 30, 2013 is recommended.

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

**GASB Statement No. 66, *Technical Corrections – 2012 – An Amendment of GASB Statements No. 10 and No. 62***, issued March 2012, will be effective for the Town beginning with its fiscal year ending June 30, 2014. This Statement is intended to resolve conflicting accounting and financial report and guidance that emerged from two recent standards, Statement No. 54 and Statement No. 62. These standards conflicted with existing guidance in Statements No. 10, 13, and 48.

**TOWN OF NEWMARKET, NEW HAMPSHIRE**  
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**GASB Statement No. 67, *Financial Reporting for Pension Plans***, issued in June 2012, will be effective for the Town beginning with its fiscal year ending June 30, 2014. **GASB Statement No. 68, *Accounting and Financial Reporting for Pensions***, issued in June 2012, will be effective for the Town beginning with its fiscal year ending June 30, 2015. The guidance contained in these two Statements will change how governments calculate and report the costs and obligations associated with pensions in important ways. They replace the requirements of Statements No. 27 and 50.

**GASB Statement No. 68, *Accounting and Financial Reporting for Pensions***, issued in June 2012, will be effective for the Town beginning with its fiscal year ending June 30, 2015. The guidance contained in this statement will change how governments calculate and report the costs and obligations associated with pensions in important ways. This replaces the requirements of Statements No. 27 and 50.

**GASB Statement No. 69, *Government Combinations and Disposals of Government Operations***, issued in January 2013, will be effective for the Town beginning with its fiscal year ending June 30, 2015. This statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations that have been transferred or sold.

**GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees***, issued in April 2013, will be effective for the Town beginning with the fiscal year ending June 30, 2015. The objective of this statement is to improve accounting and financial reporting by governments that extend and receive nonexchange financial guarantees.

***NOTE 22 – SUBSEQUENT EVENTS***

Subsequent events are events or transactions that occur after the balance sheet date, but before the financial statements are issued. Recognized subsequent events are events or transactions that provided additional evidence about conditions that existed at the balance sheet date, including the estimates inherent in the process of preparing the financial statements. Nonrecognized subsequent events are events that provide evidence about conditions that did not exist at the balance sheet date, but arose after the date. Management has evaluated subsequent events through July 30, 2014, the date the June 30, 2013 financial statements were issued, and no events occurred that require recognition or disclosure.

***REQUIRED SUPPLEMENTARY INFORMATION***

**EXHIBIT G**  
**TOWN OF NEWMARKET, NEW HAMPSHIRE**  
*Schedule of Funding Progress for Other Postemployment Benefit Plan*  
*For the Fiscal Year Ended June 30, 2013*

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2008	\$ -	\$ 342,248	\$ 342,248	0.00%	\$ 2,730,643	12.50%
July 1, 2009	\$ -	\$ 568,594	\$ 568,594	0.00%	\$ 2,935,728	19.40%
June 30, 2012	\$ -	\$ 1,432,724	\$ 1,432,724	0.00%	\$ 2,736,797	52.40%
June 30, 2013	\$ -	\$ 1,180,553	\$ 1,180,553	0.00%	\$ 3,303,819	35.73%

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

*TOWN OF NEWMARKET, NEW HAMPSHIRE*  
*NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION*  
*FOR THE FISCAL YEAR ENDED*  
*JUNE 30, 2013*

*Schedule of Funding Progress for Other Postemployment Benefits (OPEB)*

As required by GASB Statement No. 45, Exhibit G represents the actuarial determined costs associated with the Town's other postemployment benefits for the fiscal year ended June 30, 2013.

***COMBINING AND INDIVIDUAL FUND SCHEDULES***

*SCHEDULE 1*  
*TOWN OF NEWMARKET, NEW HAMPSHIRE*  
*Major General Fund*  
*Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)*  
*For the Fiscal Year Ended June 30, 2013*

	Estimated	Actual	Variance Positive (Negative)
Taxes:			
Property	\$ 4,193,544	\$ 4,200,332	\$ 6,788
Land use change	10,000	-	(10,000)
Yield	1,500	1,132	(368)
Excavation	-	953	953
Payment in lieu of taxes	20,000	19,177	(823)
Interest and penalties on taxes	87,000	106,423	19,423
Total from taxes	<u>4,312,044</u>	<u>4,328,017</u>	<u>15,973</u>
Licenses, permits, and fees:			
Motor vehicle permit fees	1,035,000	1,125,067	90,067
Building permits	20,000	35,396	15,396
Other	200,300	225,983	25,683
Total from licenses, permits, and fees	<u>1,255,300</u>	<u>1,386,446</u>	<u>131,146</u>
Intergovernmental:			
State:			
Meals and rooms distribution	399,321	399,257	(64)
Highway block grant	137,226	150,526	13,300
Other	1,200	3,587	2,387
Total from intergovernmental	<u>537,747</u>	<u>553,370</u>	<u>15,623</u>
Charges for services:			
Income from departments	129,850	168,576	38,726
Miscellaneous:			
Sale of municipal property	-	234,310	234,310
Interest on investments	6,000	5,804	(196)
Other	18,000	11,055	(6,945)
Total from miscellaneous	<u>24,000</u>	<u>251,169</u>	<u>227,169</u>
Other financing sources:			
Transfers in	458,535	877,322	418,787
Total revenues and other financing sources	6,717,476	<u>\$ 7,564,900</u>	<u>\$ 847,424</u>
Unassigned fund balance used to reduce tax rate	486,000		
Total revenues, other financing sources, and use of fund balance	<u>\$ 7,203,476</u>		

**SCHEDULE 2**  
**TOWN OF NEWMARKET, NEW HAMPSHIRE**  
**Major General Fund**  
*Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis)*  
**For the Fiscal Year Ended June 30, 2013**

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
General government:					
Executive	\$ -	\$ 190,172	\$ 177,265	\$ -	\$ 12,907
Election and registration	-	179,680	173,504	-	6,176
Financial administration	-	345,590	355,243	1,200	(10,853)
Revaluation of property	-	60,895	57,284	-	3,611
Legal	-	74,000	81,743	-	(7,743)
Personnel administration	-	1,261,714	1,102,180	-	159,534
Planning and zoning	-	119,169	115,119	1,000	3,050
General government buildings	1,683	468,703	423,544	3,128	43,714
Cemeteries	-	35,540	29,601	-	5,939
Insurance, not otherwise allocated	-	89,484	89,484	-	-
Total general government	<u>1,683</u>	<u>2,824,947</u>	<u>2,604,967</u>	<u>5,328</u>	<u>216,335</u>
Public safety:					
Police	-	1,219,237	1,168,883	2,935	47,419
Fire	-	322,095	289,830	-	32,265
Building inspection	-	59,438	57,979	-	1,459
Emergency management	-	1,450	1,014	-	436
Total public safety	<u>-</u>	<u>1,602,220</u>	<u>1,517,706</u>	<u>2,935</u>	<u>81,579</u>
Highways and streets:					
Administration	-	388,314	358,175	-	30,139
Highways and streets	-	374,925	365,121	-	9,804
Bridges	-	500	-	-	500
Street lighting	-	45,000	43,382	-	1,618
Other	-	197,840	152,601	-	45,239
Total highways and streets	<u>-</u>	<u>1,006,579</u>	<u>919,279</u>	<u>-</u>	<u>87,300</u>
Welfare:					
Direct assistance	-	44,600	34,145	-	10,455
Intergovernmental welfare payments	-	44,000	43,000	-	1,000
Total welfare	<u>-</u>	<u>88,600</u>	<u>77,145</u>	<u>-</u>	<u>11,455</u>
Culture and recreation:					
Patriotic purposes	-	2,000	2,000	-	-
Other	-	65,048	59,461	-	5,587
Total culture and recreation	<u>-</u>	<u>67,048</u>	<u>61,461</u>	<u>-</u>	<u>5,587</u>
Conservation	-	610	471	-	139
Economic development	-	2,000	-	-	2,000
Debt service:					
Principal of long-term debt	-	175,000	175,000	-	-
Interest on long-term debt	-	82,705	82,706	-	(1)
Total debt service	<u>-</u>	<u>257,705</u>	<u>257,706</u>	<u>-</u>	<u>(1)</u>

*(continued)*

*SCHEDULE 2 (Continued)*  
**TOWN OF NEWMARKET, NEW HAMPSHIRE**  
*Major General Fund*  
*Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis)*  
*For the Fiscal Year Ended June 30, 2013*

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Capital outlay:					
Machinery, equipment, and vehicles	-	191,014	191,014	-	-
Buildings	-	7,750	7,750	-	-
Improvements other than buildings	-	59,234	59,234	-	-
Total capital outlay	-	<u>257,998</u>	<u>257,998</u>	-	-
Other financing uses:					
Transfers out	-	1,095,769	1,100,469	-	(4,700)
Total appropriations, expenditures, other financing uses, and encumbrances	<u>\$ 1,683</u>	<u>\$ 7,203,476</u>	<u>\$ 6,797,202</u>	<u>\$ 8,263</u>	<u>\$ 399,694</u>

**SCHEDULE 3**  
**TOWN OF NEWMARKET, NEW HAMPSHIRE**  
**Major General Fund**  
*Schedule of Changes in Unassigned Fund Balance (Non-GAAP Budgetary Basis)*  
*For the Fiscal Year Ended June 30, 2013*

Unassigned fund balance, beginning, as restated (see Note 15)		\$ 1,545,289
Changes:		
Unassigned fund balance used to reduce 2013 tax rate		(486,000)
2013 Budget summary:		
Revenue surplus (Schedule 1)	\$ 847,424	
Unexpended balance of appropriations (Schedule 2)	<u>399,694</u>	
2013 Budget surplus		1,247,118
Decrease in nonspendable fund balance		(62,347)
Increase in committed fund balance		<u>136,000</u>
Unassigned fund balance, ending, budgetary basis		<u>2,380,060</u>
 <b><i>Reconciliation of Non-GAAP Budgetary Basis to GAAP Basis:</i></b>		
To comply with generally accepted accounting principles by deferring property taxes not collected within 60 days of fiscal year-end		<u>(257,724)</u>
Unassigned fund balance, ending, GAAP basis (Exhibit C-1)		<u><u>\$ 2,122,336</u></u>

**SCHEDULE 4**  
**TOWN OF NEWMARKET, NEW HAMPSHIRE**  
**Nonmajor Governmental Funds**  
**Combining Balance Sheet**  
**June 30, 2013**

	Special Revenue Funds				
	Library	Pistol Permits	Recreation	Drug Forfeiture	Ambulance Revolving
<b>ASSETS</b>					
Cash and cash equivalents	\$ 238,310	\$ 7,291	\$ 21,975	\$ 3,573	\$ 159,810
Investments	-	-	-	-	-
Receivables:					
Accounts	-	-	2,385	-	-
Intergovernmental	-	-	-	-	-
Interfund	90,935	485	25,347	-	-
Total assets	<u>\$ 329,245</u>	<u>\$ 7,776</u>	<u>\$ 49,707</u>	<u>\$ 3,573</u>	<u>\$ 159,810</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 4,169	\$ 25	\$ 6,505	\$ -	\$ -
Accrued salaries and benefits	3,384	-	7,985	-	-
Interfund payable	-	-	-	2,737	-
Total liabilities	<u>7,553</u>	<u>25</u>	<u>14,490</u>	<u>2,737</u>	<u>-</u>
<b>Fund balances:</b>					
Nonspendable	-	-	-	-	-
Restricted	321,692	7,751	-	836	-
Committed	-	-	35,217	-	159,810
Total fund balances	<u>321,692</u>	<u>7,751</u>	<u>35,217</u>	<u>836</u>	<u>159,810</u>
Total liabilities and fund balances	<u>\$ 329,245</u>	<u>\$ 7,776</u>	<u>\$ 49,707</u>	<u>\$ 3,573</u>	<u>\$ 159,810</u>

Public Safety Service Revolving	Capital Project Funds						Total
	Conservation Commission	Grants	Open Space	CDBG Grants	Federal Drug Forfeiture	Permanent Fund	
\$ -	\$ 208,924	\$ -	\$ 139,880	\$ -	\$ 24,433	\$ -	\$ 804,196
-	-	-	-	-	-	697,165	697,165
10,990	-	-	-	-	-	-	13,375
-	-	28,127	-	-	-	-	28,127
44,677	-	25,735	-	-	-	-	187,179
<u>\$ 55,667</u>	<u>\$ 208,924</u>	<u>\$ 53,862</u>	<u>\$ 139,880</u>	<u>\$ -</u>	<u>\$ 24,433</u>	<u>\$ 697,165</u>	<u>\$ 1,730,042</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,699
-	-	-	-	-	-	-	11,369
-	821	-	56,557	-	17,774	-	77,889
-	<u>821</u>	-	<u>56,557</u>	-	<u>17,774</u>	-	<u>99,957</u>
-	-	-	-	-	-	606,672	606,672
-	-	53,862	83,323	-	6,659	90,493	564,616
55,667	208,103	-	-	-	-	-	458,797
<u>55,667</u>	<u>208,103</u>	<u>53,862</u>	<u>83,323</u>	<u>-</u>	<u>6,659</u>	<u>697,165</u>	<u>1,630,085</u>
<u>\$ 55,667</u>	<u>\$ 208,924</u>	<u>\$ 53,862</u>	<u>\$ 139,880</u>	<u>\$ -</u>	<u>\$ 24,433</u>	<u>\$ 697,165</u>	<u>\$ 1,730,042</u>

**SCHEDULE 5**  
**TOWN OF NEWMARKET, NEW HAMPSHIRE**  
*Nonmajor Governmental Funds*  
**Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances**  
**For the Fiscal Year Ended June 30, 2013**

	Special Revenue Funds				
	Library	Pistol Permits	Recreation	Drug Forfeiture	Ambulance Revolving
<b>Revenues:</b>					
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	187,973	-	-
Miscellaneous	5,631	1,920	9,683	2	46
Total revenues	<u>5,631</u>	<u>1,920</u>	<u>197,656</u>	<u>2</u>	<u>46</u>
<b>Expenditures:</b>					
Current:					
General government	-	-	-	-	-
Public safety	-	479	-	-	-
Highways and streets	-	-	-	-	-
Culture and recreation	268,374	-	349,349	-	-
Conservation	-	-	-	-	-
Capital outlay	30,915	-	-	-	-
Total expenditures	<u>299,289</u>	<u>479</u>	<u>349,349</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(293,658)</u>	<u>1,441</u>	<u>(151,693)</u>	<u>2</u>	<u>46</u>
<b>Other financing sources:</b>					
Transfers in	315,045	-	183,957	-	-
Net change in fund balances	21,387	1,441	32,264	2	46
Fund balances, beginning	300,305	6,310	2,953	834	159,764
Fund balances, ending	<u>\$ 321,692</u>	<u>\$ 7,751</u>	<u>\$ 35,217</u>	<u>\$ 836</u>	<u>\$ 159,810</u>

			Capital Project Funds					
Public Safety					Federal			
Service Revolving	Conservation Commission	Grants	Open Space	CDBG Grants	Drug Forfeiture	Permanent Fund	Total	
\$ -	\$ -	\$ 130,407	\$ -	\$ -	\$ -	\$ -	\$ 130,407	
102,092	-	-	-	-	-	-	290,065	
-	2,242	1,275	152	-	18	119,001	139,970	
102,092	2,242	131,682	152	-	18	119,001	560,442	
-	-	-	-	-	-	9,982	9,982	
79,373	-	35,060	-	-	12,043	-	126,955	
-	-	70,218	-	-	-	-	70,218	
-	-	-	-	-	-	-	617,723	
-	6,921	-	-	-	-	-	6,921	
-	-	45,096	-	-	-	-	76,011	
79,373	6,921	150,374	-	-	12,043	9,982	907,810	
22,719	(4,679)	(18,692)	152	-	(12,025)	109,019	(347,368)	
-	-	17,554	-	37,934	-	-	554,490	
22,719	(4,679)	(1,138)	152	37,934	(12,025)	109,019	207,122	
32,948	212,782	55,000	83,171	(37,934)	18,684	588,146	1,422,963	
\$ 55,667	\$ 208,103	\$ 53,862	\$ 83,323	\$ -	\$ 6,659	\$ 697,165	\$ 1,630,085	