

**TOWN OF NEWMARKET,  
NEW HAMPSHIRE**

**ANNUAL FINANCIAL REPORT**

**AS OF AND FOR THE FISCAL YEAR ENDED  
JUNE 30, 2014**

**TOWN OF NEWMARKET, NEW HAMPSHIRE**  
**ANNUAL FINANCIAL REPORT**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2014**

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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, 2014, 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, 2014, and the respective changes in financial position 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 43) 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.

**Other 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 13, 2015

*Plodzik & Sanderson*  
*Professional Association*

# Town of Newmarket, New Hampshire

## Management's Discussion and Analysis

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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, 2014. 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 \$62,714,765 (*net position*). Of this amount \$10,199,734 (*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 \$227,354.
- As of the close of the current fiscal year, the Town's governmental funds reported a combined ending fund balance of \$7,065,914, an increase of \$47,975 in comparison with the prior year. Of the combined fund balance, \$2,207,020 is *available for spending* at the government's discretion (*unassigned fund balance*).
- The Town's total bonded debt decreased by \$331,272 during the current fiscal year. The key factor in this decrease relate to principal repayments.

### 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 comprise 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 is 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, and solid waste.

**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, use 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 fund balance sheet and the government fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Town maintains thirteen individual governmental funds. Information is presented separately in the governmental fund balance sheet in the governmental funds statement of revenues, expenditures, and changes in fund balance for the general fund, which is considered to be a major fund. 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 adopted 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 maintained 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 use enterprise funds to account for its water, wastewater, and solid waste 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, and solid waste 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 \$62,714,765 at the close of the most recent fiscal year.

By far the largest portion of the Town's net position (82.7 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 Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 19,134,704	\$ 17,540,731	\$ 5,015,078	\$ 3,813,630	\$ 24,149,782	\$ 21,354,361
Capital assets	47,097,020	47,992,074	7,738,713	7,319,777	54,835,733	55,311,851
Total assets	66,231,724	65,532,805	12,753,791	11,133,407	78,985,515	76,666,212
Long-term liabilities outstanding	1,873,834	2,054,049	1,478,173	1,754,487	3,352,007	3,808,536
Other liab. and def. inflows	11,896,746	10,297,342	1,021,997	72,923	12,918,743	10,370,265
Total liab. and def. inflows	13,770,580	12,351,391	2,500,170	1,827,410	16,270,750	14,178,801
Net position:						
Invested in capital assets, net	45,426,065	46,242,074	6,449,801	5,999,273	51,875,866	52,241,347
Restricted	1,240,217	1,171,288	-	-	1,240,217	1,171,288
Unrestricted	5,794,862	5,768,052	3,803,820	3,306,724	9,598,682	9,074,776
Total net position	\$ 52,461,144	\$ 53,181,414	\$ 10,253,621	\$ 9,305,997	\$ 62,714,765	\$ 62,487,411

Town of Newmarket's Condensed Statement of Activities

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Programs revenues:						
Charges for service	\$ 589,450	\$ 451,194	\$ 2,481,064	\$ 2,442,791	\$ 3,070,514	\$ 2,893,985
Operating grants and contributions	208,731	280,933	-	48,084	208,731	329,017
Capital grants and contributions	119,943	-	-	-	119,943	-
General revenues	6,536,556	6,495,178	1,078	826	6,537,634	6,496,004
Total revenues	7,454,680	7,227,305	2,482,142	2,491,701	9,936,822	9,719,006
Expenses:						
General government	2,756,942	2,604,973	-	-	2,756,942	2,604,973
Public safety	1,908,688	1,925,977	-	-	1,908,688	1,925,977
Highways and streets	2,362,018	2,480,943	-	-	2,362,018	2,480,943
Welfare	70,830	77,145	-	-	70,830	77,145
Culture and recreation	802,326	710,660	-	-	802,326	710,660
Conservation	22,196	7,392	-	-	22,196	7,392
Interest on long-term debt	71,363	77,075	-	-	71,363	77,075
Other	8,940	63,425	-	-	8,940	63,425
Water	-	-	550,463	547,885	550,463	547,885
Wastewater	-	-	871,401	886,362	871,401	886,362
Solid waste	-	-	289,726	396,122	289,726	396,122
Total expenses	8,003,303	7,947,590	1,711,590	1,830,369	9,714,893	9,777,959

(Continued)

(Continued)

Town of Newmarket's Condensed Statement of Activities

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Change in net position before transfers	(548,623)	(720,285)	770,552	661,332	712,862	(58,953)
Interfund transfers and permanent fund contributions	(171,647)	352,519	177,072	(233,518)	5,425	119,001
Change in net position	(720,270)	(367,766)	947,624	427,814	718,287	60,048
Net position - beginning of year - as restated	53,181,414	53,549,180	9,305,997	8,878,183	62,487,411	62,427,363
Net position - end of year	\$ 52,461,144	\$ 53,181,414	\$ 10,253,621	\$ 9,305,997	\$ 63,205,698	\$ 62,487,411

An additional portion of the Town's net position (2 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$9,598,682) 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 \$(720,270). Key elements of this change are as follows:

Governmental funds activities:	
General fund	\$ (1,241,680)
Nonmajor funds:	
Fire/Public works building	1,224,000
All other nonmajor funds	65,655
Depreciation expense as compared to principal debt service:	
Depreciation expense	(1,885,794)
Principal debt service	175,000
Capital asset purchases, net of disposals	894,785
Other GAAP accruals	47,764
Total	\$ (720,270)

**Business-type activities.** Business-type activities for the year resulted in a change in net position of \$947,624, which included discontinuing the parking operation. Key elements of this change are as follows:

Water operations	\$ 411,384
Wastewater operations	424,532
Solid waste operations	<u>111,708</u>
Total	<u>\$ 947,624</u>

#### 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 \$7,065,914, which is a change of \$47,975 in comparison with the prior year. Key elements of this change are as follows:

Governmental funds activities:	
General fund, a major fund	\$ (1,241,680)
Nonmajor funds:	
Fire/Public works building, a capital project fund	1,224,000
Special revenue funds	(29,917)
Capital project funds	22,072
Permanent funds	<u>73,500</u>
Total	<u>\$ 47,975</u>

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the general fund was \$2,207,020, while total fund balance was \$5,370,174. 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 35.5 percent of total general fund expenditures, while total fund balance represents 86.5 percent of that same amount.

As noted above, total fund balance of the general fund changed by \$(1,241,680) during the current fiscal year. Key elements of this change are as follows:

Revenues in excess of budget	\$	359,825
Expenditures less than budget		169,067
Use of fund balance as a funding source		(1,685,000)
Change in capital reserve fund activity		(289,378)
Other		<u>203,806</u>
Total	\$	<u>(1,241,680)</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 \$3,803,820. 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, 2014, amounts to \$54,835,733 (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 \$(696,753), which is comprised of \$(991,009) from governmental activities and \$294,256 from business activities.

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

- \$327,917 for roadway reconstruction.
- \$305,380 for engineering for the wastewater treatment facility upgrade.
- \$153,202 for engineering for a new Town well.
- \$122,025 for a sidewalk vehicle with a snow blower attachment.
- \$93,284 for two police vehicles.
- \$88,056 for engineering for a pedestrian crossing.
- \$64,207 for the MacAllen Dam study.
- \$30,176 for a Ford F250 pickup truck.

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 \$2,739,232, all of which was backed by the full faith and credit of the government.

During the current fiscal year, the government paid \$331,272 towards principal debt service.

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, 2014**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 16,560,324	\$ 1,958,320	\$ 18,518,644
Investments	700,331	-	700,331
Taxes receivables (net)	1,613,982	-	1,613,982
Account receivables (net)	68,599	527,879	596,478
Intergovernmental receivable	81,436	298,299	379,735
Internal balances	-	2,230,580	2,230,580
Prepaid items	88,555	-	88,555
Tax deeded property, subject to resale	21,477	-	21,477
Total current assets	<u>19,134,704</u>	<u>5,015,078</u>	<u>24,149,782</u>
Noncurrent assets			
Intergovernmental receivable	95,955	124,680	220,635
Capital assets:			
Land and construction in progress	5,855,400	1,282,153	7,137,553
Other capital assets, net of depreciation	41,145,665	6,331,880	47,477,545
Total noncurrent assets	<u>47,097,020</u>	<u>7,738,713</u>	<u>54,835,733</u>
Total assets	<u>66,231,724</u>	<u>12,753,791</u>	<u>78,985,515</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	246,641	334,686	581,327
Accrued salaries and benefits	85,917	8,861	94,778
Accrued interest payable	28,369	22,061	50,430
Intergovernmental payable	6,808,743	-	6,808,743
Internal balances	2,143,636	86,944	2,230,580
Notes payable	-	569,445	569,445
Escrow and performance bonds	294,516	-	294,516
Other	5,186	-	5,186
Total current liabilities	<u>9,613,008</u>	<u>1,021,997</u>	<u>10,635,005</u>
Noncurrent liabilities			
Due within one year	196,301	187,194	383,495
Due in more than one year	1,677,533	1,290,979	2,968,512
Total noncurrent liabilities	<u>1,873,834</u>	<u>1,478,173</u>	<u>3,352,007</u>
Total liabilities	<u>11,486,842</u>	<u>2,500,170</u>	<u>13,987,012</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - Property taxes	2,245,957	-	2,245,957
Unavailable revenue - Grant proceeds	37,781	-	37,781
Total deferred outflows of resources	<u>2,283,738</u>	<u>-</u>	<u>2,283,738</u>
<b>NET POSITION</b>			
Net investment in capital assets	44,825,013	6,449,801	51,274,814
Restricted	1,240,217	-	1,240,217
Unrestricted	6,395,914	3,803,820	10,199,734
Total net position	<u>\$ 52,461,144</u>	<u>\$ 10,253,621</u>	<u>\$ 62,714,765</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, 2014**

	Program Revenues			Net (Expense) Revenue and Change in Net Position		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental activities:</b>						
General government	\$ 2,756,942	\$ -	\$ -	\$ (2,643,051)	\$ -	\$ (2,643,051)
Public safety	1,908,688	56,184	-	(1,588,905)	-	(1,588,905)
Highways and streets	2,362,018	151,813	-	(2,209,071)	-	(2,209,071)
Welfare	70,830	475	-	(70,355)	-	(70,355)
Culture and recreation	802,326	734	-	(591,241)	-	(591,241)
Conservation	22,196	-	-	(22,196)	-	(22,196)
Interest on long-term debt	71,363	-	-	(71,363)	-	(71,363)
Capital outlay	8,940	-	119,943	111,003	-	111,003
Total governmental activities	8,003,303	208,731	119,943	(7,085,179)	-	(7,085,179)
<b>Business-type activities:</b>						
Water	550,463	961,263	-	-	410,800	410,800
Wastewater	871,401	1,295,615	-	-	424,214	424,214
Solid waste	289,726	224,186	-	-	(65,540)	(65,540)
Total business-type activities	1,711,590	2,481,064	-	-	769,474	769,474
Total	\$ 9,714,893	\$ 3,070,514	\$ 119,943	(7,085,179)	769,474	(6,315,705)
General revenues:						
Taxes:						
Property				4,245,978	-	4,245,978
Other				139,032	-	139,032
Motor vehicle permit fees				1,269,368	-	1,269,368
Licenses and other fees				268,491	-	268,491
Grants and contributions not restricted to specific programs				443,581	-	443,581
Miscellaneous				170,106	1,078	171,184
Contributions to permanent funds				5,425	-	5,425
Transfers				(177,072)	177,072	-
Total general revenues				6,364,909	178,150	6,543,059
Change in net position				(720,270)	947,624	227,354
Net position, beginning, as restated (see Note 16)				53,181,414	9,305,997	62,487,411
Net position, ending				\$ 52,461,144	\$ 10,253,621	\$ 62,714,765

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, 2014**

	General	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 15,521,596	\$ 1,038,728	\$ 16,560,324
Investments	-	700,331	700,331
Receivables, net of allowance for uncollectible:			
Accounts	59,227	9,372	68,599
Taxes	1,799,286	-	1,799,286
Intergovernmental	-	57,448	57,448
Interfund receivable	145,723	105,467	251,190
Prepaid items	88,555	-	88,555
Tax dedeed property, subject to resale	21,477	-	21,477
Total assets	<u>\$ 17,635,864</u>	<u>\$ 1,911,346</u>	<u>\$ 19,547,210</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 201,218	\$ 45,423	\$ 246,641
Accrued salaries and benefits	75,414	10,503	85,917
Due to other governments	6,808,743	-	6,808,743
Interfund payable	2,275,596	119,230	2,394,826
Escrow and performance deposits	294,516	-	294,516
Other	2,517	2,669	5,186
Total liabilities	<u>9,658,004</u>	<u>177,825</u>	<u>9,835,829</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - Property taxes	2,607,686	-	2,607,686
Unavailable revenue - Grant proceeds	-	37,781	37,781
Total deferred inflows of resources	<u>2,607,686</u>	<u>37,781</u>	<u>2,645,467</u>
<b>FUND BALANCES</b>			
Nonspendable	110,032	672,439	782,471
Restricted	-	567,778	567,778
Committed	2,955,959	455,523	3,411,482
Assigned	97,163	-	97,163
Unassigned	2,207,020	-	2,207,020
Total fund balances	<u>5,370,174</u>	<u>1,695,740</u>	<u>7,065,914</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 17,635,864</u>	<u>\$ 1,911,346</u>	<u>\$ 19,547,210</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 the Balance Sheet of Governmental Funds to the Statement of Net Position*  
*June 30, 2014*

Total fund balances of governmental funds (Exhibit C-1)		\$ 7,065,914
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	\$ 76,807,604	
Less accumulated depreciation	<u>(29,806,539)</u>	
		47,001,065
Interfund receivables and payables between governmental funds are eliminated on the Statement of Net Position.		
Receivables	\$ (251,190)	
Payables	<u>251,190</u>	
		-
Other long-term assets are not available to pay for current period expenditures, and therefore, are reported as unavailable revenue or are not reported in the governmental funds		
Deferred tax revenue	\$ 361,729	
Long-term intergovernmental receivable	<u>119,943</u>	
		481,672
Allowance for uncollectible property taxes that is recognized on a full accrual basis, but not on the modified accrual basis.		(185,304)
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(28,369)
Long-term liabilities are not due and payable in the current period, therefore, are not reported in the funds.		
Bonds	\$ 1,575,000	
Compensated absences	213,013	
Other postemployment benefits	<u>85,821</u>	
		<u>(1,873,834)</u>
Net position of governmental activities (Exhibit A)		<u><u>\$ 52,461,144</u></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, 2014**

	General	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>			
Taxes	\$ 4,466,309	\$ -	\$ 4,466,309
Licenses and permits	1,536,849	1,010	1,537,859
Intergovernmental	595,394	56,918	652,312
Charges for services	278,400	311,050	589,450
Miscellaneous	46,737	128,794	175,531
Total revenues	<u>6,923,689</u>	<u>497,772</u>	<u>7,421,461</u>
<b>EXPENDITURES</b>			
Current:			
General government	2,695,629	10,437	2,706,066
Public safety	1,590,397	109,142	1,699,539
Highways and streets	1,085,121	-	1,085,121
Welfare	70,830	-	70,830
Culture and recreation	65,434	687,462	752,896
Conservation	10,969	11,227	22,196
Debt service:			
Principal	175,000	-	175,000
Interest	75,268	-	75,268
Capital outlay	441,383	168,115	609,498
Total expenditures	<u>6,210,031</u>	<u>986,383</u>	<u>7,196,414</u>
Excess (deficiency) of revenues over (under) expenditures	<u>713,658</u>	<u>(488,611)</u>	<u>225,047</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	1,778,266	1,778,266
Transfers out	<u>(1,955,338)</u>	<u>-</u>	<u>(1,955,338)</u>
Total other financing sources (uses)	<u>(1,955,338)</u>	<u>1,778,266</u>	<u>(177,072)</u>
Net change in fund balances	(1,241,680)	1,289,655	47,975
Fund balances, beginning	<u>6,611,854</u>	<u>406,085</u>	<u>7,017,939</u>
Fund balances, ending	<u>\$ 5,370,174</u>	<u>\$ 1,695,740</u>	<u>\$ 7,065,914</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, 2014*

Net change in fund balances of governmental funds (Exhibit C-3)		\$ 47,975
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 in the current period.		
Capitalized capital outlay	\$ 993,275	
Depreciation expense	<u>(1,885,794)</u>	(892,519)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales and disposals) is to decrease net position.		(98,490)
Transfers in and out between governmental funds are eliminated on the Statement of Activities.		
Transfers in	\$ (1,955,338)	
Transfers out	<u>1,955,338</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	\$ (2,508)	
Change in allowance for uncollectible property taxes	<u>(78,791)</u>	(81,299)
The receipt of long-term state aid provides current financial resources to governmental funds, but has no effect on net position		
Increase in intergovernmental receivable		119,943
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.		
Repayment of bond principal		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	\$ 3,905	
Increase in compensated absences payable	(14,847)	
Decrease in postemployment benefits payable	<u>20,062</u>	
		<u>9,120</u>
Changes in net position of governmental activities (Exhibit B)		<u><u>\$ (720,270)</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, 2014**

	Budgeted Amounts		Actual	Variance
	Original	Final		Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 4,348,554	\$ 4,348,554	\$ 4,385,010	\$ 36,456
Licenses and permits	1,316,902	1,316,902	1,495,519	178,617
Intergovernmental	550,456	550,456	595,394	44,938
Charges for services	139,850	139,850	278,400	138,550
Miscellaneous	74,601	74,601	35,865	(38,736)
Total revenues	<u>6,430,363</u>	<u>6,430,363</u>	<u>6,790,188</u>	<u>359,825</u>
<b>EXPENDITURES</b>				
Current:				
General government	2,858,927	2,873,036	2,763,603	109,433
Public safety	1,629,870	1,657,310	1,598,048	59,262
Highways and streets	981,568	1,082,778	1,095,121	(12,343)
Welfare	104,600	79,176	70,830	8,346
Culture and recreation	67,048	67,048	66,934	114
Conservation	1,941	12,441	10,969	1,472
Economic development	2,000	-	-	-
Debt service:				
Principal	236,000	175,000	175,000	-
Interest	45,800	78,051	75,268	2,783
Capital outlay	239,256	441,383	441,383	-
Total expenditures	<u>6,167,010</u>	<u>6,466,223</u>	<u>6,297,156</u>	<u>169,067</u>
Excess (deficiency) of revenues over (under) expenditures	<u>263,353</u>	<u>(35,860)</u>	<u>493,032</u>	<u>528,892</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	3,631	545,853	521,074	(24,779)
Transfers out	(1,951,984)	(2,194,993)	(2,187,034)	7,959
Total other financing sources (uses)	<u>(1,948,353)</u>	<u>(1,649,140)</u>	<u>(1,665,960)</u>	<u>(16,820)</u>
Net change in fund balances	<u>\$ (1,685,000)</u>	<u>\$ (1,685,000)</u>	(1,172,928)	<u>\$ 512,072</u>
Increase in nonspendable fund balance			(47,687)	
Decrease in committed fund balance			1,224,000	
Unassigned fund balance, beginning			2,380,060	
Unassigned fund balance, ending			<u>\$ 2,383,445</u>	

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

**EXHIBIT E-1**  
**TOWN OF NEWMARKET, NEW HAMPSHIRE**  
**Proprietary Fund**  
**Statement of Proprietary Net Position**  
**June 30, 2014**

	Business-type Activities			
	Enterprise Funds			
	Water	Wastewater	Solid Waste	Total
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 1,198,396	\$ 759,924	\$ -	\$ 1,958,320
Accounts receivables, net of allowance for uncollectible	199,420	310,739	17,720	527,879
Intergovernmental receivable	93,634	204,665	-	298,299
Interfund receivables	1,190,736	761,403	278,441	2,230,580
Total current assets	<u>2,682,186</u>	<u>2,036,731</u>	<u>296,161</u>	<u>5,015,078</u>
Noncurrent assets:				
Intergovernmental receivable	-	124,680	-	124,680
Capital assets:				
Land and construction in progress	459,416	822,737	-	1,282,153
Other capital assets, net of depreciation	3,507,702	2,824,178	-	6,331,880
Total noncurrent assets	<u>3,967,118</u>	<u>3,771,595</u>	<u>-</u>	<u>7,738,713</u>
Total assets	<u>6,649,304</u>	<u>5,808,326</u>	<u>296,161</u>	<u>12,753,791</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	93,046	209,470	32,170	334,686
Accrued salaries and benefits	3,509	5,143	209	8,861
Accrued interest payable	5,619	16,442	-	22,061
Interfund payables	49,993	36,951	-	86,944
Notes payable	225,544	343,901	-	569,445
Total current liabilities	<u>377,711</u>	<u>611,907</u>	<u>32,379</u>	<u>1,021,997</u>
Noncurrent liabilities:				
Due within one year	66,462	93,155	27,577	187,194
Due in more than one year	263,705	779,082	248,192	1,290,979
Total noncurrent liabilities	<u>330,167</u>	<u>872,237</u>	<u>275,769</u>	<u>1,478,173</u>
Total liabilities	<u>707,878</u>	<u>1,484,144</u>	<u>308,148</u>	<u>2,500,170</u>
<b>NET POSITION</b>				
Net investment in capital assets	3,646,706	2,803,095	-	6,449,801
Unrestricted	2,294,720	1,521,087	(11,987)	3,803,820
Total net position	<u>\$ 5,941,426</u>	<u>\$ 4,324,182</u>	<u>\$ (11,987)</u>	<u>\$ 10,253,621</u>

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

**EXHIBIT E-2**  
**TOWN OF NEWMARKET, NEW HAMPSHIRE**  
**Proprietary Fund**  
**Statement of Revenues, Expenses, and Change in Proprietary Net Position**  
**For the Fiscal Year Ended June 30, 2014**

	Business-type Activities			
	Enterprise Funds			
	Water	Wastewater	Solid Waste	Total
Operating revenues:				
User charges	\$ 839,226	\$ 1,272,594	\$ 218,986	\$ 2,330,806
Miscellaneous	122,037	23,021	5,200	150,258
Total operating revenues	<u>961,263</u>	<u>1,295,615</u>	<u>224,186</u>	<u>2,481,064</u>
Operating expenses:				
Salaries and wages	131,062	192,700	10,932	334,694
Operation and maintenance	255,992	484,461	278,794	1,019,247
Depreciation	162,583	155,748	-	318,331
Total operating expenses	<u>549,637</u>	<u>832,909</u>	<u>289,726</u>	<u>1,672,272</u>
Operating gain (loss)	<u>411,626</u>	<u>462,706</u>	<u>(65,540)</u>	<u>808,792</u>
Nonoperating revenue (expense):				
Interest income	584	318	176	1,078
Interest expense	(826)	(38,492)	-	(39,318)
Transfers in	-	-	177,072	177,072
Total nonoperating revenues (expense)	<u>(242)</u>	<u>(38,174)</u>	<u>177,248</u>	<u>138,832</u>
Change in net position	411,384	424,532	111,708	947,624
Net position, beginning, as restated (see Note 17)	5,530,042	3,899,650	(123,695)	9,305,997
Net position, ending	<u>\$ 5,941,426</u>	<u>\$ 4,324,182</u>	<u>\$ (11,987)</u>	<u>\$ 10,253,621</u>

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

**EXHIBIT E-3**  
**TOWN OF NEWMARKET, NEW HAMPSHIRE**  
*Proprietary Fund*  
**Statement of Cash Flows**  
**For the Fiscal Year Ended June 30, 2014**

	Business-type Activities			
	Enterprise Funds			
	Water	Wastewater	Solid Waste	Total
Cash flows from operating activities:				
Receipts from customers and users	\$ 978,037	\$ 1,294,877	\$ 225,876	\$ 2,498,790
Payments to employees	(134,315)	(192,924)	(10,932)	(338,171)
Payments to suppliers	(166,739)	(287,328)	(384,778)	(838,845)
Payments for interfund services used	-	(187)	-	(187)
Net cash provided (used) by operating activities	<u>676,983</u>	<u>814,438</u>	<u>(169,834)</u>	<u>1,321,587</u>
Cash flows from capital and related financing activities:				
Principal paid on bonds	(65,482)	(90,790)	-	(156,272)
Interest paid	(1,456)	(40,208)	-	(41,664)
Acquisition and construction of fixed assets	(251,757)	(360,830)	-	(612,587)
Receipts from other governments	131,910	180,030	-	311,940
Change in restricted cash	838,377	675,703	-	1,514,080
Net cash provided by capital and related financing activities	<u>651,592</u>	<u>363,905</u>	<u>-</u>	<u>1,015,497</u>
Cash flows from non-capital financing activities:				
Increase in interfund loans	(448,935)	(430,856)	(244,528)	(1,124,319)
Increase in interfund borrowing	36,307	-	-	36,307
Transfers from other funds	-	-	177,072	177,072
Net cash used by non-capital financing activities	<u>(412,628)</u>	<u>(430,856)</u>	<u>(67,456)</u>	<u>(910,940)</u>
Cash flows from investing activities:				
Interest received	584	318	176	1,078
Net increase/decrease in cash	916,531	747,805	(237,114)	1,427,222
Cash increase, beginning	281,865	12,119	237,114	531,098
Cash, ending	<u>\$ 1,198,396</u>	<u>\$ 759,924</u>	<u>\$ -</u>	<u>\$ 1,958,320</u>

**Reconciliation of Operating Gain (Loss) to Net Cash Provided (Used) by Operating Activities**

Operating gain (loss)	\$ 411,626	\$ 462,706	\$ (65,540)	\$ 808,792
Adjustments to reconcile operating gain (loss) to net cash provided (used) by operating activities:				
Depreciation expense	162,583	155,748	-	318,331
(Increase) decrease in accounts receivable	16,774	(738)	1,690	17,726
Increase in accounts payable	89,253	197,133	9,607	295,993
Increase in accrued salaries and benefits	376	598	-	974
Decrease in other postemployment benefits	(3,504)	(3,504)	-	(7,008)
Increase (Decrease) in compensated absences liability	(125)	2,682	-	2,557
Decrease in interfund payable	-	(187)	-	(187)
Decrease in accrued landfill postclosure care liability	-	-	(115,591)	(115,591)
Total adjustments	<u>265,357</u>	<u>351,732</u>	<u>(104,294)</u>	<u>512,795</u>
Net cash provided (used) by operating activities	<u>\$ 676,983</u>	<u>\$ 814,438</u>	<u>\$ (169,834)</u>	<u>\$ 1,321,587</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, 2014**

	Private Purpose Trust	Agency
<b>ASSETS</b>		
Cash and cash equivalents	\$ 52,355	\$ 1,098,916
Investments	521,314	-
Accounts receivable	-	25,712
Total assets	<u>573,669</u>	<u>1,124,628</u>
<b>LIABILITIES</b>		
Intergovernmental payable	-	1,092,920
Due to others	-	31,708
Total liabilities	<u>-</u>	<u>1,124,628</u>
<b>NET POSITION</b>		
Held in trust for specific purposes	<u>\$ 573,669</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, 2014**

	Private Purpose Trust
<b>ADDITIONS</b>	
New funds	\$ 11,000
Interest	11,791
Change in fair market value	46,428
Total revenue	69,219
<b>DEDUCTIONS</b>	
Trust distributions	17,023
Change in net position	52,196
Net position, beginning	521,473
Net position, ending	\$ 573,669

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, 2014**

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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, 2014**

**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 fund:

**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.

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

The Town reports the following major proprietary funds:

**Water Fund** – accounts for the operation of the water treatment plant, wells, and water system.

**Wastewater Fund** – accounts for the operation of the sewer treatment plant, pumping station, and sewer lines.

**Solid Waste Fund** – accounts for the operation of the transfer station.

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.

**Fiduciary Funds** – The Town also reports the following fiduciary fund types:

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

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**Private Purpose Trust Fund** – is used to account for trust arrangements, other than those reported in the permanent fund, under which principal and investment income exclusively benefit individuals, private organizations, or other governments.

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

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

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

***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 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-G 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-H Interfund Balances***

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

***1-I Prepaid Items***

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

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***1-J 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.

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:

	<u>Years</u>
<b>Capital Asset Classes:</b>	
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-K 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 two types (unavailable revenue), which arises under both an accrual basis and a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, unavailable tax revenue (not collected within 60 days of the fiscal year end), is reported only in the governmental funds balance sheet, but property taxes levied prior to their due date and grant revenue collected in advance of eligible expenditures being made are reported in both the Statement of Net Position and the governmental funds balance sheet. The amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

***1-L 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, 2013 and May 20, 2014. 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.

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

For the New Hampshire education tax	\$ 739,909,883
For all other taxes	\$ 744,537,983

The tax rates and amounts assessed for the year ended June 30, 2014 were as follows:

	Per \$1,000 of Assessed Valuation	Property Taxes Assessed
Municipal portion	\$6.07	\$ 4,518,331
School portion:		
State of New Hampshire	\$2.35	1,741,081
Local	\$15.02	11,180,342
County portion	\$1.02	760,770
Total		\$ 18,200,524

***1-M 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-N Long-Term Obligations***

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-O 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-P 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-Q 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 does 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.

***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.

***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.

***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.

***Unassigned*** – This classification includes the residual fund balance for the general 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.

***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.

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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 2014, \$1,685,000 of the beginning general fund total 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, Expenditures, and Changes in Fund Balance – 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)	\$ 7,311,262
Adjustment:	
Basis difference:	
GASB Statement No. 54:	
To record revenue of the blended funds	52,202
To eliminate transfers between general and expendable trust funds	(521,074)
Change in deferred tax revenue relating to 60-day revenue recognition	2,508
Change in allowance for uncollectible property taxes	78,791
Per Exhibit C-3 (GAAP basis)	<u>\$ 6,923,689</u>
Expenditures and other financing uses:	
Per Exhibit D (budgetary basis)	\$ 8,484,190
Adjustment:	
Basis differences:	
Encumbrances, beginning	8,263
Encumbrances, ending	(97,163)
GASB Statement No. 54:	
To record expenditures of the blended funds	1,775
To eliminate transfers between general and expendable trust funds	(231,696)
Per Exhibit C-3 (GAAP basis)	<u>\$ 8,165,369</u>

**DETAILED NOTES ON ALL FUNDS**

**NOTE 3 – CASH AND CASH EQUIVALENTS**

At June 30, 2014, the reported amount of the Town’s deposits was \$19,669,915 and the bank balance was \$19,215,635. Petty cash totaled \$935. Of the bank balance, \$11,539,361 was covered by federal depository insurance or by collateral held by the Town’s agent in the Town’s name, and \$7,676,274 was uninsured and uncollateralized. The Town held \$52,895 in certificates of deposit at various banks at year-end.

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Cash and cash equivalents reconciliation:

Cash per Statement of Net Position (Exhibit A)	\$ 18,518,644
Cash per Statement of Fiduciary Net Position (Exhibit F-1)	<u>1,151,271</u>
Total cash and cash equivalents	<u><u>\$ 19,669,915</u></u>

**NOTE 4 – INVESTMENTS**

Note 1-F 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, 2014, this Town had the following investments and maturities:

	<u>Fair Value</u>	<u>Less Than 1 Year</u>	<u>1-5 Years</u>	<u>6-10 Years</u>	<u>Total</u>
Investments type:					
Corporate bonds	\$ -	\$ 25,476	\$ 128,768	\$ 24,567	\$ 178,811
Municipal bonds	-	26,042	130,224	49,644	205,910
Fixed income mutual funds	297,770	-	-	-	297,770
Equity mutual funds	43,054	-	-	-	43,054
Equity exchange traded funds	84,483	-	-	-	84,483
Common stock	411,617	-	-	-	411,617
Total fair value	<u>\$ 836,924</u>	<u>\$ 51,518</u>	<u>\$ 258,992</u>	<u>\$ 74,211</u>	<u>\$ 1,221,645</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** – As of June 30, 2014, the Town’s investments in corporate and municipal bonds had the following ratings:

	<u>Amount</u>	<u>Rating*</u>
Corporate bonds:		
Berkshire Hathaway	\$ 25,394	Aa2
Boeing Co	26,698	A2
Coca-Cola	25,261	Aa3
Goldman Sachs	26,057	Baa1
Medtronic Inc	25,476	A2
Texas Instruments	24,567	A1
Total Capital Intl	<u>25,358</u>	Aa1
	178,811	
Municipal bonds:		
Bank of New York	24,769	A1
Bank of Nova Scotia	25,114	Aa2
Federal Home Loan Mortgage Corp	25,344	Aaa
Federal Farm Credit Bank	106,333	Aaa
Federal Home Loan Bank	24,350	Aaa
	<u>205,910</u>	
Total bonds	<u><u>\$ 384,721</u></u>	

\*Per Moody's

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**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)	\$ 700,331
Investments per Statement of Fiduciary Net Position (Exhibit F-1)	521,314
Total investments	<u>\$ 1,221,645</u>

**NOTE 5 – TAXES RECEIVABLE**

Taxes receivable represent the amount of current and prior year taxes which have not been collected as of June 30, 2014. Taxes receivable by year are as follows:

	As reported on:	
	Exhibit A	Exhibit C-1
Property:		
Levy of 2014	\$ 1,387,455	\$ 1,387,455
Unredeemed (under tax lien):		
Levy of 2013	238,154	238,154
Levy of 2012	130,018	130,018
Levies of 2011 and prior	10,667	10,667
Voluntary tax lien	32,992	32,992
Less: allowance for estimated uncollectible taxes	(185,304) *	-
Net taxes receivable	<u>\$ 1,613,982</u>	<u>\$ 1,799,286</u>

\*The allowance for uncollectible property taxes is not recognized under the modified accrual basis of accounting (Exhibit C-1 and C-3) due to the 60 day rule as explained in Note 1-C. However, the allowance is recognized under the full accrual basis of accounting (Exhibits A and B).

**NOTE 6 – OTHER RECEIVABLES**

Receivables at June 30, 2014, 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, 2014 for the Town's individual major governmental and enterprise funds, and nonmajor funds in the aggregate, including the applicable allowance for uncollectible accounts, are as follows:

	Governmental Funds			Enterprise Funds			
	General	Nonmajor	Total	Water	Wastewater	Solid	Total
	Fund	Funds		Fund	Fund	Waste	
Receivables:							
Accounts	\$ 94,678	\$ 9,372	\$ 104,050	\$ 205,866	\$ 321,215	\$ 17,720	\$ 544,801
Intergovernmental	-	57,448	57,448	93,634	204,665	-	298,299
Gross receivables	94,678	66,820	161,498	299,500	525,880	17,720	843,100
Less: allowance for uncollectibles	(35,451)	-	(35,451)	(6,446)	(10,476)	-	(16,922)
Net total receivables	<u>\$ 59,227</u>	<u>\$ 66,820</u>	<u>\$ 126,047</u>	<u>\$ 293,054</u>	<u>\$ 515,404</u>	<u>\$ 17,720</u>	<u>\$ 826,178</u>

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**NOTE 7 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2014 consisted of the following:

	Balance, beginning	Additions	Disposals	Balance, ending
<b>Governmental activities:</b>				
At cost:				
Not being depreciated:				
Land	\$ 5,693,208	\$ 695	\$ -	\$ 5,693,903
Construction in progress	9,234	152,263	-	161,497
Total capital assets not being depreciated	<u>5,702,442</u>	<u>152,958</u>	<u>-</u>	<u>5,855,400</u>
Being depreciated:				
Buildings and building improvements	4,557,452	40,072	-	4,597,524
Machinery and equipment	4,386,904	472,327	(176,191)	4,683,040
Infrastructure	61,343,722	327,918	-	61,671,640
Total capital assets being depreciated	<u>70,288,078</u>	<u>840,317</u>	<u>(176,191)</u>	<u>70,952,204</u>
Total all capital assets	<u>75,990,520</u>	<u>993,275</u>	<u>(176,191)</u>	<u>76,807,604</u>
Less accumulated depreciation:				
Buildings and building improvements	(1,226,754)	(119,209)	-	(1,345,963)
Machinery and equipment	(3,310,888)	(233,175)	77,701	(3,466,362)
Infrastructure	(23,460,804)	(1,533,410)	-	(24,994,214)
Total accumulated depreciation	<u>(27,998,446)</u>	<u>(1,885,794)</u>	<u>77,701</u>	<u>(29,806,539)</u>
Net book value, capital assets being depreciated	42,289,632	(1,045,477)	(98,490)	41,145,665
Net book value, all governmental activities capital assets	<u>\$ 47,992,074</u>	<u>\$ (892,519)</u>	<u>\$ (98,490)</u>	<u>\$ 47,001,065</u>
<b>Business-type activities:</b>				
At cost:				
Not being depreciated:				
Land	\$ 340,400	\$ -	\$ -	\$ 340,400
Construction in progress	359,342	582,411	-	941,753
Total capital assets not being depreciated	<u>699,742</u>	<u>582,411</u>	<u>-</u>	<u>1,282,153</u>
Being depreciated:				
Buildings and building improvements	6,050,000	-	-	6,050,000
Machinery and equipment	605,017	30,176	(25,000)	610,193
Infrastructure	10,089,043	-	-	10,089,043
Total capital assets being depreciated	<u>16,744,060</u>	<u>30,176</u>	<u>(25,000)</u>	<u>16,749,236</u>
Total all capital assets	<u>17,443,802</u>	<u>612,587</u>	<u>(25,000)</u>	<u>18,031,389</u>
Less accumulated depreciation:				
Buildings and building improvements	(5,175,414)	(95,000)	-	(5,270,414)
Machinery and equipment	(78,393)	(22,252)	25,000	(75,645)
Infrastructure	(4,870,218)	(201,079)	-	(5,071,297)
Total accumulated depreciation	<u>(10,124,025)</u>	<u>(318,331)</u>	<u>25,000</u>	<u>(10,417,356)</u>
Net book value, capital assets being depreciated	6,620,035	(288,155)	-	6,331,880
Net book value, all business-type activities capital assets	<u>\$ 7,319,777</u>	<u>\$ 294,256</u>	<u>\$ -</u>	<u>\$ 7,614,033</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	\$ 25,965
Public safety	233,289
Highways and streets	1,583,182
Culture and recreation	43,358
Total depreciation expense	<u>\$ 1,885,794</u>
<b>Business-type activities:</b>	
Water	\$ 162,583
Sewer	155,748
Total depreciation expense	<u>\$ 318,331</u>

**NOTE 8 – INTERFUND BALANCES AND TRANSFERS**

**Interfund Balances** - The composition of interfund balances as of June 30, 2014 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Water	\$ 26,493
General	Nonmajor governmental	119,230
Solid waste	General	278,441
Water	General	1,153,785
Wastewater	General	737,903
Nonmajor governmental	General	105,467
Water	Wastewater	36,951
Wastewater	Water	23,500
		<u>\$ 2,481,770</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, 2014 is as follows:

	<u>Transfers In:</u>		<u>Total</u>
	<u>Solid Waste Fund</u>	<u>Nonmajor Governmental Funds</u>	
Transfers out:			
General fund	<u>\$ 177,072</u>	<u>\$ 1,778,266</u>	<u>\$ 1,955,338</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 9 – INTERGOVERNMENTAL PAYABLES**

Intergovernmental payables of \$6,808,743 in the general fund at June 30, 2014, consist of the following:

General fund:	
Property taxes levied prior to their due date and payable to:	
State of New Hampshire	\$ 869,522
Rockingham County	377,410
Newmarket School District	5,557,542
Town clerk fees due to the State of New Hampshire	4,269
Total intergovernmental payables due	<u>\$ 6,808,743</u>

Intergovernmental payables of \$1,092,920 in the agency fund at June 30, 2014, consist of expendable trust funds held on behalf of the Newmarket School District.

**NOTE 10 – DEFERRED INFLOWS OF RESOURCES**

Deferred inflows of resources at June 30, 2014 consist of the following:

Deferred property taxes not collected within 60 days of fiscal year-end	\$ 361,729 *
Property taxes levied prior to their due date	2,245,957
Grant revenue collected in advance of eligible expenditures being made	37,781
Total deferred inflows of resources	<u>\$ 2,645,467</u>

\*Balance not recognized on the full accrual basis of accounting (Exhibit A).

**NOTE 11 – NOTES PAYABLE**

**Water Pollution Control and Drinking Water State Revolving Loan Funds** – Drawdowns received under both the Water Pollution Control and Drinking Water State Revolving Loan Fund Programs will be consolidated by a promissory note upon substantial completion of the projects. For the Water Pollution Control Program, management is of the opinion that up to 12.5% of the total drawdowns will be forgiven as a result of the American Recovery and Reinvestment Act (ARRA) through the State of New Hampshire. The amount of principal forgiveness for the Drinking Water Program will be determined when the aggregate principal loan amount is established and the project is completed. However, as of June 30, 2014, drawdowns received to date in the Water Pollution Control and Drinking Water State Revolving Loan Fund Programs are \$343,901 and \$225,544, respectively. Interest on the drawdowns accrued from the date of the drawdown at 1.00% per annum. The note, plus interest, will be repaid from the Town’s governmental funds.

**NOTE 12 – LONG-TERM LIABILITIES**

Changes in the Town’s long-term liabilities consisted of the following for the year ended June 30, 2014:

	Balance July 1, 2013 (as restated)	Additions	Reductions	Balance June 30, 2014	Due Within One Year
<b>Governmental activities:</b>					
General obligation bonds	\$ 1,750,000	\$ -	\$ (175,000)	\$ 1,575,000	\$ 175,000
Compensated absences	198,166	14,847	-	213,013	21,301
Net other postemployment benefits	105,883	-	(20,062)	85,821	-
Total long-term liabilities	<u>\$ 2,054,049</u>	<u>\$ 14,847</u>	<u>\$ (195,062)</u>	<u>\$ 1,873,834</u>	<u>\$ 196,301</u>
<b>Business-type activities:</b>					
General obligation bonds	\$ 1,320,504	\$ -	\$ (156,272)	\$ 1,164,232	\$ 156,753
Accrued landfill closure and postclosure care costs	391,360	-	(115,591)	275,769	27,577
Compensated absences	26,079	2,557	-	28,636	2,864
Net other postemployment benefits	16,544	-	(7,008)	9,536	-
Total long-term liabilities	<u>\$ 1,754,487</u>	<u>\$ 2,557</u>	<u>\$ (278,871)</u>	<u>\$ 1,478,173</u>	<u>\$ 187,194</u>

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Long term bonds are comprised of the following:

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at June 30, 2014
General obligation bonds payable:					
<b>Governmental activities:</b>					
Open space land acquisition	\$ 2,000,000	2003	2023	4.25-4.90	\$ 900,000
Downtown TIF improvements	\$ 1,500,000	2003	2023	4.25-4.90	675,000
					<u>1,575,000</u>
<b>Business-type activities:</b>					
Creighton Street pump/outfall	\$ 1,964,777	2003	2023	3.700	632,320
Drinking water state revolving fund loan	\$ 265,495	2012	2016	0.895	108,912
Clean water state revolving fund loan	\$ 940,000	2013	2032	1.104	423,000
					<u>1,164,232</u>
					<u>\$ 2,739,232</u>

The annual requirements to amortize all *governmental activities* general obligation bonds outstanding as of June 30, 2014, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
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	175,000	35,096	210,096
2020-2023	700,000	52,053	752,053
Totals	<u>\$ 1,575,000</u>	<u>\$ 310,475</u>	<u>\$ 1,885,475</u>

The annual requirements to amortize all *business-type activities* general obligation bonds outstanding as of June 30, 2014, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
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	102,540	12,181	114,721
2020-2024	354,620	27,093	381,713
2025-2029	117,500	7,783	125,283
2030-2032	70,500	1,557	72,057
Totals	<u>\$ 1,164,232</u>	<u>\$ 122,771</u>	<u>\$ 1,287,003</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 1994. Federal and State laws and regulations require that the Town place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site after closure. A liability is being recognized based on 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

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the year. The estimated liability for landfill postclosure care costs has a balance of \$275,769 as of June 30, 2014, 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, 2014. 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 13 – ENCUMBRANCES**

General fund encumbrance balance of \$97,163 at June 30, 2014, is comprised of the following:

Current:	
General government:	
Election and registration	\$ 7,177
Financial administration	5,207
Personnel administration	60,693
Planning and zoning	2,000
	<u>75,077</u>
Public safety:	
Police	10,586
Highways and streets:	
Other	10,000
Culture and recreation:	
Other	1,500
Total encumbrances	<u>\$ 97,163</u>

**NOTE 14 – 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 Improvement Program, Phase I	\$ 144,790
Main Street Infrastructure Reconstruction, Phase II	119,943
Total	<u>\$ 264,733</u>

Under New Hampshire RSA Chapter 486, the Town receives from the State of New Hampshire a percentage of the annual amortization charges on the original costs resulting from the acquisition and construction of sewage disposal facilities. At June 30, 2014, the Town is due to receive the following annual amounts to offset debt payments:

Fiscal Year Ending	Amount
June 30,	
2015	\$ 44,098
2016	43,523
2017	42,950
2018	42,375
2019	41,800
2020-2023	49,987
Totals	<u>\$ 264,733</u>

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**NOTE 15 – GOVERNMENTAL ACTIVITIES NET POSITION**

Governmental activities net position reported on the government-wide Statement of Net Position at June 30, 2014 include the following:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Net investment in capital assets:			
Net property, buildings, and equipment	\$ 47,001,065	\$ 7,614,033	\$ 54,615,098
Less:			
General obligation bonds payable	(1,575,000)	(1,164,232)	(2,739,232)
Notes payable	<u>(601,052)</u>	<u>-</u>	<u>(601,052)</u>
Total net investment in capital assets	<u>44,825,013</u>	<u>6,449,801</u>	<u>51,274,814</u>
Restricted net position:			
Library	322,585	-	322,585
Pistol permits	8,086	-	8,086
Drug forfeiture	836	-	836
Grants	25,991	-	25,991
Open space	83,563	-	83,563
Federal drug forfeiture	28,491	-	28,491
Nonexpendable permanent funds	672,439	-	672,439
Expendable permanent funds	<u>98,226</u>	<u>-</u>	<u>98,226</u>
Total restricted net position	<u>1,240,217</u>	<u>-</u>	<u>1,240,217</u>
Unrestricted	<u>6,395,914</u>	<u>3,803,820</u>	<u>10,199,734</u>
Total net position	<u>\$ 52,461,144</u>	<u>\$ 10,253,621</u>	<u>\$ 62,714,765</u>

**NOTE 16 – GOVERNMENTAL FUND BALANCES**

Governmental fund balances reported on the fund financial statements at June 30, 2014 include the following:

**Nonspendable:**

Major fund:

General:

Prepaid items	\$ 88,555
Tax deeded property, subject to resale	21,477
	<u>110,032</u>

Nonmajor fund:

    Permanent - principal balance 672,439

        Total nonspendable fund balance \$ 782,471

**Restricted:**

Nonmajor funds:

Library	\$ 322,585
Pistol permits	8,086
Drug forfeiture	836
Grants	25,991
Open space	83,563
Federal drug forfeiture	28,491
Permanent fund - income balance	<u>98,226</u>

        Total restricted fund balance 567,778

*(continued)*

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Governmental fund balances continued:

<b>Committed:</b>		
Major fund:		
General:		
Expendable trust	\$ 2,955,959	
Nonmajor funds:		
Recreation	87,084	
Ambulance revolving	143,999	
Public safety service revolving	18,002	
Conservation commission	206,438	
	<u>455,523</u>	
Total committed fund balance		3,411,482
<b>Assigned:</b>		
Major fund:		
General:		
Encumbrances		97,163
<b>Unassigned:</b>		
Major fund:		
General		2,207,020
Total governmental fund balances		<u><u>\$ 7,065,914</u></u>

**NOTE 17 – PRIOR PERIOD ADJUSTMENT**

Net position at July 1, 2014 was restated to give retroactive effect to the following prior period adjustment:

	Government-wide Activities	Business-type Activities
To remove and record accrued landfill postclosure care liability in the Solid Waste Enterprise Fund	\$ 391,360	\$ (391,360)
Net position, as previously reported	52,790,054	9,697,357
Net position, as restated	<u><u>\$ 53,181,414</u></u>	<u><u>\$ 9,305,997</u></u>

**NOTE 18 – 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 2014 for pension and medical subsidy were 25.30% for police officers, 27.74% for firefighters, and 10.77% for all other employees.

The contribution requirements for the Town of Newmarket for the fiscal years 2012, 2013, and 2014 were \$353,788, \$341,741, and \$422,056 respectively, which were paid in full in each year.

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**NOTE 19 – 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 2014:

Annual required contribution/OPEB cost	\$ 95,357
Contributions made (pay-as-you-go)	<u>(122,427)</u>
Increase in net OPEB obligation	(27,070)
Net OPEB obligation - beginning of year	<u>122,427</u>
Net OPEB Obligation - end of year	<u><u>\$ 95,357</u></u>

The Town’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2014 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Contribution Cost	Actual Contributions (pay-as-you-go)	Percentage Contributed	Net OPEB Obligation
June 30, 2012	\$ 107,917	\$ 11,871	11%	\$ 256,566
June 30, 2013	\$ 122,427	\$ 256,566	210%	\$ 122,427
June 30, 2014	\$ 95,357	\$ 122,427	128%	\$ 95,357

As of July 1 2013, the date of the most recent actuarial valuation, the actuarial accrued liability (AAL) for benefits was \$987,552, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$987,552. The covered payroll (annual payroll of active employees covered by the plan) was \$2,768,188 during fiscal year 2014, and the ratio of the UAAL to the covered payroll was 35.68%.

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

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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 July 1, 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, 2014 was 30 years.

**NOTE 20 – 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 2014, the Town was a member of the Local Government Center Property-Liability Trust, LLC, and the New Hampshire Public Risk Management Exchange (Primex<sup>3</sup>) Workers' Compensation and Property/Liability Programs. These entities are considered a public entity risk pools, currently operating as common risk management and insurance programs for member Towns and cities.

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

Contributions paid in fiscal year ending June 30, 2014, to be recorded as an insurance expenditure totaled \$103,807. The Town received a holiday premium during the year of \$18,187 which was applied directly to the related expenditure accounts. There were no unpaid contributions for the year ended June 30, 2014.

The New Hampshire Public Risk Management Exchange (Primex<sup>3</sup>) Workers' Compensation Program is a pooled risk management program under RSAs 5-B and 281-A. Coverage was provided from January 1, 2014 to June 30, 2014 by Primex<sup>3</sup>, which retained \$1,000,000 of each workers' compensation loss, \$500,000 of each liability loss, and \$200,000 of each property loss. The Board has decided to self-insure the aggregate exposure and has allocated funds based on actuarial analysis for that purpose. The estimated net contribution from the Town of Newmarket billed and paid for the year ended June 30, 2014 was \$62,203 for workers' compensation.

**NOTE 21 – 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 22 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS**

The following GASB pronouncements were implemented by the Town for the fiscal year ended June 30, 2014, none of which impacted these financial statements:

**GASB Statement No. 67, *Financial Reporting for Pension Plans***, issued in June 2012. The guidance contained in this Statement 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.

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**GASB Statement No. 69, *Government Combinations and Disposals of Government Operations***, issued in January 2013. 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. The objective of this Statement is to improve accounting and financial reporting by governments that extend and receive nonexchange financial guarantees.

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. 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. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date***, issued in November 2013, should be implemented simultaneously with the provision of Statement No. 68, beginning with the fiscal year ending June 30, 2015. This statement addresses an issue in Statement No. 68 concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and nonemployer contributing entities.

**GASB Statement No. 72, *Fair Value Measurement and Application***, issued in February 2015, will be effective for the Town beginning with the fiscal year ending June 30, 2016. This Statement addresses accounting and financial reporting issues related to fair value measurements.

**NOTE 23 – 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 13, 2015, the date the June 30, 2014 financial statements were issued, and the following was identified:

In September 2014, the Town received \$68,596 from HealthTrust for a return of surplus related to health and dental premiums received from prior years. A portion of this will be returned to active and retired employees. These funds will be reported in the fiscal year 2014-2015 financial statements of the Town.

Warrant Article No. 2 was approved at the March 11, 2014 Annual Town Meeting to raise and appropriate \$1,055,000 for the installation of a new 16-inch water main on Route 108 and to authorize the issuance of not more than \$1,055,000 of bonds and notes.

***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, 2014*

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%
July 1, 2011	\$ -	\$ 1,432,724	\$ 1,432,724	0.00%	\$ 2,736,797	52.40%
July 1, 2012	\$ -	\$ 1,180,553	\$ 1,180,553	0.00%	\$ 3,303,819	35.73%
July 1, 2013	\$ -	\$ 987,552	\$ 987,552	0.00%	\$ 2,768,188	35.68%

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**  
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***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, 2014.

***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, 2014*

	Estimated	Actual	Variance Positive (Negative)
<b>Taxes:</b>			
Property	\$ 4,240,879	\$ 4,245,978	\$ 5,099
Yield	1,500	6	(1,494)
Payment in lieu of taxes	19,175	21,044	1,869
Interest and penalties on taxes	87,000	116,131	29,131
Other	-	1,851	1,851
Total from taxes	<u>4,348,554</u>	<u>4,385,010</u>	<u>36,456</u>
<b>Licenses, permits, and fees:</b>			
Business licenses, permits, and fees	150,000	166,656	16,656
Motor vehicle permit fees	1,131,000	1,269,368	138,368
Building permits	21,602	37,704	16,102
Other	14,300	21,791	7,491
Total from licenses, permits, and fees	<u>1,316,902</u>	<u>1,495,519</u>	<u>178,617</u>
<b>Intergovernmental:</b>			
State:			
Meals and rooms distribution	397,992	397,992	-
Highway block grant	151,265	151,813	548
Other	1,199	1,199	-
Federal:			
Other	-	44,390	44,390
Total from intergovernmental	<u>550,456</u>	<u>595,394</u>	<u>44,938</u>
<b>Charges for services:</b>			
Income from departments	<u>139,850</u>	<u>278,400</u>	<u>138,550</u>
<b>Miscellaneous:</b>			
Sale of municipal property	65,000	9,650	(55,350)
Interest on investments	6,000	6,126	126
Other	3,601	20,089	16,488
Total from miscellaneous	<u>74,601</u>	<u>35,865</u>	<u>(38,736)</u>
<b>Other financing sources:</b>			
Transfers in	<u>545,853</u>	<u>521,074</u>	<u>(24,779)</u>
Total revenues and other financing sources	6,976,216	<u>\$ 7,311,262</u>	<u>\$ 335,046</u>
Unassigned fund balance used to reduce tax rate	<u>1,685,000</u>		
Total revenues, other financing sources, and use of fund balance	<u>\$ 8,661,216</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, 2014*

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
General government:					
Executive	\$ -	\$ 200,942	\$ 191,062	\$ -	\$ 9,880
Election and registration	-	200,587	149,519	7,177	43,891
Financial administration	1,200	197,020	194,190	5,207	(1,177)
Revaluation of property	-	73,223	53,083	-	20,140
Legal	-	135,572	145,705	-	(10,133)
Personnel administration	-	1,162,726	1,122,144	60,693	(20,111)
Planning and zoning	1,000	121,662	119,117	2,000	1,545
General government buildings	3,128	489,179	457,243	-	35,064
Cemeteries	-	36,687	33,463	-	3,224
Insurance, not otherwise allocated	-	91,418	70,929	-	20,489
Other	-	164,020	157,399	-	6,621
Total general government	<u>5,328</u>	<u>2,873,036</u>	<u>2,693,854</u>	<u>75,077</u>	<u>109,433</u>
Public safety:					
Police	2,935	1,265,722	1,204,302	10,586	53,769
Fire	-	324,163	319,055	-	5,108
Building inspection	-	65,475	66,248	-	(773)
Emergency management	-	1,950	792	-	1,158
Total public safety	<u>2,935</u>	<u>1,657,310</u>	<u>1,590,397</u>	<u>10,586</u>	<u>59,262</u>
Highways and streets:					
Public works garage	-	421,300	419,457	-	1,843
Highways and streets	-	410,434	410,809	-	(375)
Bridges	-	500	111	-	389
Street lighting	-	45,800	44,407	-	1,393
Other	-	204,744	210,337	10,000	(15,593)
Total highways and streets	<u>-</u>	<u>1,082,778</u>	<u>1,085,121</u>	<u>10,000</u>	<u>(12,343)</u>
Welfare:					
Administration	-	38,776	30,430	-	8,346
Intergovernmental welfare payments	-	40,400	40,400	-	-
Total welfare	<u>-</u>	<u>79,176</u>	<u>70,830</u>	<u>-</u>	<u>8,346</u>
Culture and recreation:					
Patriotic purposes	-	2,000	1,333	-	667
Other	-	65,048	64,101	1,500	(553)
Total culture and recreation	<u>-</u>	<u>67,048</u>	<u>65,434</u>	<u>1,500</u>	<u>114</u>
Conservation	-	12,441	10,969	-	1,472
Debt service:					
Principal of long-term debt	-	175,000	175,000	-	-
Interest on long-term debt	-	78,051	75,268	-	2,783
Total debt service	<u>-</u>	<u>253,051</u>	<u>250,268</u>	<u>-</u>	<u>2,783</u>
Capital outlay	-	441,383	441,383	-	-
Other financing uses:					
Transfers out	-	2,194,993	2,187,034	-	7,959
Total appropriations, expenditures, other financing uses, and encumbrances	<u>\$ 8,263</u>	<u>\$ 8,661,216</u>	<u>\$ 8,395,290</u>	<u>\$ 97,163</u>	<u>\$ 177,026</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, 2014*

Unassigned fund balance, beginning		\$ 2,380,060
Changes:		
Fund balance used to reduce 2013 tax rate		(1,685,000)
2014 Budget summary:		
Revenue surplus (Schedule 1)	\$ 335,046	
Unexpended balance of appropriations (Schedule 2)	<u>177,026</u>	
2014 Budget surplus		512,072
Increase in nonspendable fund balance		(47,687)
Decrease in committed fund balance		<u>1,224,000</u>
Unassigned fund balance, ending		2,383,445
 <b><i>Reconciliation of Non-GAAP Budgetary Basis to GAAP Basis:</i></b>		
To record deferred property taxes not collected within 60 days of the fiscal year-end, not recognized on a budgetary basis		(361,729)
To remove the allowance for uncollectible property taxes, recognized on a budgetary basis, but not on a GAAP basis		<u>185,304</u>
Unassigned fund balance, ending, GAAP basis (Exhibit C-1)		<u><u>\$ 2,207,020</u></u>

**SCHEDULE 4**  
**TOWN OF NEWMARKET, NEW HAMPSHIRE**  
*Nonmajor Governmental Funds*  
**Combining Balance Sheet**  
**June 30, 2014**

	Special Revenue Funds					
	Library	Pistol Permits	Recreation	Drug Forfeiture	Ambulance Revolving	Public Safety Service Revolving
<b>ASSETS</b>						
Cash and cash equivalents	\$ 243,036	\$ 8,176	\$ 107,224	\$ 3,573	\$ 204,830	\$ 10,812
Investments	-	-	-	-	-	-
Accounts receivable	-	-	2,182	-	-	7,190
Intergovernmental receivable	-	-	-	-	-	-
Interfund receivable	89,100	-	-	-	-	-
Total assets	<u>\$ 332,136</u>	<u>\$ 8,176</u>	<u>\$ 109,406</u>	<u>\$ 3,573</u>	<u>\$ 204,830</u>	<u>\$ 18,002</u>
<b>LIABILITIES</b>						
Accounts payable	\$ 5,423	\$ 90	\$ 13,278	\$ -	\$ 2,048	\$ -
Accrued salaries and benefits	4,128	-	6,375	-	-	-
Interfund payable	-	-	-	2,737	58,783	-
Other	-	-	2,669	-	-	-
Total liabilities	<u>9,551</u>	<u>90</u>	<u>22,322</u>	<u>2,737</u>	<u>60,831</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenue - Grant proceeds	-	-	-	-	-	-
<b>FUND BALANCES</b>						
Nonspendable	-	-	-	-	-	-
Restricted	322,585	8,086	-	836	-	-
Committed	-	-	87,084	-	143,999	18,002
Total fund balances	<u>322,585</u>	<u>8,086</u>	<u>87,084</u>	<u>836</u>	<u>143,999</u>	<u>18,002</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 332,136</u>	<u>\$ 8,176</u>	<u>\$ 109,406</u>	<u>\$ 3,573</u>	<u>\$ 204,830</u>	<u>\$ 18,002</u>

Special Revenue Funds		Capital Project Funds				
Conservation Commission	Grants	Open Space	Federal Drug Forfeiture	Fire/Public Works Building	Permanent	Total
\$ 206,853	\$ 14,126	\$ 140,120	\$ 29,644	\$ -	\$ 70,334	\$ 1,038,728
-	-	-	-	-	700,331	700,331
-	-	-	-	-	-	9,372
-	57,448	-	-	-	-	57,448
-	16,367	-	-	-	-	105,467
<u>\$ 206,853</u>	<u>\$ 87,941</u>	<u>\$ 140,120</u>	<u>\$ 29,644</u>	<u>\$ -</u>	<u>\$ 770,665</u>	<u>\$ 1,911,346</u>
\$ 415	\$ 24,169	\$ -	\$ -	\$ -	\$ -	\$ 45,423
-	-	-	-	-	-	10,503
-	-	56,557	1,153	-	-	119,230
-	-	-	-	-	-	2,669
<u>415</u>	<u>24,169</u>	<u>56,557</u>	<u>1,153</u>	<u>-</u>	<u>-</u>	<u>177,825</u>
-	37,781	-	-	-	-	37,781
-	-	-	-	-	672,439	672,439
-	25,991	83,563	28,491	-	98,226	567,778
206,438	-	-	-	-	-	455,523
<u>206,438</u>	<u>25,991</u>	<u>83,563</u>	<u>28,491</u>	<u>-</u>	<u>770,665</u>	<u>1,695,740</u>
<u>\$ 206,853</u>	<u>\$ 87,941</u>	<u>\$ 140,120</u>	<u>\$ 29,644</u>	<u>\$ -</u>	<u>\$ 770,665</u>	<u>\$ 1,911,346</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, 2014**

	Special Revenue Funds					Public Safety Service Revolving
	Library	Pistol Permits	Recreation	Drug Forfeiture	Ambulance	
<b>Revenues:</b>						
Licenses and permits	\$ -	\$ 1,010	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	210,351	-	45,000	55,699
Miscellaneous	8,133	4	15,032	-	20	420
Total revenues	<u>8,133</u>	<u>1,014</u>	<u>225,383</u>	<u>-</u>	<u>45,020</u>	<u>56,119</u>
<b>Expenditures:</b>						
Current:						
General government	-	-	-	-	-	-
Public safety	-	679	-	-	60,831	47,632
Culture and recreation	308,171	-	379,291	-	-	-
Conservation	-	-	-	-	-	-
Capital outlay	14,796	-	-	-	-	46,152
Total expenditures	<u>322,967</u>	<u>679</u>	<u>379,291</u>	<u>-</u>	<u>60,831</u>	<u>93,784</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(314,834)</u>	<u>335</u>	<u>(153,908)</u>	<u>-</u>	<u>(15,811)</u>	<u>(37,665)</u>
<b>Other financing sources:</b>						
Transfers in	<u>315,727</u>	<u>-</u>	<u>205,775</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	893	335	51,867	-	(15,811)	(37,665)
Fund balances, beginning	<u>321,692</u>	<u>7,751</u>	<u>35,217</u>	<u>836</u>	<u>159,810</u>	<u>55,667</u>
Fund balances, ending	<u>\$ 322,585</u>	<u>\$ 8,086</u>	<u>\$ 87,084</u>	<u>\$ 836</u>	<u>\$ 143,999</u>	<u>\$ 18,002</u>

Special Revenue Funds		Capital Project Funds					
Conservation Commission	Grants	Open Space	Federal Drug Forfeiture	Fire/Public Works Building	Permanent	Total	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,010	
-	35,102	-	21,816	-	-	56,918	
-	-	-	-	-	-	311,050	
1,385	19,607	240	16	-	83,937	128,794	
1,385	54,709	240	21,832	-	83,937	497,772	
-	-	-	-	-	10,437	10,437	
-	-	-	-	-	-	109,142	
-	-	-	-	-	-	687,462	
3,050	8,177	-	-	-	-	11,227	
-	107,167	-	-	-	-	168,115	
3,050	115,344	-	-	-	10,437	986,383	
(1,665)	(60,635)	240	21,832	-	73,500	(488,611)	
-	32,764	-	-	1,224,000	-	1,778,266	
(1,665)	(27,871)	240	21,832	1,224,000	73,500	1,289,655	
208,103	53,862	83,323	6,659	(1,224,000)	697,165	406,085	
\$ 206,438	\$ 25,991	\$ 83,563	\$ 28,491	\$ -	\$ 770,665	\$ 1,695,740	