TOWN OF NEWMARKET, NEW HAMPSHIRE

FINANCIAL STATEMENTS
AND SUPPLEMENTAL SCHEDULES

JUNE 30, 2004

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TOWN OF NEWMARKET, NEW HAMPSHIRE

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INDEPENDENT AUDITOR'S COMMUNICATION OF
REPORTABLE CONDITIONS AND OTHER MATTERS

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

In planning and performing our audit of the Town of Newmarket, New Hampshire for the year ended June 30, 2004, we considered the Town's internal control structure in order to determine the scope of our auditing procedures for the purpose of expressing our opinion on the financial statements. Our review of these systems was not intended to provide assurance on the internal control structure and should not be relied on for that purpose.

Under the standards established by the American Institute of Certified Public Accountants, reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the Town's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities, in amounts that would be material in relation to the financial statements being audited, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might constitute reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above.

We are pleased to report that, during the course of our review of internal controls, no material weaknesses in the Town's accounting systems and records were identified. Minor weaknesses or other considerations coming to our attention were generally procedural in nature and dealt with administrative or record keeping practices. In these instances, we made specific recommendations or provided instruction to those individuals involved during the course of our audit fieldwork.

This report is intended solely for the information and use of management and others within the administration. This restriction is not intended to limit distribution of this report, which is a matter of public record.

The Mercier Group, *a professional corporation*
October 9, 2004

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INDEPENDENT AUDITOR'S REPORT ON FINANCIAL PRESENTATION

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

We have audited the accompanying basic financial statements of the Town of Newmarket, New Hampshire as of and for the year ended June 30, 2004. These basic financial statements are the responsibility of management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Town of Newmarket, New Hampshire, as of June 30, 2004, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust funds for the year then ended in conformity with generally accepted accounting principles.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying individual fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

The Mercier Group, a *professional corporation*
October 9, 2004

Management's Discussion & Analysis

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Town of Newmarket's (the Town) annual financial report presents management's discussion and analysis of the Town's financial performance during the fiscal year ended June 30, 2004. Please read it in conjunction with the Town's financial statements, which follow this section.

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by $64,279,835.00 (net assets).
- The Town's total cash and investments totaled $11,576,510.00 at June 30, 2004 representing a decrease of $1,883,710.00 from June 30, 2003.
- The Town had program revenues of $3,927,400.00 and program expenses of $8,281,395.00 for the year ended June 30, 2004.
- The General Fund (operating fund) reflected on a modified accrual basis of accounting, reports a $1,694,643.00 in fund balance (surplus)
- The total General Fund actual expenditures were $50,743.00 less than the 2003/2004 Budgeted Expenditures.

Overview of the Financial Statements

The discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements are comprised of the following components:

	REQUIRED STATEMENTS	PURPOSE & INFORMATION INCLUDED
Government-Wide	-Statement of Net Assets -State of Activities	Provides short and long-term information about our overall financial status, and how our net assets have changed. The statement of net assets includes all assets and liabilities, both operational and capital. The statement of activities accounts for all of the current year's revenue and expenses.
Fund Financials: Governmental Funds	-Balance Sheet -Statement of Revenues, Expenditures and Changes in Fund Balances	Provides detailed short-term information on revenues, expenses and fund balances for the current year. Focus is on revenue sources, expenditure categories, and on the balance left at year-end.
Fund Financials: Fiduciary Funds	-Statement of Fiduciary Net Assets -Statement of Changes in Fiduciary Net Assets	Provides information on funds for which the Town acts as a trustee, or fiduciary. The Town cannot use these assets to finance its own operations, but is responsible for ensuring that the assets reported here are used for their intended purposes.
Fund Financials: Business Enterprise Funds	-Statement of Net Assets -Statement of Changes in Net Assets	Provides information on funds for which the Water & Sewer Department are responsible and reports activities for which a fee is charged to external users for services. The Water & Sewer Department uses these assets to finance its own operation.
Notes to Financial Statements	Notes to Financial Statements	Provides additional required detailed information and explanations to all statements listed above.
Other Required Supplementary Information	-Budgetary Comparison Schedules	Provides additional information on budgeted vs. actual revenues and expenditures for the year.

Net Assets

Net assets may serve over time as a useful indicator of a governmental entity's financial position. The Town's assets exceeded liabilities by $64,819,946.00 at June 30, 2004.

Capital Assets and Debt Administration

During the year ended June 30, 2004, the Town's Governmental Activities depreciation was less than the additions to equipment resulting in a increase in capital assets (net of depreciation) of ($3,150,842.00) and the Business-Type Activities depreciation was less than the additions to equipment resulting in a increase in capital assets (net of depreciation) of ($422,698.00). Additional information on the Town's capital assets can be found in the notes to the Financial Statements of this report.

As of June 30, 2004, the Governmental Activities (Town) long-term liabilities were $4,186,000.00 and the Business-Type Activities (Water and Sewer Department) long-term liabilities were $2,152,721.00 for total long-term liabilities of $6,338,721.00.

Economic Factors and Next Year's Budget

The following factors were considered in preparing the Town's budget for the 2004/2005 fiscal year:

- Due to increases for utilities including #2 fuel oil (heat), kerosene, gasoline, diesel fuel, and electricity, additional monies have been included in departmental budgets to cover the additional costs for same.
- Due to increases in winter maintenance including salt and sand, additional monies have been included in departmental budgets to cover the additional costs for same.
- The Town continues to include appropriation requests for its Capital Improvements Program, to adequately fund the capital reserve funds in order to meet the necessary requirements for major equipment purchases and improvements when the need arises.

Contacting the Town's Financial Management

The financial report is designed to provide a general overview of the Town's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Finance Director at the Town of Newmarket, 186 Main Street, Newmarket, New Hampshire 03857 or by calling 603-659-3617.

Basic Financial Statements

Exhibit A1

TOWN OF NEWMARKET, NEW HAMPSHIRE

Statement of Net Assets

June 30, 2004

All numbers are expressed in American Dollars

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	313,534		313,534
Investments	9,091,826	2,171,150	11,262,976
Receivables *(net of allowance for uncollectibles)*			
Taxes	4,786,618		4,786,618
Accounts	48,920	172,631	221,551
Intergovernmental receivable	111,989		111,989
Internal balances	(422,184)	437,388	15,204
Tax deeded property held for resale	16,802		
Prepaids	123,437		123,437
Capital assets:			
Land	3,850,000	340,400	4,190,400
Buildings and other structures	2,000,000	4,250,000	6,250,000
Construction in progress	4,868,958		4,868,958
Equipment & furnishings	1,020,000		1,020,000
Vehicles	2,142,300	81,500	2,223,800
Infrastructure	50,000,000	7,732,894	57,732,894
Accumulated depreciation	(10,398,600)	(4,605,618)	(15,004,218)
	67,553,600	10,580,345	78,117,143
LIABILITIES			
Accounts payable and other current liabilities	978,946	153,108	1,132,054
Deffered Revenues	6,325,890		6,325,890
Long-term obligations:			
Due within one year:			
Bonds & notes payable, net of State Aid	175,000	153,772	328,772
Landfill post-closure maintenance	41,000		41,000
Due Beyond one year:			
Bonds & notes payable, net of State Aid	3,150,000	1,516,283	4,666,283
Landfill post-closure maintenance	820,000		820,000
	11,490,836	1,823,163	13,313,999
NET ASSETS			
Invested in capital assets, net of related debt	49,296,658	6,129,121	55,425,779
Restricted for:			
Special Revenues	335,534		335,534
Capital projects	3,036,676		3,036,676
Expendable trusts	2,135,866	858,374	2,994,240
Enterprise fund purposes		1,769,687	1,769,687
Unrestricted	1,258,030		1,258,030
	56,062,764	8,757,182	64,819,946

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

Exhibit A2

TOWN OF NEWMARKET, NEW HAMPSHIRE

Statement of Activities

For the Fiscal Year Ended June 30, 2004

All numbers are expressed in American Dollars.

		Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
				Primary Government		
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Governmental Activities**	**Business-type Activities**	**Total**
Primary government:						
Governmental activities:						
General Government	2,460,199	549,061	979,533	(931,605)		(931,605)
Public safety	1,318,087	249,355	86,466	(982,266)		(982,266)
Highways and streets	593,088			(593,088)		(593,088)
Health	112,103			(112,103)		(112,103)
Welfare	47,360			(47,360)		(47,360)
Culture and recreation	256,665			(256,665)		(256,665)
Conservation	112,194			(112,194)		(112,194)
Economic development	103,606			(103,606)		(103,606)
Interest on long-term debt	116,323			(116,323)		(116,323)
Capital outlay	503,330			(503,330)		(503,330)
Depreciation-unallocated	710,230			(710,230)		(710,230)
	6,333,185	798,416	1,065,999	(4,468,770)	-	(4,468,770)
Business-type activities:						
Water treatment	622,155	836,628	-		214,473	214,473
Wastewater treatment	630,672	823,237	-		192,565	192,565
Solid waste	314,904	205,109	-		(109,795)	(109,795)
Parking	-	30,353	-		30,353	30,353
Recreation Revolving	380,479	162,558	5,100		(212,821)	(212,821)
	1,948,210	2,057,885	5,100	-	114,775	114,775
	8,281,395	2,856,301	1,071,099	(4,468,770)	114,775	(4,353,995)
General revenues and transfers:						
Taxes:						
Property taxes, levied for general purposes				3,254,082		3,254,082
Property taxes, levied for debt services				226,315		226,315
Property Taxes, levied for Tax Increment Financing				540,111		
Licenses and permits				1,352,005		1,352,005
Other local revenues				1,100,608	56,307	1,156,915
Transfers				14,791	351,944	366,735
				6,487,912	408,251	6,356,052
Change in net assets				2,019,142	523,026	2,002,057
Net assets - beginning				54,043,622	8,234,156	62,277,778
Net assets - ending				56,062,764	8,757,182	64,279,835

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

Exhibit B1

TOWN OF NEWMARKET, NEW HAMPSHIRE

Balance Sheet

Governmental Funds

June 30, 2004

All numbers are expressed in American Dollars

	General	Special Revenue	Capital Projects	Captial & Noncapital Reserves	Total Governmental Funds
ASSETS					
Cash and cash equivalents	283,289	30,245			313,534
Investments	2,977,864	380,939	3,473,866	2,259,157	9,091,826
Receivables					
Taxes	4,786,618				4,786,618
Accounts	48,920				48,920
Intergovernmental	92,479		19,510		111,989
Interfund receivable	2,045,686	70	880,287	435	2,926,478
Tax deeded property held for resale	16,802				16,802
Prepaid items	23,982			99,455	123,437
	10,275,640	411,254	4,373,663	2,359,047	17,419,604
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	27,604	14,037	28,267		69,908
Accrued Liabilities	528,726	3,796			532,522
Contracts payable	335,522				335,522
Retainage payable			40,994		40,994
Interfund payable	1,363,255	57,887	1,267,726	659,794	3,348,662
Deferred revenue	6,325,890				6,325,890
	8,580,997	75,720	1,336,987	659,794	10,653,498
Fund balances:					
Reserved for:					
Special purposes, reported in:					
Special revenue funds		335,534			335,534
Capital projects fund			3,036,676		3,036,676
Expendable trust funds				2,135,866	2,135,866
Unreserved (deficit), reported in:					
General fund	1,694,643				1,694,643
Expendable trusts				(436,613)	(436,613)
	1,694,643	335,534	3,036,676	1,699,253	6,766,106
	10,275,640	411,254	4,373,663	2,359,047	17,419,604

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

Exhibit B2

TOWN OF NEWMARKET, NEW HAMPSHIRE

Reconciliation of Governmental Funds

Balance Sheet to the Statement of Net Assets

For the Fiscal Year Ended June 30, 2004

All numbers are expressed in American Dollars

Total Fund Balance - Governmental Funds (Exhibit B1)		6,766,106
Amounts reported for governmental activities in the statement of net assets are differenct because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:		
Land	3,850,000	
Buildings and other structures	2,000,000	
Construction in progress	4,868,958	
Equipment & furnishings	1,020,000	
Vehicles	2,142,300	
Infrastructure	50,000,000	
Accumulated depreciation	(10,398,600)	
		53,482,658
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:		
Bonds Payable	(3,325,000)	
Landfill post-closure maintenance	(861,000)	
		(4,186,000)
Net Assets of Governmental Activities (Exhibit A1)		56,062,764

Exhibit B3

TOWN OF NEWMARKET, NEW HAMPSHIRE

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

For the Fiscal Year Ended June 30, 2004

All numbers are expressed in American Dollars

	General	Special Revenue	Capital Projects	Capital & Noncapital Reserves	Total Governmental Funds
REVENUES					
Property tax assessments	3,480,397		540,111		4,020,508
Licenses and permits	1,351,465	540			1,352,005
State support	511,327		465,706		977,033
Federal support	86,466	2,500			88,966
Charges for services	278,073		2,042	518,301	798,416
Other local sources	32,803	6,121	1,029,893	31,791	1,100,608
	5,740,531	9,161	2,037,752	550,092	8,337,536
EXPENDITURES					
General Government	1,587,426			872,773	2,460,199
Public safety	1,313,954	4,133			1,318,087
Highways and streets	593,088				593,088
Health	112,103				112,103
Welfare	47,360				47,360
Culture and recreation	44,720	211,945			256,665
Conservation	864	111,330			112,194
Economic development	8,029	95,577			103,606
Debt service	226,315		146,008		372,323
Capital outlay	1,418,330		2,946,072		4,364,402
	5,352,189	422,985	3,092,080	872,773	9,740,027
Excess of revenues over(under) expenditures	388,342	(413,824)	(1,054,328)	(322,681)	(1,402,491)
OTHER FINANCING SOURCES (USES)					
Transfers in	198,281		929,235	548,892	1,676,408
Transfers out	(1,068,379)			(593,238)	(1,661,617)
	(870,098)		929,235	(44,346)	14,791
Net change in fund balances	(481,756)	(413,824)	(125,093)	(367,027)	(1,387,700)
Fund balances - beginning	2,176,399	495,855	3,161,769	2,066,280	7,900,303
Fund balances - ending	1,694,643	82,031	3,036,676	1,699,253	6,512,603

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

Exhibit B4

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, 2004

All numbers are expressed in American Dollars

Net change in fund balances - total governmental funds (Exhibit B3)	(1,387,700)
Amounts reported for governmental activities in the statement of activities (Exhibit B) are different because:	
Governmental funds report captial outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	
Reduce expenditures for capital outlays increasing fixed assets	3,861,072
Increase expenditures for depreciation charges	(710,230)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	
Reduction in expenditures for principal payments on debt	256,000
Change in net assets of governmental activities (Exhibit A2)	2,019,142

Exhibit B5

TOWN OF NEWMARKET, NEW HAMPSHIRE

Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

General Fund

For the Fiscal Year Ended June 30, 2004

All numbers are expressed in American Dollars

	Original Budget	Actual (GAAP Basis)	Over(Under) Budget
REVENUES			
Taxes	3,112,518	3,480,397	367,879
Licenses and permits	1,053,385	1,351,465	298,080
State support	513,193	511,327	(1,866)
Federal support	1,000	86,466	85,466
Charges for services	312,312	278,073	(34,239)
Miscellaneous	59,360	32,803	(26,557)
	5,051,768	5,740,531	688,763
EXPENDITURES			
Current:			
General Government	1,570,560	1,587,426	(16,866)
Public safety	1,363,838	1,313,954	49,884
Highways and streets	611,901	593,088	18,813
Health	78,052	112,103	(34,051)
Welfare	47,360	47,360	
Culture and recreation	44,720	44,720	
Conservation	864	864	
Economic development	13,000	8,029	4,971
Debt service	226,315	226,315	
Capital outlay	1,535,789	1,418,330	117,459
	5,492,399	5,352,189	140,210
Excess of revenues over(under) expenditures	(440,631)	388,342	828,973
OTHER FINANCING SOURCES (USES)			
Transfers in	203,077	198,281	4,796
Transfers out	(978,912)	(1,068,379)	89,467
	(775,835)	(870,098)	94,263
Net change in fund balances	(1,216,466)	(481,756)	923,236
Fund balances - beginning	2,176,399	2,176,399	
Fund balances - ending	959,933	1,694,643	923,236

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

Exhibit B6

TOWN OF NEWMARKET, NEW HAMPSHIRE

Statement of Net Assets

Proprietary Funds

June 30, 2004

All numbers are expressed in American Dollars

	Business-type Activities ~ Enterprise Funds					
	Water Treatment	Wastewater Treatment	Solid Waste	Parking	Recreation Revolving	Total
ASSETS						
Current assets:						
Investments	1,281,599	579,641	246,343	44,950	18,617	2,171,150
Accounts receivable	76,478	77,309	18,844			172,631
Interfund receivable	150,329	237,188		23,623	71,322	482,462
	1,508,406	894,138	265,187	68,573	89,939	2,826,243
Noncurrent assets:						
Capital assets:						
Land	400	340,000				340,400
Buildings and other structures	2,400,000	1,850,000				4,250,000
Vehicles	18,000	63,500				81,500
Infrastructure	5,500,236	2,232,658				7,732,894
Accumulated depreciation	(3,307,424)	(1,298,194)				(4,605,618)
	4,611,212	3,187,964				7,799,176
	6,119,618	4,082,102	265,187	68,573	89,939	10,625,419
LIABILITIES						
Current liabilities:						
Accounts payable and accrued liabilities	32,705	19,603	4,568		49,779	106,655
Contracts payable	20,162	26,291				46,453
Interfund payable			45,074			45,074
Bonds & notes payable, net of State Aid	82,513	71,259				153,772
	135,380	117,153	49,642		49,779	351,954
Long-term liabilities:						
Bonds & notes payable, net of State Aid	436,321	1,079,962				1,516,283
	571,701	1,197,115	49,642		49,779	1,868,237
NET ASSETS						
Invested in capital assets, net of related debt	4,092,378	2,036,743				6,129,121
Restricted for capital outlays *(Capital Reserve Funds)*	289,035	569,339				858,374
Unrestricted	1,166,504	278,905	215,545	68,573	40,160	1,769,687
	5,547,917	2,884,987	215,545	68,573	40,160	8,757,182

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

Exhibit B7

TOWN OF NEWMARKET, NEW HAMPSHIRE

Statement of Revenue, Expenditures and Changes in Net Fund Assets

Properity Funds

For the Fiscal Year Ended June 30, 2004

All numbers are expressed in American Dollars

	Business-type Activities ~ Enterprise Funds					
	Water Treatment	Wastewater Treatment	Solid Waste	Parking	Recreation Revolving	Total
OPERATING REVENUES						
Operating grants and contributions:						
State aid						
DCYF Grant					5,100	5,100
Charges for services:						
User charges	760,576	745,621	183,922	30,353	162,558	1,883,030
Entrance fees	30,000	37,000				67,000
Job Works & materials	914					914
Outside sales			19,929			19,929
Administrative charges	5,348					5,348
Municipal charges	39,790					39,790
Other services		40,616	1,258			41,874
	836,628	823,237	205,109	30,353	167,658	2,062,985
OPERATING EXPENSES						
Wages and benefits	248,591	255,305	3,262		213,094	720,252
Purchased services	42,945	70,075	209,344			322,364
Operating supplies	17,635	50,437	8,333		4,260	80,665
Operations & maintenance	125,668	116,276	29,760		97,791	369,495
General and administrative	6,864	5,323	788		4,220	17,195
Nondepreciable capital expenses			63,417		61,114	124,531
Depreciation	180,452	133,256				313,708
	622,155	630,672	314,904		380,479	1,948,210
Operating income(loss)	214,473	192,565	(109,795)	30,353	(212,821)	114,775
NONOPERATING INCOME(EXPENSE)						
State grant		158,342				158,342
Earnings on investments	5,467	7,467	1,942	286	65	15,227
Interest expense, net of State Aid	(55,344)	(61,918)				(117,262)
	(49,877)	103,891	1,942	286	65	56,307
Income before contributions and transfers	164,596	296,456	(107,853)	30,639	(212,756)	171,082
CONTRIBUTIONS AND TRANSFERS						
Transfers in			159,958		191,986	351,944
Changes in net assets	164,596	296,456	52,105	30,639	(20,770)	523,026
Total net assets - beginning	5,383,321	2,588,531	163,440	37,934	60,930	8,234,156
Total net assets - ending	5,547,917	2,884,987	215,545	68,573	40,160	8,757,182

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

Exhibit B8

TOWN OF NEWMARKET, NEW HAMPSHIRE

Statement of Cash Flows

Proprietary Funds

For the Fiscal Year Ended June 30, 2004

All numbers are expressed in American Dollars

	Business-type Activities ~ Enterprise Funds					
	Water Treatment	Wastewater Treatment	Solid Waste	Parking	Recreation Revolving	Total
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers and users	816,741	795,283	186,265	30,353	162,558	1,991,200
Receipts from operating grants and contributions					5,100	5,100
Payments to suppliers for goods and services	(208,419)	(267,053)	(3,259)		(207,246)	(685,977)
Payments to employees for services	(248,115)	(254,293)	(316,726)		(139,113)	(958,247)
	360,207	273,937	(133,720)	30,353	(178,701)	352,076
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						-
Operating Transfer from(to) other funds			159,958		191,986	351,944
Nonoperating grants received		158,342				158,342
Net advances from(to) other funds	(64,300)	(219,776)	7,636	(18,248)	(2,220)	(296,908)
	(64,300)	(61,434)	167,594	(18,248)	189,766	213,378
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						-
Purchases of capital assets	(429,665)	(265,518)				(695,183)
Principal paid on capital debt	(115,000)	(119,040)				(234,040)
Interest paid on capital debt	(55,344)	(61,918)				(117,262)
State aid received	34,069	47,781				81,850
	(565,940)	(398,695)	-	-	-	(964,635)
CASH FLOWS FROM INVESTING ACTIVITIES						-
Sale(Purchase) of investments	264,566	178,725	(35,816)	(12,391)	(11,130)	383,954
Interest and dividends received	5,467	7,467	1,942	286	65	15,227
	270,033	186,192	(33,874)	(12,105)	(11,065)	399,181
Net increase(decrease) in cash and cash equivalents	-	-	-	-	-	-
Cash and cash equivalents - beginning	-	-	-	-	-	-
Cash and cash equivalents - ending	-	-	-	-	-	-

Exhibit B8

TOWN OF NEWMARKET, NEW HAMPSHIRE

Statement of Cash Flows

Proprietary Funds

For the Fiscal Year Ended June 30, 2004

All numbers are expressed in American Dollars

	Business-type Activities ~ Enterprise Funds					
	Water Treatment	Wastewater Treatment	Solid Waste	Parking	Recreation Revolving	Total
(Exhibit B8 - Continued)						
Reconciliation of operating income (loss) to net cash received(used) by operating activities:						
Operating income (loss)	214,473	192,565	(109,795)	30,353	(212,821)	114,775
Adjustments to reconcile operating income(loss) to net cash received from(used by) operating activities:						
Depreciation expense	180,452	133,256				313,708
(Increase) decrease in accounts receivable	(19,887)	(27,954)	(18,844)			(66,685)
Increase (decrease) in accounts payable	(15,307)	(24,942)	(5,084)		28,272	(17,061)
Increase (decrease) in accrued payroll and benefits	476	1,012	3		5,848	7,339
	145,734	81,372	(23,925)		34,120	237,301
Net cash received from (used by) operating activitie	360,207	273,937	(133,720)	30,353	(178,701)	352,076
Noncash investing, capital, and financing activities:	none	none	none	none	none	

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

Exhibit B9

TOWN OF NEWMARKET, NEW HAMPSHIRE

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2004

All numbers are expressed in American Dollars

	Private-Purpose Trusts		
	Non-expendable		
	Town	Library	Agency Funds
ASSETS			
Cash and cash equivalents			48,006
Investments, at fair value	1,046,161	33,575	780,656
	1,046,161	33,575	828,662
LIABILITIES			
Interfund payable	15,204		
Agency deposits			828,662
	15,204		828,662
NET ASSETS			
Reserved for endowments	837,910	10,000	
Reserved for special purposes	193,047	23,575	
	1,030,957	33,575	

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

Exhibit B10

TOWN OF NEWMARKET, NEW HAMPSHIRE

Statement of Changes in Fiduciary Net Assets

Fiduciary Funds

For the Fiscal Year Ended June 30, 2004

All numbers are expressed in American Dollars

	Private-Purpose Trusts		
	Non-expendable		
	Town	Library	Agency Funds
ADDITIONS:			
New funds received			85,643
Perpetual care	11,500		
Gifts and contributions	480		
	11,980		85,643
Investment earnings:			
Interest and dividends	37,448		
Net increase(decrease) in the fair value of investment	(5,793)		
	31,655		
	43,635		85,643
DEDUCTIONS:			
Cemetery care	24,520		
Scholarships	10,275		
Other distributions			72
	34,795		72
Change in net assets	8,840		85,571
Net assets - beginning	1,022,117	33,575	743,091
Net assets - ending	1,030,957	33,575	828,662

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Newmarket is a New Hampshire Municipal Corporation governed by a Town Council and other elected officials under a local charter form of government. Operations are directed by a Town Administrator appointed by the Council. The financial statements of the Town have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to the governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Town's accounting policies and its conformity with such principles are disclosed below. These disclosures are an integral part of the Town's financial statements.

The financial statements of the Town have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the Town are described below.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments.* Certain of the significant changes in the Statement include the following:

- For the first time the financial statements include:

  A Management's Discussion and Analysis (MD&A) providing an analysis of the Town's overall financial position and results of operations.

  Financial statements prepared using full-accrual accounting for all of the Town's activities.

- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements) as of June 30, 2004.

FINANCIAL REPORTING ENTITY

The accompanying financial statements present the government and its component units. A component unit is defined by GASB as a legally separate organization for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with a primary government is such that the exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Blended component units, although legally separate entities, are, in substance, part of the government's operations. Based on the foregoing criteria, no other organizations are included in the Town's financial reporting entity and the Town is not a component unit of any other primary government.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

Separate financial statements are provided for governmental funds, 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.

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. 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. 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.

Tax assessments (property and other taxes), grants, charges for services, 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. If any, only the portion of special assessments

receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

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

- The *Special Revenue Fund* accounts for the many grants and restricted funds received annually by the Town.

- The *Capital Projects Fund* accounts for resources accumulated and payments made for the acquisition and improvement of sites, construction and remodel of facilities, and procurement of equipment necessary for providing educational programs for all students within the Town.

- The *Expendable Trusts fund* accounts for the Town's capital and non-capital reserve funds which are restricted for specific purposes

The government reports the following major proprietary funds:

- The *Water Treatment Fund* accounts for the activities of the Town's water treatment utility.
- The *Wastewater Treatment Fund* accounts for the activities of the Town's wastewater utility.
- The *Solid Waste Fund* accounts for the activities of the Town's Landfill and recycling programs.
- The *Parking Fund* accounts for the activities of the Town's parking facilities and services.
- The *Recreation Revolving Fund* accounts for the Town's recreation programs.

Additionally, the government reports the following other fund types:

- The P*rivate-purpose Trusts Fund* is used to account for resources legally held by Town's Trustees of Trust Funds in trust for various donor-restricted purposes. A portion of these trusts are accounted for as non-expendable which means that only income balances may be spent. The original principal of these trusts net of any capital gains or losses must be preserved as capital. All other resources of the fund, including any earnings on invested resources, may be used to support the Town's activities.

- The *Agency Fund* accounts for the assets held on behalf of the public school district, contractors and developers.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the

extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* 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.

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

General Budget Policies – 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 that govern the Town's operations. The Town votes appropriations by official ballot in accordance with State Statutes and its Town Charter. Appropriations are made on an annual basis for the General and all significant Special Revenue Funds. Project-length financial plans are adopted for all Capital Project Funds. Except as reconciled below, budgets are adopted on a basis generally consistent with the modified accrual basis of accounting. Management may transfer appropriations between operating categories as they deem necessary, but expenditures may not legally exceed budgeted appropriations in total. Unexpended balances of special articles for specific purposes may not be transferred. All annual appropriations lapse at year-end unless encumbered. In the case of emergency expenditures, over-expenditures are allowed under the provisions of the Municipal Budget Law (RSA Chapter 32) if prior approval is secured from the State Department of Education. State statutes require balanced budgets, but provide for the use of beginning unreserved fund balance to achieve that end. In the fiscal year 2003-04, $1,130,000 beginning General Fund balance was applied for this purpose.

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 fund balance at June 30 and are carried forward to supplement appropriations of the subsequent year. Amounts recorded as budgetary expenditures in the *Budgetary Comparison Schedule (Exhibit C1)* are presented on the basis budgeted by the Town. Since there were no encumbrances at the beginning or end of the fiscal year, those reported in conformity with generally accepted accounting principles in the *Statement of Revenues, Expenditures and Changes in Fund Balances (Exhibit B3)* were the same.

ASSETS, LIABILITIES AND FUND EQUITY

Deposits and Investments. For financial reporting purposes, cash and equivalents include amounts in demand deposits and money market funds, as well as certificates of deposit and short-term investments with original maturities of 90 days or less. With the exception of Library and Trust Fund monies, which are held by separately elected trustees, the Town Treasurer is required by State statute to have custody of all monies belonging to the Town and shall pay out the same only upon orders of the selectmen. The Town Treasurer shall deposit all such monies in solvent banks in the state or in participation units in the public deposit investment pool established pursuant to RSA 383:22. Funds may be deposited in banks outside the state if such banks pledge and deliver to the state treasurer as collateral security for such deposits in value at least equal to the amount of the deposit in each case.

Whenever the Town Treasurer has an excess of funds which are not immediately needed for the purpose of expenditure, State statutes require the Treasurer, with the approval of the Town Manager, to invest the same in obligations of the United States government, in savings bank deposits of banks incorporated under the laws of the State of New Hampshire or in certificates of deposits of banks incorporated under the laws of the State of New Hampshire or in national banks located within this state or the Commonwealth of Massachusetts. Any person who directly or indirectly receives any such funds or monies 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.

The Town Trustees are authorized by State statute to invest Trust Funds, including Capital Reserve Funds, in obligations of political subdivisions and stocks, bonds that are legal for investment by New Hampshire savings banks except mutual funds unless the mutual funds are registered with the Securities and Exchange Commission, qualified for sale in the State of New Hampshire in accordance with the New Hampshire Uniform Securities Act of the New Hampshire Secretary of State's Office, and have in their prospectus a stated investment policy that is consistent with the investment policy adopted by the Trustees of Trust Funds in accordance with RSA 35:9. The Trustees may also invest trust funds in New Hampshire credit unions and in the public deposit investment pool established pursuant to RSA 383:22. Capital Reserve funds must be kept in separate accounts and not intermingled with other funds.

With the exception of investments in the New Hampshire Public Deposit Investment Pool (the Pool), investments are stated at market value. Under the terms of GASB Statement #31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, the Pool is considered to be a **2a7-like pool** which means that it has a policy that it will, and does operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. This rule allows SEC-registered mutual funds to use amortized cost rather than market value to report net assets to compute share prices if certain conditions are met. Therefore, the Town reports its investments in the Pool at amortized cost, which equals the Pool's participation unit price.

Receivables. Revenues for the most part are recorded when received, except for the following items for which receivables have been recorded: ***Tax revenue*** is recorded when a warrant for collection is committed to the Tax Collector. However, any taxes not liened or deeded within statutory time limits and 1.0% of the remaining uncollected balances have been reserved. The National Council on Governmental Accounting (NCGA), Interpretation 3, Revenue Recognition - Property Taxes, requires that if property taxes are not collected within 60 days after year end, the revenue is not considered an "available spendable resource" and should be deferred. As prescribed by law, the Tax Collector places a lien on properties for all uncollected property taxes in the following year after taxes are due. The lien on these properties has priority over other liens and accrues interest at 18% per annum. If property is not redeemed within the 2-year redemption period, the property is tax-deeded to the Town. ***Interest on investments*** is recorded as revenue in the year earned. Certain ***grants*** received from other governments require that eligible expenditures be made in order to earn the grant. Revenue for these grants is recorded for the period in which eligible expenditures are made. Various ***service charges*** (Water, Sewer, Landfill, Ambulance, etc.) are recorded as revenue for the period when service was provided.

Internal Balances – Interfund Receivables and Payables. During the course of normal operations, the Town has transactions between funds, including expenditures and transfers of resources to provide services and fund capital outlay. Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances. The Town considers all receivables collectible and therefore makes no provision for bad debt in its financial statements.

Inventories and Prepaid Items. Inventory in the Governmental and Proprietary Funds consists of expendable supplies held for consumption. The cost thereof has been recorded as an expenditure at the time individual inventory items were purchased. 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.

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 government as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

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

Assets	Years
Buildings	40
Building improvements	20
Public domain infrastructure	40-60
System infrastructure	20
Vehicles	5
Office equipment	5
Computer equipment	5
Other equipment & furnishings	10

Deferred Revenue. Deferred revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenue also arises when the government receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

Long-Term Obligations. In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

Compensated Absences. It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All benefits are accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

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

Comparative data/reclassification. Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation Of Certain Differences Between The Governmental Fund Balance Sheet And The Government-Wide Statement Of Net Assets (Exhibit B2) – Differences between *fund equity* in the governmental fund financial statements (Exhibit B1) prepared on the modified accrual basis of accounting and *net assets* in the government-wide financial statements (Exhibit A1) prepared on the accrual basis of accounting are explained in detail in Exhibit B2. The primary differences between the two are that fixed assets and related items add to net assets and that long-term debts and related items generally decrease equity in the Statement of Net Assets.

Explanation Of Certain Differences Between The Governmental Fund Statement Of Revenues, Expenditures, And Changes In Fund Balances And The Government-Wide Statement Of Activities (Exhibit B4) – Differences between *changes in net assets of governmental activities* as reported in the government-wide statement of activities (Exhibit A2) prepared on the accrual basis of accounting and the *net changes in fund balances-total governmental funds* in the governmental fund statement of revenues, expenditures, and changes in fund balances (Exhibit B3) prepared on the modified accrual basis of accounting are explained in detail in Exhibit B4. As noted above, the differences relate primarily to the way in which fixed asset and long-term debt transactions are reported. One element of the reconciliation explains that governmental funds report capital outlays as expenditures where as the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense in the government-wide statements.

Another element of that reconciliation states that "the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities."

Other reconciling items include expenses reported in the statement of activities that do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." These would include the changes in compensated absences payable, certain claims and judgments, accrued interest and amortization transactions.

STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

DEFICIT FUND BALANCES

Project Deficits

The following projects had fund deficits at June 30, 2004:

Capital Project Fund	
Public Works and Fire Department Complex	$ 680,289
Black Bear Business Park	294,041
	$ 974,330

Generally, this deficit arises because of the application of generally accepted accounting principles to the financial reporting for these funds. Bonds or notes authorized to finance the projects are not recognized on the financial statements until issued. This project is being funded from the unreserved fund balance and from capital reserve funds. The short-term project loans will be converted to permanent debt upon completion of the project. Debt proceeds will be recognized as project revenues at that time.

ASSETS

CASH AND EQUIVALENTS

Deposits ~ The Town's cash deposits are categorized to give an indication of the level of risk assumed by the entity at year-end. ***Category 1***~ Includes deposits that are insured or collateralized with securities held by the Town or by its agent in the Town's name; ***Category 2*** ~ Includes deposits that are collateralized with securities held by the pledging financial institution, its trust department or agent in the Town's name; ***Category 3*** ~ Includes deposits that are uninsured and uncollateralized.

	Category			Bank	Carrying
	1	2	3	Balance	Value
Governmental Activities:					
Cash & Equivalents					
Bank Deposits & Petty Cash	130,245	-	294,470	424,715	313,534
Fiduciary Funds:					
Cash & Equivalents					
Bank Deposits	48,006	-	-	48,006	48,006
	$ 178,251	$ -	$ 294,470	$ 472,721	$ 361,540

INVESTMENTS

The Town's investments are categorized to give an indication of the level of risk assumed by the entity at year-end. ***Category 1*** Includes investments that are insured or registered, for which the securities are held by the Town or its agent in the Town's name. ***Category 2*** Includes uninsured and unregistered investments, for which the securities are held by the Town, broker, counter party's trust department or agent in the Town's name. ***Category 3*** Includes uninsured and unregistered investments, for which the securities are held by the broker, counter party, counter party's trust department, or agent, but not in the Town's name.

	Category			Fair
	1	2	3	Value
Governmental Activities:				
Bank Certificates of Deposits	$ 2,259,157	$ -	$ -	$ 2,259,157
New Hampshire Public Deposit Investment Pool				6,832,669
				9,091,826
Business-Type Activities:				
New Hampshire Public Deposit Investment Pool				2,171,150
Fiduciary Funds:				
Bank Certificates of Deposits	$ 1,472,117	$ -	$ -	$ 1,472,117
Mutual Funds				388,275
				1,860,392
				13,123,368

Based on Governmental Accounting Standards Board (GASB) Statement No. 3, investments with the New Hampshire Public Deposit Investment Pool are considered unclassified. At this time, the Pool's investments are limited to short-term U.S. Treasury and U.S. Government Agency obligations, State of New Hampshire municipal obligations, certificates of deposit from AI/PI-rated banks, money market mutual funds (maximum of 20% of portfolio), overnight to 30-day repurchase agreements and reverse overnight repurchase agreements with primary dealers or dealer banks.

PROPERTY TAXES

The property tax year is from April 1 to March 31 and all property taxes are assessed on the inventory taken in April of that year. The 2003 property tax levy was based on a net assessed valuation as of April 1, 2003 of $494,815,008. State Education Taxes were based on a State-wide equalized valuation of $490,738,008. In connection with the setting of the tax rate, Town Officials, with the approval of the New Hampshire Department of Revenue Administration, establish and raise through taxation an amount for abatements and refunds of property taxes, known as overlay. This amount is reported as a reduction in tax revenue and is adjusted by management for any tax reserves at year-end.

The tax rate for the year ended June 30, 2004, was as follows:

Municipal Portion	$ 6.80
Local School Tax Assessment	10.31
State Education Tax Assessment	4.64
County Tax Assessment	1.19
	$ 22.94

Property taxes collected by the Town include taxes levied for other governmental entities as follows:

Newmarket School District:		
Local School District Assessment	$5,100,971	
State Education Tax Assessment	2,276,256	
		$7,377,227
Rockingham County:		
Local Tax Assessment	598,982	
Pass-Through State Shared Revenue	(10,991)	
		587,991
		$7,965,218

The responsibility for the collection of taxes rests with the Town and tax amounts must be remitted to other municipal entities as requested. Any amounts due at year end are reported in these financial statements as Intergovernmental payables.

The Town subscribes to the semi-annual method of tax collection as provided for by RSA 76:15-a. Under this method, tax bills are sent on or around June 1 and November 1 of each year, with interest accruing at a rate of 12% on bills outstanding for more than 30 days. The June 1 billing is considered an estimate only and is one half of the previous year's tax billing. The remaining balance of taxes due is billed in the fall after the State Department of Revenue Administration has calculated and approved the Town's tax rate for the fiscal year.

As prescribed by law, within 18 months of the date assessed, the Tax Collector places a lien on properties for all uncollected property taxes in the following year after taxes are due. The lien on these properties has priority over other liens and accrues interest at 18% per annum. If property is not redeemed within the 2-year redemption period, the property is tax-deeded to the Town. During the current year, the Tax Collector on May 1, 2004 placed liens on related properties for all uncollected 2003 tax accounts not otherwise protected by court decree.

TAXES RECEIVABLE

Taxes receivable at June 30, 2004, are as follows:

Uncollected Taxes *(Levy of 2004)*		
Property	$4,693,043	
Resident	36,347	
Land Use Change	8,500	
Timber Yield	1,227	
		$4,739,117
Unredeemed Taxes (under tax lien)		
Levy of 2003	111,431	
Levy of 2002	31,950	
		143,381
Elderly and Disabled Liens		15,956
		4,898,454
Reserve for non-current taxes receivable		(111,836)
		$4,786,618

ACCOUNTS RECEIVABLES

Other receivables as of June 30, 2004 are as follows:

Accounts receivables as of December 31, 2004 are as follows:

	Governmental Activities	Business-Type Activities
Accounts		
Ambulance services	$ 40,019	$ -
Water services	-	76,478
Wastewater services	-	77,309
Solid waste services	-	18,844
Other	30,693	-
	70,712	172,631
Less: Allowance for non-current receivables	(21,792)	-
	$ 48,920	$ 172,631

INTERGOVERNMENTAL RECEIVABLES

Amounts due from other governmental entities representing various grants and allocations receivable at June 30, 2004 were as follows:

	Governmental Activities
Federal Government	$ 53,053
State of New Hampshire	19,510
Other local governments	39,426
	$ 111,989

INTERNAL BALANCES ~ INTERFUND RECEIVABLES/PAYABLES

Individual fund interfund receivable and payable balances at June 30, 2004 are as follows:

	Internal Balance/ Interfund Receivable	Internal Balance/ Interfund Payable
Governmental Activities:		
General Fund	$2,045,686	$1,363,255
Special Revenues Fund:		
Public Library		18,181
Pistol Permits	70	
Recreation Revolving	71,322	
Conservation Commission		39,706
Capital Projects Fund:		
Main Street Enhancements	644,307	
Department of Justice Federal Equity Sharing		7,110
Waterfront CDBG	47,000	
Open Space	188,980	
Public Works & Fire Department Complex		648,020
Downtown Business District		612,565
Black Bear Business Park		31
Expendable Trusts Fund:		
Capital Reserve – *Municipal Transportation Improvement*	435	
General Fund Trust – *Health Insurance Activities*		659,794
Business-type Activities:		
Water Treatment	150,329	
Wastewater Treatment	237,188	
Solid Waste		45,074
Parking Meters	23,623	
Private-purpose Trust:		
Cemetery Trusts		15,204
	$3,408,940	$3,408,940

FIXED ASSETS

A summary of changes in fixed assets for the fiscal year ended December 31, 2004 is as follows:

	Governmental Activities			
	Beginning Balances	**Additions**	**Deductions**	**Ending Balances**
Land	$ 3,000,000	$ 850,000	$ -	$ 3,850,000
Buildings & Other Structures	2,000,000			2,000,000
Construction in Progress	1,922,886	2,946,072		4,868,958
Equipment	1,020,000			1,020,000
Vehicles	2,077,300	65,000		2,142,300
Infrustructure	50,000,000	-	-	50,000,000
	60,020,186	3,861,072	-	63,881,258
Less: Accumulated Depreciation	(9,688,370)	(710,230)	-	(10,398,600)
	$ 50,331,816	$ 3,150,842	$ -	$ 53,482,658

	Business-Type Activities ~ Water Treatment			
	Beginning Balances	**Additions**	**Deductions**	**Ending Balances**
Land	$ 400	$ -	$ -	$ 400
Buildings & Other Structures	2,400,000			2,400,000
Vehicles	18,000			18,000
Infrustructure	5,050,409	449,827	-	5,500,236
	7,468,809	449,827	-	7,918,636
Less: Accumulated Depreciation	(3,126,972)	(180,452)	-	(3,307,424)
	$ 4,341,837	$ 269,375	$ -	$ 4,611,212

	Business-Type Activities ~ Wastewater Treatment			
	Beginning Balances	**Additions**	**Deductions**	**Ending Balances**
Land	$ 340,000	$ -	$ -	$ 340,000
Buildings & Other Structures	1,850,000			1,850,000
Vehicles	63,500			63,500
Infrustructure	1,946,079	286,579	-	2,232,658
	4,199,579	286,579	-	4,486,158
Less: Accumulated Depreciation	(1,164,938)	(133,256)	-	(1,298,194)
	$ 3,034,641	$ 153,323	$ -	$ 3,187,964

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, and natural disasters. During the fiscal year, the Town was a member of the following public-entity risk pools, currently operating as a common risk management and insurance programs for member Towns and school administrative units.

The ***New Hampshire Public Risk Management Exchange (Primex [3]) Workers' Compensation and P/C GROUP*** are pooled risk management programs under RSA 5-B and RSA 281-A. The following is a summary of worker's compensation and property/liability coverages provided during the fiscal year by Primex [3], which retained $500,000 of each loss. The Board has determined to self-insure the aggregate exposure and has allocated funds based on actuarial analysis for that purpose.

1. *The Workers' Compensation and Employers' Liability policy includes:*

   Workers' Compensation:
   Statutory Coverage

   Employers' Liability:
   Bodily injury by accident, $2,000,000 each accident;
   Bodily injury by disease – $2,000,000 each employee

2. *The combined liability package policy includes:*

   Property:
   Blanket limit – all risk replacement cost, $1,000 deductible

   Auto:
   Non-owned, hired auto. Any leased or owned autos scheduled: ACV for comp/collision, $250/$250 deductible, except busses at $500/$500 deductible

   Liability:
   $150,000/$500,000 per occurrence; if not subject to RSA 507-B, then $1,000,000 per occurrence/$2,000,000 annual aggregate

   Errors & Omissions:

   Claims made basis. Claims seeking damages, $1,000,000 per claim; $2,500 deductible, Defense only claims, $100,000 per claim/$300,000 annual aggregate; $2,500/$5,000 deductible; then 100% covered to $40,000; then 50/50 share to $75,000; then 100% covered to $100,000

   Crime:

   Faithful performance blanket bond $100,000; Treasurer's bond $100,000, if listed

   Umbrella:

   If listed; School, College, and University Underwriters, Ltd. NH-1998-001

   Boiler & Machinery:

   As listed, building limits, broad form

The Member Participation Agreement permits *Primex*[3] to make additional assessments to members should there be a deficiency in Trust assets to meet its liabilities. At this time, the Trust foresees no likelihood of an additional assessment for this or any prior year. Claims have not exceeded insurance coverage in any of the past years.

LIABILITIES

AGENCY DEPOSITS

Amounts held for others at June 30, 2004 were as follows:

Agency Funds

Newmarket School District	
Capital Reserve Funds	$ 382,763
Developers' Performance Bonds	57,624
Employee Benefit Plan Assets:	
Deferred Compensation Plan - ICMA	258,596
Deferred Compensation Plan - Nationwide	129,679
	$ 828,662

DEFERRED REVENUE

Deferred Revenue at June 30, 2004 were as follows:

2004-2005 fiscal year Property taxes billed on May 15, 2004	$6,107,948
Impact Fees	217,150
Other	792
	$6,325,890

DEFINED BENEFIT PENSION PLAN

Full-time employees participate in the State of New Hampshire Retirement System (the System), a multiple-employer contributory pension plan and trust established in 1967 by RSA 100-A:2 and is qualified as a tax-exempt organization under Sections 401(a) and 501(a) of the Internal Revenue Code. The plan is a contributory, defined benefit plan providing service, disability, death and vested retirement benefits to members and their beneficiaries. Substantially all full-time state employees, public school teachers and administrators, permanent firefighters and permanent police officers within the State of New Hampshire are eligible and required to participate in the System. Full-time employees of political subdivisions, including counties, municipalities and Towns, are also eligible to participate as a group if the governing body of the political subdivision has elected participation.

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

The payroll for employees covered by the System for the year ended June 30, 2004, was $2,167,046; the Town's total payroll was $2,616,175. Contribution requirements for the year ended June 30, 2004, were as follows:

State of New Hampshire	$ 30,125
Town's Portion	141,853
Employees' Portion	138,904
	$ 310,882

DEFERRED COMPENSATION PLAN

Deferred Compensation Plan - The Town offers its employees deferred compensation plans through the International City Manager's Association and Nationwide Insurance Company. Both plans were created in accordance with Internal Revenue Code Section 457. The plans, available to all employees, permit employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Plan assets and corresponding liabilities to employees for deferred compensation is recorded as agency funds. Plan assets are reported at fair market value.

Both plans are administered by independent companies and the Town remits all compensation deferred to this administrator for investment as requested by the participant employees. All compensation deferred and funded under the plans, all investments purchased and all income attributable there to are solely the property and rights of the Town (until paid or made available to the employee or other beneficiary), subject only to the claims of the Town's general creditors. Participants' rights under the plan are equal to those of general creditors of the Town in an amount equal to the fair market value of the deferred account for each participant. It is the opinion of Management that the Town has no liability for losses under the plans but does have the duty of due care that would be required of an ordinary prudent investor. The Town believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

LONG-TERM DEBT

Changes in General Long-Term Debt. The following is a summary of the Town's general long-term debt transactions for the fiscal year ended June 30, 2004:

	Balance July 1, 2003	Issued	Retired	Balance June 30, 2004	Due Within One Year
Governmental Activities:					
Bonds and Notes Payable	$ 3,540,000		$ 215,000	$ 3,325,000	$ 175,000
Landfill Closure & Long-Term Maintanance	902,000		41,000	861,000	41,000
	4,442,000	-	256,000	4,186,000	216,000
Business-Type Activities:					
Major Enterprise Funds					
Bonds and Notes Payable					
Water Treatment	885,000		195,000	690,000	115,000
Wastewater Treatment	1,581,761		119,040	1,462,721	119,040
	2,466,761	-	314,040	2,152,721	234,040
	$ 6,908,761	$ -	$ 570,040	$ 6,338,721	$ 450,040

Long-term Debt Payable. Long-term debt payable at June 30, 2004, is comprised of the following individual issues:

Description of Issue	Original Amount	Issue Date	Maturity Date	Rate %	June 30, 2004
Governmental Activities:					
Bonds & Notes Payable					
General Fund					
Open Space Conservation	$ 2,000,000	01/15/03	01/15/23	4.25-4.90	$ 1,900,000
Capital Projects					
Downtown TIF Improvements	1,500,000	01/15/03	01/15/23	4.25-4.90	1,425,000
					3,325,000
Landfill Closure & LT Maintenance					861,000
					4,186,000
Business-Type Activities:					
Water Treatment					
Water Facility Bond	2,300,000	01/15/89	01/15/10	6.8-6.875	690,000
Wastewater Treatment					
Sewer Construction Bond	800,000	08/15/85	08/15/05	8.80-9.90	40,000
Creighton Street Pump/Outfall Notes	1,964,777	03/05/03	01/01/22	3.704	1,422,721
					2,152,721
					$ 6,338,721

Annual Requirements To Amortize General Obligation Debt. The annual requirements to amortize all general obligation debt outstanding as of June 30, 2004, including interest payments, are as follows:

Governmental Activities:

Fiscal Year Ending	General Obligation Notes and Bonds		
December 31,	Principal	Interest	Total
2005	$ 175,000	$ 147,088	$ 322,088
2006	175,000	139,650	314,650
2007	175,000	132,213	307,213
2008	175,000	124,775	299,775
2009	175,000	117,338	292,338
2010-23	2,450,000	846,655	3,296,655
	$ 3,325,000	$ 1,507,719	$ 4,832,719

Business-Type Activities:

Fiscal Year Ending	Water Treatment Debt		
December 31,	Principal	Interest	Total
2005	$ 115,000	$ 47,437	$ 162,437
2006	115,000	39,531	154,531
2007	115,000	31,625	146,625
2008	115,000	23,719	138,719
2009	115,000	15,813	130,813
2010	115,000	7,906	122,906
	$ 690,000	$ 166,031	$ 856,031

Fiscal Year Ending	Wastewater Treatment Debt		
December 31,	Principal	Interest	Total
2005	$ 119,040	$ 55,298	$ 174,338
2006	79,040	49,770	128,810
2007	79,040	46,842	125,882
2008	79,040	43,915	122,955
2009	79,040	40,987	120,027
2010-22	1,027,521	266,416	1,293,937
	$ 1,462,721	$ 503,228	$ 1,965,949

All debt is general obligation debt of the Town, which is backed by its full faith and credit. Enterprise Fund debt will be repaid from user fees.

Fiscal Year Ending	Estimated Landfill Post-Closure Costs		
December 31,	Principal	Interest	Total
2005	$ 41,000	$ -	$ 41,000
2006	41,000	-	41,000
2007	41,000	-	41,000
2008	41,000	-	41,000
2009	41,000	-	41,000
2010-21	656,000	-	656,000
	$ 861,000	$ -	$ 861,000

The Town's Landfill closure construction was completed according to State and Federal regulations in 1995. Postclosure monitoring and other costs are estimated at $41,000 per year or $861,000 over the next 21 years (30 years from closure). This estimated total current cost of the landfill postclosure care is based on the amount that would be paid if all equipment, facilities, and services required to monitor and maintain the landfill were acquired as of June 30, 2004. However, the actual cost of post-closure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

The State of New Hampshire Department of Environmental Services requires that all entities which receive licensing for landfills since 1991 meet general financial assurance requirements. The Town has met these requirements. The Town expects to finance the post-closure care costs by annual appropriations and fees collected through a pay-per-bag program.

State Aid

Under various State of New Hampshire Funding Programs, the Town receives a percent of the annual amortization charges on the original costs resulting from the acquisition and construction of sewage disposal facilities and water filtration facilities. The following is a summary of changes in State Aid receivable for the year ended December 31, 2004:

	Balance January 1, 2004	New Grants	Grants Received	Balance June 30, 2004	Due Within One Year
Business-Type Activities:					
Major Enterprise Funds					
Water Treatment	$ 205,235		$ 34,069	$ 171,166	$ 32,487
Wastewater Treatment	359,281		47,781	311,500	47,781
	$ 564,516	$ -	$ 81,850	$ 482,666	$ 80,268

As of December 31, 2004, the Town is due to receive the following annual amounts to offset debt payments:

Fiscal Year Ending December 31,	For Water Treatment Debt		
	Principal	Interest	Total
2005	$ 32,487	$ -	$ 32,487
2006	30,906	-	30,906
2007	29,285	-	29,285
2008	27,744	-	27,744
2009	26,163	-	26,163
2010	24,581	-	24,581
	$ 171,166	$ -	$ 171,166

Fiscal Year Ending December 31,	For Wastewater Treatment Debt		
	Principal	Interest	Total
2005	$ 47,781	$ 13,178	$ 60,959
2006	15,513	9,768	25,281
2007	15,513	9,193	24,706
2008	15,513	8,619	24,132
2009	15,513	8,044	23,557
2010-22	201,667	52,289	253,956
	$ 311,500	$ 101,091	$ 412,591

Bonds or Notes Authorized - Unissued

Bonds and notes authorized and unissued as of June 30, 2004 were as follows:

Authorization	Purpose	Unissued Amount
May 12, 1998 ~ Article 8	Black Bear Business Park Infrastructure Improvements	$ 3,250,000
May 14, 2002 ~ Article 4	Water Treatment System Infrastructure Improvements	$ 2,150,000
May 14, 2002 ~ Article 5	Wastewater Collection System Infrastructure Improvements	$ 800,000
May 13, 2003 ~ Article 3	Downtown TIF Infrastructure Improvements	$ 1,000,000
May 11, 2004 ~ Article 3	Capital Project	
March 1994	Renovate McCallen Building	1,600,000
		$ 8,800,000

SEGMENT INFORMATION FOR BUSINESS-TYPE FUNDS

Selected segment information for the Town's Business-type funds for the fiscal year ended June 30, 2004, was as follows:

	Water Treatment	Wastewater Treatment	Solid Waste	Parking	Recreation Revolving
Operating revenues	$ 836,628	$ 823,237	$ 205,109	$ 30,353	$ 167,658
Depreciation	180,452	133,256	-	-	-
Operating income(loss)	214,473	192,565	(109,795)	30,353	(212,821)
Change in net assets	164,596	296,456	52,105	30,639	(20,770)
Net working capital	1,373,026	776,985	215,545	68,573	40,106
Total assets	6,119,618	4,082,102	265,187	68,573	89,939
Bonds and other long-term liabilities	436,321	1,079,962	-	-	-
Total net assets(deficit)	5,547,917	2,884,987	215,545	68,573	40,160

FUND EQUITY

RESERVATIONS OF FUND BALANCES

Restricted Net Assets/Reserved for Special Purposes - Amounts restricted to fund purposes for subsequent year's expenditures representing contractual obligations to purchase and/or legally obligated revenues that may only be used for restricted fund purposes were as follows:

Governmental Activities:

Special Revenues Fund	
Public Library	$ 120,909
Conservation Commission	208,797
Drug Forfeiture	2,637
Pistol Permits	3,191
	$ 335,534

Capital Projects		
Main Street Enhancements		$ 700,054
Council Public Access		38,323
Department of Justice Federal Equity Sharing		813
Open Space		1,395,395
Public Works & Fire Department Complex		(680,289)
Waterfront CDBG		47,000
Downtown Business District		1,829,421
Black Bear Business Park		(294,041)
		$ 3,036,676
Expendable Trusts		
Capital and Non-capital Reserves Fund		
Capital Reserves:		
Ambulance	$ 76,445	
Works Department	185,933	
Fire Department	270,754	
Revaluation	21,093	
Library	74,458	
Roadway Improvement	373,262	
Building Improvement	213,943	
Safety Building	6,031	
Downtown Redevelopment	76,926	
Recreational Facility	312,858	
Waterfront Improvements	86,196	
Main Street Roadway	1	
Police Vehicles	65,505	
Municipal Transportation Improvement	156,486	
Public Works Facility	201,164	
etc.	166	
Non-capital Reserves:		
Riverside Cemetery Maintenance	8,407	
Newmarket Veteran's Memorial	5,275	
Health Insurance Trust	963	
		$ 2,135,866
Health Trust		(436,613)
		$ 1,699,253

Private Purpose Trusts – Trust funds held by the Town and Library Trustees at December 31, 2004 for donor-restricted purposes were as follows:

	Non-expendable Endowment	Expendable for Trust Purposes	Total
Non-expendable Trusts:			
Town Trusts:			
Cemetery	$ 404,580	$ 165,549	$ 570,129
Scholarship	270,933	16,284	287,217
Community cultural	75,000	11,214	86,214
Downtown infrastructue improvements	1	-	1
Unrealized gain on investments	87,396	-	87,396
	837,910	193,047	1,030,957
Library Trusts:			
Support of the Newmarket Public Library	10,000	23,575	33,575
	$ 847,910	$ 216,622	$ 1,064,532

SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

GRANTS

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

LITIGATION

There are various claims and suits pending against the Town, which arise in the normal course of the Town's 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.

Required Supplementary Information

Exhibit C1

TOWN OF NEWMARKET, NEW HAMPSHIRE

Budgetary Comparison Schedule

Budget to Actual (Non-GAAP Budgetary Basis) - General Fund

For the Fiscal Year Ended June 30, 2004

All amounts are expressed in American Dollars

	Budgeted Amounts			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Taxes	3,112,518	3,112,518	3,480,397	367,879
Licenses and permits	1,053,385	1,053,385	1,351,465	298,080
State support	513,193	513,193	511,327	(1,866)
Federal support	1,000	87,466	86,466	(1,000)
Charges for services	312,312	312,312	278,073	(34,239)
Miscellaneous	59,360	59,360	32,803	(26,557)
	5,051,768	5,138,234	5,740,531	602,297
EXPENDITURES				
Current:				
General Government	1,570,560	1,570,560	1,587,426	(16,866)
Support services:				
Public safety	1,277,372	1,363,838	1,313,954	49,884
Highways and streets	611,901	611,901	593,088	18,813
Health	78,052	78,052	112,103	(34,051)
Welfare	47,360	47,360	47,360	
Culture and recreation	44,720	44,720	44,720	
Conservation	864	864	864	
Economic development	13,000	13,000	8,029	4,971
Debt service	226,315	226,315	226,315	
Capital outlay	1,502,712	1,535,789	1,418,330	117,459
	5,372,856	5,492,399	5,352,189	140,210
Excess of revenues over(under) expenditures	(321,088)	(354,165)	388,342	742,507
OTHER FINANCING SOURCES (USES)				
Transfers in	170,000	203,077	198,281	(4,796)
Transfers out	(978,912)	(978,912)	(1,068,379)	(89,467)
	(808,912)	(775,835)	(870,098)	(94,263)
Net change in fund balances	(1,130,000)	(1,130,000)	(481,756)	648,244
Unreserved Fund balances - beginning	2,176,399	2,176,399	2,176,399	
Unreserved Fund balances - ending	1,046,399	1,046,399	1,694,643	648,244

The budgetary comparison schedule – Budget to Actual (Non-GAAP Budgetary Basis) presents comparisons of the original and final legally adopted budget with actual data on a budgetary basis.

General Budget Policies

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 that govern the Town's operations. The Town votes appropriations by official ballot in accordance with State Statutes and its Town Charter. Appropriations are made on an annual basis for the General and all significant Special Revenue Funds. Project-length financial plans are adopted for all Capital Project Funds. Except as reconciled below, budgets are adopted on a basis generally consistent with the modified accrual basis of accounting. Management may transfer appropriations between operating categories as they deem necessary, but expenditures may not legally exceed budgeted appropriations in total. Unexpended balances of special articles for specific purposes may not be transferred. All annual appropriations lapse at year-end unless encumbered. In the case of emergency expenditures, over-expenditures are allowed under the provisions of the Municipal Budget Law (RSA Chapter 32) if prior approval is secured from the State Department of Education. State statutes require balanced budgets, but provide for the use of beginning unreserved fund balance to achieve that end. In the fiscal year 2003-04, $1,130,000 beginning General Fund balance was applied for this purpose.

Encumbrances

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 fund balance at June 30 and are carried forward to supplement appropriations of the subsequent year. Amounts recorded as budgetary expenditures in the *Budgetary Comparison Schedule (Exhibit C1)* are presented on the basis budgeted by the Town. Since there were no encumbrances at the beginning or end of the fiscal year, those reported in conformity with generally accepted accounting principles in the *Statement of Revenues, Expenditures and Changes in Fund Balances (Exhibit B3)* were the same.

Individual Fund Financial Statements and Schedules

Schedule D1a

TOWN OF NEWMARKET, NEW HAMPSHIRE

General Fund

Detailed Schedule of Estimated and Actual Revenues

For the Fiscal Year Ended June 30, 2004

All amounts are expressed in American Dollars

	Original & Final Budget	RSA 198:20b Authorizations	Actual (GAAP Basis)	Over (Under) Budget
REVENUES				
Taxes				
Property	3,348,771		3,385,520	36,749
Land Use	30,000		45,825	15,825
Resident	57,000		54,705	(2,295)
Timber yield			1,227	1,227
Payments in lieu of taxes	57,829		60,487	2,658
Excavation tax	620		2,718	2,098
Other taxes				
Interest and penalties on delinquent taxes	50,000		63,526	13,526
Overlay	(431,702)		(133,611)	298,091
	3,112,518		3,480,397	367,879
Licenses and permits				
Business licenses and permits				
Motor vehicle fees	935,000		1,158,453	223,453
Building permits	30,000		84,445	54,445
Franchise fees	73,000		96,621	23,621
Other licenses, permits and fees	15,385		11,946	(3,439)
	1,053,385		1,351,465	298,080
State Support				
Shared revenue block grant	125,579		125,579	
Meals and rooms tax distributions	252,117		252,117	
Highway block grant	133,466		130,842	(2,624)
Railroad tax	2,031		2,031	
Other			758	758
	513,193		511,327	(1,866)
Federal Support				
Homeland security grant		38,758	38,758	
Drug task force		8,855	8,855	
Resource officer		38,853	38,853	
Other grants	1,000			(1,000)
	1,000	86,466	86,466	(1,000)
Charges for Services				
Income From Departments				
General Government Services:				
Planning & zoning fees	20,000		27,676	7,676
Other	2,525		1,042	(1,483)
Public safety services:				
Police department	93,950		104,746	10,796
Amublance	70,000		76,710	6,710
Fire department	6,000		6,305	305
Dispatch	58,181		61,594	3,413
Other	61,656			(61,656)
	312,312		278,073	(34,239)
Miscellaneous				
Sale of municipal property	1,000		211	(789)
Interest on investments	45,000		22,595	(22,405)
Rents of property	9,360		9,997	637
Insurance dividends and reimbursements	4,000			(4,000)
	59,360		32,803	(26,557)
OTHER FINANCING SOURCES				
Operating transfers in - Interfund Transfers				
Nonexpendable Trust Funds -				
Cemetery Perpetual Care	20,000		15,204	(4,796)
Capital & Noncapital Reserve Funds -				
Public Works Facility (for Suflex Property)	50,000		50,000	
Public Safety (for Suflex Property)	100,000		100,000	
Building Improvement		21,577	21,577	
Public Works Department		4,500	4,500	
Public Works Facility		7,000	7,000	
	170,000	33,077	198,281	(4,796)
Total revenues and other financing sources	5,221,768	119,543	5,938,812	597,501
Unreserved Fund Balance Used to Reduce Tax Rate	1,130,000			
Total revenues and use of fund balance	6,351,768			

Schedule D1b

TOWN OF NEWMARKET, NEW HAMPSHIRE

General Fund

Detailed Statement of Appropriations, Expenditures and Encumbrances

For the Fiscal Year Ended June 30, 2004

all numbers are expressed in American Dollars

	Voted Appropriations	RSA 198:20b Authorizations	Expenditures Net of Refunds	(Over) Under Budget
EXPENDITURES				
Current				
General Government				
Executive	189,662		182,826	6,836
Election, Registration & Vital Statistics	120,036		119,712	324
Financial Administration	175,944		175,246	698
Revaluation of Property	59,112		58,811	301
Legal Expenses	30,500		54,750	(24,250)
Employee Benefits	650,060		668,571	(18,511)
Planning and Zoning	75,425		78,450	(3,025)
General Government Buildings	192,601		175,164	17,437
Cemeteries	25,720		24,946	774
Insurance, not otherwise allocated	51,500		48,950	2,550
	1,570,560	-	1,587,426	(16,866)
Public safety				
Police Department	1,029,191	38,853	1,020,178	47,866
Drug Task Force Grant Expenses		8,855	8,855	-
Fire Department	177,857		176,871	986
Building Inspection (code enforcement)	68,074		68,044	30
Emergency management	2,250		1,248	1,002
Homeland Security Grant Expenses		38,758	38,758	-
	1,277,372	86,466	1,313,954	49,884
Highways and streets				
Administration	349,839		333,523	16,316
Highways and Streets	77,700		68,798	8,902
Vehicle Maintenance	154,762		164,030	(9,268)
Bridges	100			100
Street Lighting	29,500		26,737	2,763
	611,901	-	593,088	18,813
Health				
Health Administration	78,052		112,103	(34,051)
	78,052	-	112,103	(34,051)
Welfare				
Social Service Agencies	47,360		47,360	-
	47,360	-	47,360	-
Culture and recreation				
Recreational Programs	42,920		42,920	-
Patriotic Purposes	1,800		1,800	-
	44,720	-	44,720	-
Conservation				
Conservation Commission	864		864	-
	864	-	864	-
Economic development				
Economic Development	13,000		8,029	4,971
	13,000	-	8,029	4,971
Debt service				
Principal of long-term debt	140,000		140,000	-
Interest expense - long-term debt	86,315		86,315	-
	226,315	-	226,315	-

Schedule D1b

TOWN OF NEWMARKET, NEW HAMPSHIRE

General Fund

Detailed Statement of Appropriations, Expenditures and Encumbrances

For the Fiscal Year Ended June 30, 2004

all numbers are expressed in American Dollars

	Voted Appropriations	RSA 198:20b Authorizations	Expenditures Net of Refunds	(Over) Under Budget
Facilities acquisition and construction				
Land and Improvements:				-
Suflex property acquisition	850,000		850,000	-
Machinery, vehicles & equipment				-
Fire/Rescue equipment	24,000		24,000	-
Police vehicles	30,000		25,575	4,425
Public works vehicle	137,500		137,500	-
ISO facilites	26,665		26,215	450
Buildings				-
Public works facility improvements *(CRF)*		33,077	33,077	-
Improvements other than buildings				-
Roadway improvements	145,000		95,000	50,000
Paving	153,338		106,321	47,017
Sidewalks	50,000		35,918	14,082
Revaluation	20,000		20,000	-
Telecommunications	41,209		39,724	1,485
Waterfront improvements	25,000		25,000	-
	1,502,712	33,077	1,418,330	117,459
OTHER FINANCING USES				
Operating transfers out - Interfund transfers				-
Special revenue				-
Public Library	201,593		194,043	7,550
Capital & Noncapital Reserves:				
Ambulance	4,802		4,802	-
Fire Department	41,607		41,607	-
Library	20,880		20,880	-
Road Improvement			50,000	(50,000)
Building Improvement	68,377		68,377	-
Safety Building	60,000		60,000	-
Downtown Redevelopment	29,500		29,500	-
Recreational Facility	121,400		121,400	-
Waterfrom Improvement	25,000		25,000	-
Police Vehicles	20,309		20,309	-
Mun Transportation Impr			47,017	(47,017)
Public Works Facility	60,000		60,000	-
Business-type Funds:				-
Solid Waste	159,958		159,958	-
Recreation	165,486		165,486	-
	978,912		1,068,379	(89,467)
	6,351,768	119,543	6,420,568	50,743

Schedule D2a

TOWN OF NEWMARKET, NEW HAMPSHIRE

Balance Sheet

Special Revenue Funds

June 30, 2004

All numbers are expressed in American Do

	Special Revenue						
	Public Library	**Conservation Commision**	**Community Development Corporation**	**Drug Forfeiture**	**DARE**	**Pistol Permits**	**Total**
ASSETS							
Cash and cash equivalents	29,995					250	30,245
Investments	113,671	261,760		2,637		2,871	380,939
Interfund receivable						70	70
	143,666	261,760	-	2,637	-	3,191	411,254
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	780	13,257					14,037
Accrued Liabilities	3,796						3,796
Interfund payable	18,181	39,706					57,887
	22,757	52,963	-	-	-	-	75,720
Fund balances:							
Reserved for special purposes, reported in:							
Special revenue funds	120,909	208,797	-	2,637	-	3,191	335,534
	120,909	208,797	-	2,637	-	3,191	335,534
	143,666	261,760	-	2,637	-	3,191	411,254

Schedule D2b

TOWN OF NEWMARKET, NEW HAMPSHIRE

Statement of Revenues, Expenditures, and Changes in Fund Balances

Special Revenue Funds

For the Fiscal Year Ended June 30, 2004

All numbers are expressed in American Dollars

	Special Revenue						
	Public Library	**Conservation Commision**	**Community Development Corporation**	**Drug Forfeiture**	**DARE**	**Pistol Permits**	**Total**
REVENUES							
Taxes		45,825					45,825
Licenses and permits						540	540
Federal support				2,500			2,500
Miscellaneous	436	4,753	635	18	260	19	6,121
	436	50,578	635	2,518	260	559	54,986
EXPENDITURES							
Current:							
Public safety				2,500	1,337	296	4,133
Culture and recreation	211,945						211,945
Conservation		111,330					111,330
Economic Development			95,577				95,577
	211,945	111,330	95,577	2,500	1,337	296	422,985
Excess (deficiency) of revenues over (under) expenditures	(211,509)	(60,752)	(94,942)	18	(1,077)	263	(367,999)
OTHER FINANCING SOURCES (USES)							
Transfers in	207,678						207,678
	207,678	-	-	-	-	-	207,678
Net change in fund balances	(3,831)	(60,752)	(94,942)	18	(1,077)	263	(160,321)
Fund balances - beginning	124,740	269,549	94,942	2,619	1,077	2,928	495,855
Fund balances - ending	120,909	208,797	-	2,637	-	3,191	335,534

Schedule D3a

TOWN OF NEWMARKET, NEW HAMPSHIRE

Balance Sheet

Capital Projects Fund

June 30, 2004

All numbers are expressed in American Dollars

	Capital Projects								
	Main Street Enhancements	Council Public Access	Department of Justice - Federal Equity Sharing	Open Space	Public Works & Fire Department Complex	Waterfront CDBG	Downtown Business District	Black Bear Business Park	Total
ASSETS									
Investments	73,042	38,323	7,923	1,206,602			1,829,452	318,524	3,473,866
Intergovernmental receivable	19,510								19,510
Interfund receivable	644,307			188,980		47,000			880,287
	736,859	38,323	7,923	1,395,582	-	47,000	1,829,452	318,524	4,373,663
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable	28,080			187					28,267
Retainage payable	8,725				32,269				40,994
Interfund payable			7,110		648,020		31	612,565	1,267,726
	36,805	-	7,110	187	680,289	-	31	612,565	1,336,987
Fund balances:									
Reserved for:									
Special purposes, reported in:									
Capital project funds	700,054	38,323	813	1,395,395	(680,289)	47,000	1,829,421	(294,041)	3,036,676
	736,859	38,323	7,923	1,395,582	-	47,000	1,829,452	318,524	4,373,663

Schedule D3b

TOWN OF NEWMARKET, NEW HAMPSHIRE

Statement of Revenues, Expenditures, and Changes in Fund Balances

Capital Projects Fund

For the Fiscal Year Ended June 30, 2004

All numbers are expressed in American Dollars

	Capital Projects								
	Main Street Enhancements	Council Public Access	Department of Justice - Federal Equity Sharing	Open Space	Public Works & Fire Department Complex	Waterfront CDBG	Downtown Business District	Black Bear Business Park	Total
REVENUES									
Taxes							455,903	84,208	540,111
State support	22,943			442,763					465,706
Charges for services	2,042								2,042
Miscellaneous	67,499	244	54	942,301			14,399	5,396	1,029,893
	92,484	244	54	1,385,064	-	-	470,302	89,604	2,037,752
EXPENDITURES									
Debt service:									-
Principal							75,000		75,000
Interest							71,008		71,008
Capital outlay:									-
Real property acquisition				1,507,395	3,388				1,510,783
Architectural/engineering	124,087								124,087
Construction	22,460				46,826	3,000	615,856	620,583	1,308,725
Project administration	422				2,055				2,477
	146,969	-	-	1,507,395	52,269	3,000	761,864	620,583	3,092,080
Excess (deficiency) of revenues over (under) expenditures	(54,485)	244	54	(122,331)	(52,269)	(3,000)	(291,562)	(530,979)	(1,054,328)
OTHER FINANCING SOURCES (USES)									
Transfers in	607,255			50,000	221,980	50,000			929,235
	607,255	-	-	50,000	221,980	50,000	-	-	929,235
Net change in fund balances	552,770	244	54	(72,331)	169,711	47,000	(291,562)	(530,979)	(125,093)
Fund balances - beginning	147,284	38,079	759	1,467,726	(850,000)	-	2,120,983	236,938	3,161,769
Fund balances - ending	700,054	38,323	813	1,395,395	(680,289)	47,000	1,829,421	(294,041)	3,036,676

Schedule D3a

TOWN OF NEWMARKET, NEW HAMPSHIRE

Balance Sheet

Expendable Trusts Fund

June 30, 2004

All numbers are expressed in American Dollars

	Expendable Trusts		
	Capital & Noncapital Reserves	**Health Trust**	**Total**
ASSETS			
Investments	2,135,431	123,726	2,259,157
Interfund receivable	435		435
Prepaid items		99,455	99,455
	2,135,866	223,181	2,359,047
LIABILITIES AND FUND BALANCES			
Liabilities:			
Interfund payable		659,794	659,794
	-	659,794	659,794
Fund balances:			
Reserved for:			-
Special purposes, reported in:			-
Expendable Trusts	2,135,866		2,135,866
Unreserved(deficit), reported in:			
Expendable trust funds		(436,613)	(436,613)
	2,135,866	(436,613)	1,699,253
	2,135,866	223,181	2,359,047

Schedule D3b

TOWN OF NEWMARKET, NEW HAMPSHIRE

Statement of Revenues, Expenditures, and Changes in Fund Balances

Expendable Trusts Fund

For the Fiscal Year Ended June 30, 2004

All numbers are expressed in American Dollars

	Expendable Trusts		
	Capital & Noncapital Reserves	**Health Trust**	**Total**
REVENUES			
Charges for services		518,301	518,301
Miscellaneous	31,152	639	31,791
	31,152	518,940	550,092
EXPENDITURES			
Current:			
General government	1,185	871,588	872,773
	1,185	871,588	872,773
Excess (deficiency) of revenues over (under) expenditures	29,967	(352,648)	(322,681)
OTHER FINANCING SOURCES (USES)			
Transfers in	548,892		548,892
Transfers out	(593,238)		(593,238)
	(44,346)	-	(44,346)
Net change in fund balances	(14,379)	(352,648)	(367,027)
Fund balances - beginning	2,150,245	(83,965)	2,066,280
Fund balances(deficits) - ending	2,135,866	(436,613)	1,699,253

Schedule D4a

TOWN OF NEWMARKET, NEW HAMPSHIRE

Combining Statement of Changes in Assets and Liabilities

All Agency Funds

For the Fiscal Year Ended June 30, 2004

All amounts are expressed in American Dollars

	Beginning Balance	Additions	Deductions	Ending Balance
ASSETS				
Cash and equivalents	47,863	215	72	48,006
Investments	695,228	85,428		780,656
	743,091	85,643	72	828,662
LIABILITIES				
Agency deposits:				
Newmarket School District				
Capital Reserve Funds:				
School Account	378,870	3,887		382,757
Newmarket School Improvement	6			6
Developers' Performance Bonds	47,863	9,833	72	57,624
Employee Benefit Plan Assets:				
Section 457 Deferred Compensation Plan ~ *ICMA*	212,003	46,593		258,596
Section 457 Deferred Compensation Plan ~ *Nationwide*	104,349	25,330		129,679
	743,091	85,643	72	828,662