

TOWN OF NEWMARKET, NEW HAMPSHIRE

FINANCIAL STATEMENTS  
AND SUPPLEMENTAL SCHEDULES

JUNE 30, 2005

**The Mercier Group**, *a professional corporation*

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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

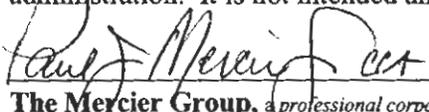
In planning and performing our audit of the Town of Newmarket, New Hampshire for the year ended June 30, 2005, we considered the Town's internal control structure in order to determine the scope of our auditing procedures for the purpose of expressing our opinion on the financial statements. Our review 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. Areas of opportunity for further consideration include:

- **Centralization of accounting functions for the Library Trust Funds.** Unfortunately, some records were not available at the time of audit, which led to delays in the Town's ability to complete its financial statements.
- **Accounting for interfund-transfers and capital acquisitions.** In connection with the Town's capital improvement program and the need for capital asset accounting under GASB 34, we recommend that interfund transfers to (or from) capital reserve funds not be intermingled with other revenue and expenditure line items. For efficiencies in being able to report on capital outlays, transfers of resources between funds and expenditures for capital outlays should clearly stand apart in the accounting records.

This report is intended solely for the information and use of management and others within the administration. It is not intended and should not be used by anyone other than those specified parties.

  
The Mercier Group, a professional corporation  
July 28, 2005

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## *INDEPENDENT AUDITOR'S REPORT ON FINANCIAL PRESENTATION*

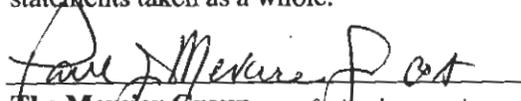
To the Members of the Town Council  
Town of Newmarket, New Hampshire  
Newmarket, New Hampshire

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Town of Newmarket, New Hampshire as of and for the year ended June 30, 2005, which collectively comprise the Town's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of management. Our responsibility is to express opinions 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 opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Newmarket, New Hampshire, as of June 30, 2005, 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 opinions 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  
July 28, 2005

# **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, 2005. 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 \$69,267,036.00 (net assets).
- The Town's total cash and investments totaled \$13,850,869.00 at June 30, 2005 representing an increase of \$2,274,359.00 from June 30, 2004.
- The Town had program revenues of \$4,256,866.00 and program expenses of \$8,449,183.00 for the year ended June 30, 2005.
- The General Fund (operating fund) reflected on a modified accrual basis of accounting, reports a \$1,804,385.00 in fund balance (surplus)
- The total General Fund actual expenditures were \$68,018.00 less than the 2004/2005 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 \$69,267,036.00 at June 30, 2005.

## **Capital Assets and Debt Administration**

During the year ended June 30, 2005, the Town's Governmental Activities depreciation was less than the additions to equipment resulting in a increase in capital assets (net of depreciation) of (\$2,537,983.00) and the Business-Type Activities depreciation was more than the additions to equipment resulting in a decrease in capital assets (net of depreciation) of (\$313,352.00). 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, 2005, the Governmental Activities (Town) long-term liabilities were \$3,970,000.00 and the Business-Type Activities (Water and Sewer Department) long-term liabilities were \$1,516,283.00 for total long-term liabilities of \$5,486,283.00.

## **Economic Factors and Next Year's Budget**

The following factors were considered in preparing the Town's budget for the 2005/2006 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.

## **Recommendations of the Independent Auditor**

Currently, the Finance Director is communicating with the Library Trustees to better communicate Library Trust Fund information to the independent auditor at year end.

The accounting structure is being changed to better reflect transfers between projects and entities within the Town of Newmarket.

## **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, 2005

*All numbers are expressed in American Dollars*

	<b>Primary</b>		
	<b>Primary Government</b>		
	<b>Governmental</b>	<b>Business-type</b>	<b>Total</b>
<b>Activities</b>	<b>Activities</b>		
<b>ASSETS</b>			
Cash and cash equivalents	8,569,806	1,060,264	9,630,070
Investments	3,687,501	533,298	4,220,799
Receivables <i>(net of allowance for uncollectibles)</i>			
Taxes	2,714,189		2,714,189
Accounts	164,254	156,295	320,549
Intergovernmental receivable	20,008		20,008
Internal balances	(1,317,592)	1,332,831	15,239
Tax dedeed property held for resale	16,802		
Prepays	49,599		49,599
Capital assets:			
Land	4,615,497	340,400	4,955,897
Buildings and other structures	3,941,980	2,400,000	6,341,980
Construction in progress	5,194,825		5,194,825
Equipment & furnishings	1,020,000	1,850,000	2,870,000
Vehicles	1,420,907	81,500	1,502,407
Infrastructure	50,000,000	7,732,894	57,732,894
Accumulated depreciation	(7,735,068)	(4,918,970)	(12,654,038)
	<u>72,362,708</u>	<u>10,568,512</u>	<u>82,914,418</u>
<b>LIABILITIES</b>			
Accounts payable and other current liabilities	853,323	167,663	1,020,986
Deffered Revenues	7,156,926		7,156,926
Long-term obligations:			
Due within one year:			
Bonds & notes payable, net of State Aid	175,000	147,621	322,621
Landfill post-closure maintenance	41,000		41,000
Due Beyond one year:			
Bonds & notes payable, net of State Aid	2,975,000	1,368,662	4,343,662
Landfill post-closure maintenance	779,000		779,000
	<u>11,980,249</u>	<u>1,683,946</u>	<u>13,664,195</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	54,488,141	5,966,541	60,454,682
Restricted for:			
Special Revenues	369,105		369,105
Capital projects	1,704,789		1,704,789
Expendable trusts	2,016,039	1,059,989	3,076,028
Enterprise fund purposes		1,858,036	1,858,036
Unrestricted	1,804,385		1,804,385
	<u>60,382,459</u>	<u>8,884,566</u>	<u>69,267,025</u>

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, 2005

*All numbers are expressed in American Dollars.*

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		Total
				Governmental Activities	Business-type Activities	
<b>Primary government:</b>						
<i>Governmental activities:</i>						
General Government	2,472,946	787,259	418,348	(1,267,339)		(1,267,339)
Public safety	1,332,645	235,062	73,853	(1,023,730)		(1,023,730)
Highways and streets	730,350		143,252	(587,098)		(587,098)
Welfare	157,829			(157,829)		(157,829)
Culture and recreation	284,531			(284,531)		(284,531)
Conservation	44,352			(44,352)		(44,352)
Economic development	10,525			(10,525)		(10,525)
Interest on long-term debt	147,088			(147,088)		(147,088)
Capital outlay	360,851		446,960	86,109		86,109
Depreciation-unallocated	694,268			(694,268)		(694,268)
	<u>6,235,385</u>	<u>1,022,321</u>	<u>1,082,413</u>	<u>(4,130,651)</u>		<u>(4,130,651)</u>
<i>Business-type activities:</i>						
Water treatment	664,236	892,485	-	228,249		228,249
Wastewater treatment	841,259	855,271	-	14,012		14,012
Solid waste	343,073	190,271	-	(152,802)		(152,802)
Parking	35,275	14,484	-	(20,791)		(20,791)
Recreation Revolving	329,955	184,721	14,900	(130,334)		(130,334)
	<u>2,213,798</u>	<u>2,137,232</u>	<u>14,900</u>	<u>(61,666)</u>		<u>(61,666)</u>
	<u>8,449,183</u>	<u>3,159,553</u>	<u>1,097,313</u>	<u>(4,130,651)</u>		<u>(4,192,317)</u>
<b>General revenues and transfers:</b>						
<b>Taxes:</b>						
Property taxes, levied for general purposes				3,389,476		3,389,476
Property taxes, levied for debt services				184,050		184,050
Property Taxes, levied for Tax Increment Financing				813,596		1,463,941
Licenses and permits				1,463,941		444,969
Other local revenues				444,969		(109,395)
Nonoperating income(expense)				(109,395)		15,239
Transfers				298,445		5,388,280
				<u>(283,206)</u>		<u>1,195,963</u>
				6,012,826		67,257,466
				1,882,175		8,884,566
				58,500,284		68,453,429
				<u>60,382,459</u>		<u>68,453,429</u>

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, 2005

*All numbers are expressed in American Dollars*

	Special Revenue	Capital Projects	Capital & Noncapital Reserves	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	6,036,515	250	2,533,041	8,569,806
Investments	1,010,909	394,622	2,281,970	3,687,501
Receivables				
Taxes	2,714,189			2,714,189
Accounts	164,254			164,254
Intergovernmental		20,008		20,008
Interfund receivable	2,211,857	30	1,154,182	450
Other receivables				
Tax deeded property held for resale	16,802			16,802
Prepaid items	30,604		18,995	49,599
	<u>12,185,130</u>	<u>394,902</u>	<u>3,456,160</u>	<u>2,552,486</u>
				<u>18,588,678</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	78,207	13,000	9,075	100,282
Accrued Liabilities	497,646	5,338		502,984
Contracts payable	227,248		14,084	241,332
Retainage payable			8,725	8,725
Interfund payable	2,420,718	7,459	1,719,487	536,447
Deferred revenue	7,156,926			7,156,926
	<u>10,380,745</u>	<u>25,797</u>	<u>1,751,371</u>	<u>536,447</u>
				<u>12,694,360</u>
Fund balances:				
Reserved for:				
Special purposes, reported in:				
Special revenue funds		369,105		369,105
Capital projects fund			1,704,789	1,704,789
Expendable trust funds			2,405,132	2,405,132
Unreserved (deficit), reported in:				
General fund	1,804,385			1,804,385
Expendable trusts			(389,093)	(389,093)
	<u>1,804,385</u>	<u>369,105</u>	<u>1,704,789</u>	<u>2,016,039</u>
	<u>12,185,130</u>	<u>394,902</u>	<u>3,456,160</u>	<u>2,552,486</u>
				<u>18,588,678</u>

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, 2005

*All numbers are expressed in American Dollars*

**Total Fund Balance - Governmental Funds (Exhibit B1)** 5,894,318

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Land	4,615,497	
Buildings and other structures	3,941,980	
Construction in progress	5,194,825	
Equipment & furnishings	1,020,000	
Vehicles	1,420,907	
Infrastructure	50,000,000	
Accumulated depreciation	<u>(7,735,068)</u>	58,458,141

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	(3,150,000)	
Landfill post-closure maintenance	<u>(820,000)</u>	<u>(3,970,000)</u>
<b>Net Assets of Governmental Activities (Exhibit A1)</b>		<u><u>60,382,459</u></u>

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, 2005

*All numbers are expressed in American Dollars*

	General	Special Revenue	Capital Projects	Capital & Noncapital Reserves	Total Governmental Funds
<b>REVENUES</b>					
Property tax assessments	3,506,576	66,950	813,596		4,387,122
Licenses and permits	1,463,531	410			1,463,941
State support	561,597				561,597
Federal support	73,856		446,960		520,816
Charges for services	269,142			753,179	1,022,321
Other local sources	72,929	15,904	316,583	39,553	444,969
	<u>5,947,631</u>	<u>83,264</u>	<u>1,577,139</u>	<u>792,732</u>	<u>8,400,766</u>
<b>EXPENDITURES</b>					
General Government	1,812,505			660,441	2,472,946
Public safety	1,331,149	1,496			1,332,645
Highways and streets	776,850				776,850
Welfare	157,829				157,829
Culture and recreation	46,397	238,134			284,531
Conservation	864	43,488			44,352
Economic development	10,525				10,525
Debt service	184,050		138,038		322,088
Capital outlay	554,238		3,033,344		3,587,582
Depreciation - unallocated					
Other					
	<u>4,874,407</u>	<u>283,118</u>	<u>3,171,382</u>	<u>660,441</u>	<u>8,989,348</u>
Excess of revenues over(under) expenditures	<u>1,073,224</u>	<u>(199,854)</u>	<u>(1,594,243)</u>	<u>132,291</u>	<u>(588,582)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	61,739	261,625	305,811	312,854	942,029
Transfers out	(1,025,221)	(28,200)	(43,455)	(128,359)	(1,225,235)
	<u>(963,482)</u>	<u>233,425</u>	<u>262,356</u>	<u>184,495</u>	<u>(283,206)</u>
Net change in fund balances	109,742	33,571	(1,331,887)	316,786	(871,788)
Fund balances - beginning	1,694,643	335,534	3,036,676	1,699,253	6,766,106
Fund balances - ending	<u>1,804,385</u>	<u>369,105</u>	<u>1,704,789</u>	<u>2,016,039</u>	<u>5,894,318</u>

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, 2005*

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*All numbers are expressed in American Dollars*

**Net change in fund balances - total governmental funds (Exhibit B3)** (871,788)

Amounts reported for governmental activities in the statement of activities (Exhibit A2) are different because:

Governmental funds report capital 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.

<i>Reduce expenditures for capital outlays increasing fixed assets</i>	3,273,231
<i>Increase expenditures for depreciation charges</i>	(694,268)

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.

<i>Reduction in expenditures for principal payments on debt</i>	<u>175,000</u>
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<b>Change in net assets of governmental activities (Exhibit A2)</b>	<u><u>1,882,175</u></u>
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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, 2005

*All numbers are expressed in American Dollars*

	<b>Original Budget</b>	<b>Actual (GAAP Basis)</b>	<b>Over(Under) Budget</b>
<b>REVENUES</b>			
Taxes	3,273,149	3,506,576	233,427
Licenses and permits	1,263,385	1,463,531	200,146
State support	553,734	561,597	7,863
Federal support	73,856	73,856	
Charges for services	251,525	269,142	17,617
Miscellaneous	55,497	72,929	17,432
	<u>5,471,146</u>	<u>5,947,631</u>	<u>476,485</u>
<b>EXPENDITURES</b>			
Current:			
General Government	1,815,593	1,812,505	3,088
Public safety	1,358,958	1,331,149	27,809
Highways and streets	694,837	776,850	(82,013)
Welfare	149,449	157,829	(8,380)
Culture and recreation	46,397	46,397	
Conservation	864	864	
Economic development	13,000	10,525	2,475
Debt service	184,050	184,050	
Capital outlay	680,267	554,238	126,029
	<u>4,943,415</u>	<u>4,874,407</u>	<u>69,008</u>
Excess of revenues over(under) expenditures	<u>527,731</u>	<u>1,073,224</u>	<u>545,493</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	66,500	61,739	4,761
Transfers out	(1,024,231)	(1,025,221)	990
	<u>(957,731)</u>	<u>(963,482)</u>	<u>5,751</u>
Net change in fund balances	(430,000)	109,742	551,244
Fund balances - beginning	<u>1,694,643</u>	<u>1,694,643</u>	
Fund balances - ending	<u>1,264,643</u>	<u>1,804,385</u>	<u>551,244</u>

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, 2005

All numbers are expressed in American Dollars

	Business-type Activities ~ Enterprise Funds					Total
	Water Treatment	Wastewater Treatment	Solid Waste	Parking	Recreation Revolving	
<b>ASSETS</b>						
Current assets:						
Cash and cash equivalents	383,895	676,094	200		75	1,060,264
Investments	250,773	10,483	205,117	47,980	18,945	533,298
Accounts receivable	63,274	60,712	32,309			156,295
Interfund receivable	1,106,707	184,014		1,314	55,880	1,347,915
	1,804,649	931,303	237,626	49,294	74,900	3,097,772
Noncurrent assets:						
Capital assets:						
Land	400	340,000				340,400
Buildings and other structures	2,400,000					2,400,000
Equipment & furnishings		1,850,000				1,850,000
Vehicles	18,000	63,500				81,500
Infrastructure	5,500,236	2,232,658				7,732,894
Accumulated depreciation	(3,487,877)	(1,431,093)				(4,918,970)
	4,430,759	3,055,065				7,485,824
	6,235,408	3,986,368	237,626	49,294	74,900	10,583,596
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable and accrued liabilities	49,651	72,777	715	720	31,300	155,163
Contracts payable	12,500					12,500
Interfund payable			15,084			15,084
Bonds & notes payable, net of State Aid	84,094	63,527		720	31,300	147,621
	146,245	136,304	15,799	720	31,300	330,368
Long-term liabilities:						
Bonds & notes payable, net of State Aid	352,227	1,016,435				1,368,662
	498,472	1,152,739	15,799	720	31,300	1,699,030
<b>NET ASSETS</b>						
Invested in capital assets, net of related debt	3,994,438	1,972,103				5,966,541
Restricted for capital outlays ( <i>Capital Reserve Funds</i> )	383,895	676,094		48,574	43,600	1,059,989
Unrestricted	1,358,603	185,432	221,827	48,574	43,600	1,858,036
	5,736,936	2,833,629	221,827	48,574	43,600	8,884,566

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*  
 Proprietary Funds  
 For the Fiscal Year Ended June 30, 2005

All numbers are expressed in American Dollars

	Business-type Activities - Enterprise Funds					Total
	Water Treatment	Wastewater Treatment	Solid Waste	Parking	Recreation Revolving	
<b>OPERATING REVENUES</b>						
Operating grants and contributions:						
State aid					14,900	14,900
DCYF Grant						
Charges for services:						
User charges	761,763	745,621	190,271	14,484	184,721	1,896,860
Entrance fees	90,000	87,950				177,950
Other services	40,722	21,700				62,422
	892,485	855,271	190,271	14,484	199,621	2,152,132
<b>OPERATING EXPENSES</b>						
Wages and benefits	187,745	296,597	6,072		201,681	692,095
Purchased services	77,667	163,601	275,936		37,660	554,864
Operating supplies	16,474	56,850	18,417		13,352	105,093
Operations & maintenance	158,789	148,004	41,873	35,275	44,532	428,473
General and administrative	8,992	27,445	775		22,896	60,108
Nondepreciable capital expenses	34,116	15,863			9,834	59,813
Depreciation	180,453	132,899				313,352
	664,236	841,259	343,073	35,275	329,955	2,213,798
	228,249	14,012	(152,802)	(20,791)	(130,334)	(61,666)
Operating income(loss)						
<b>NONOPERATING INCOME(EXPENSE)</b>						
State grant					38,064	38,064
Earnings on investments	8,208	9,743	4,334	792	328	23,405
Interest expense, net of State Aid	(47,438)	(55,298)				(102,736)
Grant Expenditures	(39,230)	(45,555)	4,334	792	(68,128)	(68,128)
	189,019	(31,543)	(148,468)	(19,999)	(29,736)	(109,395)
Income before contributions and transfers					(160,070)	(171,061)
<b>CONTRIBUTIONS AND TRANSFERS</b>						
Transfers in					163,510	318,260
Transfers out		(19,815)				(19,815)
Changes in net assets	189,019	(51,358)	6,282	(19,999)	3,440	127,384
Total net assets - beginning	5,547,917	2,884,987	215,545	68,573	40,160	8,757,182
Total net assets - ending	5,736,936	2,833,629	221,827	48,574	43,600	8,884,566

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

**TOWN OF NEWMARKET, NEW HAMPSHIRE**

*Statement of Cash Flows*

Proprietary Funds

For the Fiscal Year Ended June 30, 2005

All numbers are expressed in American Dollars

**Business-type Activities ~ Enterprise Funds**

	Water Treatment	Wastewater Treatment	Solid Waste	Parking	Recreation Revolving	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Receipts from customers and users	905,689	868,868	176,806	14,484	184,721	2,150,568
Receipts from operating grants and contributions					14,900	14,900
Payments to suppliers for goods and services	(196,764)	(287,688)	(340,854)	(34,560)	(146,753)	(1,006,619)
Payments to employees for services	(187,745)	(296,597)	(6,072)		(201,681)	(692,095)
	521,180	284,583	(170,120)	(20,076)	(148,813)	466,754
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Operating Transfer from(to) other funds	(90,000)	(19,305)				(109,305)
	(90,000)	(19,305)				(109,305)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Principal paid on capital debt	(115,000)	(119,040)				(234,040)
Interest paid on capital debt	(47,438)	(55,298)				(102,736)
State aid received	32,487	47,781				80,268
	(129,951)	(126,557)				(256,508)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Sale(Purchase) of investments	74,458	527,630	169,328	20,076	148,888	940,380
Interest and dividends received	8,208	9,743	792			18,743
	82,666	537,373	170,120	20,076	148,888	959,123
Net increase(decrease) in cash and cash equivalents	383,895	676,094			75	1,060,064
Cash and cash equivalents - beginning						
Cash and cash equivalents - ending	383,895	676,094			75	1,060,064

Exhibit B8  
**TOWN OF NEWMARKET, NEW HAMPSHIRE**  
*Statement of Cash Flows*  
 Proprietary Funds  
 For the Fiscal Year Ended June 30, 2005

All numbers are expressed in American Dollars

	Business-type Activities ~ Enterprise Funds					Total
	Water Treatment	Wastewater Treatment	Solid Waste	Parking	Recreation Revolving	
Operating income (loss)	228,249	14,012	(152,802)	(20,791)	(130,334)	(61,666)
Adjustments to reconcile operating income(loss) to net cash received(used) by operating activities:						
Depreciation expense	180,453	132,899				313,352
(Increase) decrease in accounts receivable	13,204	16,597	(13,465)			16,336
Increase (decrease) in accounts payable	9,274	26,883	(3,853)	715	(18,479)	14,540
	202,931	176,379	(17,318)	715	(18,479)	344,228
Net cash received from (used by) operating activities	431,180	190,391	(170,120)	(20,076)	(148,813)	282,562
Noncash investing, capital, and financing activities:	none	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, 2005

*All numbers are expressed in American Dollars*

	Private-Purpose Trusts		
	Non-expendable		
	Town	Library	Agency Funds
<b>ASSETS</b>			
Cash and cash equivalents	1,064,228		598,946
Investments, at fair value		35,119	430,998
	1,064,228	35,119	1,029,944
<b>LIABILITIES</b>			
Interfund payable	15,239		
Agency deposits			1,029,944
	15,239		1,029,944
<b>NET ASSETS</b>			
Reserved for endowments	1,048,989		
Reserved for special purposes		35,119	
	1,048,989	35,119	

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

**TOWN OF NEWMARKET, NEW HAMPSHIRE**

*Notes to Financial Statements*

June 30, 2005

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**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, 2005.

**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.

# TOWN OF NEWMARKET, NEW HAMPSHIRE

## Notes to Financial Statements

June 30, 2005

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### 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

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## TOWN OF NEWMARKET, NEW HAMPSHIRE

### Notes to Financial Statements

June 30, 2005

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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 *Private-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

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**TOWN OF NEWMARKET, NEW HAMPSHIRE**

*Notes to Financial Statements*

June 30, 2005

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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 2004-05, \$430,000 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.

# TOWN OF NEWMARKET, NEW HAMPSHIRE

## Notes to Financial Statements

June 30, 2005

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### 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.

## TOWN OF NEWMARKET, NEW HAMPSHIRE

### *Notes to Financial Statements*

June 30, 2005

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**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.

TOWN OF NEWMARKET, NEW HAMPSHIRE

Notes to Financial Statements

June 30, 2005

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

<u>Assets</u>	<u>Years</u>
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.

**TOWN OF NEWMARKET, NEW HAMPSHIRE**

*Notes to Financial Statements*

June 30, 2005

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**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.

TOWN OF NEWMARKET, NEW HAMPSHIRE

Notes to Financial Statements

June 30, 2005

**STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**DEFICIT FUND BALANCES**

**Project Deficits**

The following projects had fund deficits at June 30, 2005:

**Governmental Activities:**

Capital Projects Fund:

Public Works and Fire Department Complex	\$1,600,000
Black Bear Business Park	<u>119,487</u>
	<u>\$1,719,487</u>

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.

**Fiduciary Funds:**

Health Insurance Trust	<u>\$ 389,093</u>
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Generally, this deficit arises because of claims in excess of premiums for the years prior to 2005. During 2005, the excess of premiums over claims was \$ 47,520. Management anticipates that it will fund the deficit from future earnings.

**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 Balance	Carrying Value
	1	2	3		
<b>Governmental Activities:</b>					
<u>Cash &amp; Equivalents</u>					
Bank Deposits & Petty Cash	9,469,951	-	210,922	9,680,873	8,569,806
<b>Enterprise Funds:</b>					
<u>Cash &amp; Equivalents</u>					
Bank Deposits & Petty Cash	1,060,264			1,060,264	1,060,264
<b>Fiduciary Funds:</b>					
<u>Cash &amp; Equivalents</u>					
Bank Deposits	1,663,174	-	-	1,663,174	1,663,174
	<u>\$11,133,125</u>	<u>\$ -</u>	<u>\$ 210,922</u>	<u>\$11,344,047</u>	<u>\$ 11,293,244</u>

**TOWN OF NEWMARKET, NEW HAMPSHIRE**

*Notes to Financial Statements*

June 30, 2005

**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. Investments in the *New Hampshire Public Deposit Investment Pool* and mutual funds are considered to be **unclassified** because underlying securities are not specifically identifiable. 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. Investments at June 30, 2005 are summarized below:

	Category			Unclassified	Fair Value
	1	2	3		
<b>Governmental Activities:</b>					
Bank Certificates of Deposits	\$ 45,063	\$ -	\$ -	\$ 45,063	\$ 45,063
NH Public Deposit Investment Pool	-	-	-	3,642,441	3,642,441
	<u>45,063</u>	<u>-</u>	<u>-</u>	<u>3,687,504</u>	<u>3,687,504</u>
<b>Business-Type Activities:</b>					
NH Public Deposit Investment Pool				533,298	533,298
<b>Fiduciary Funds:</b>					
Bank Certificates of Deposits	38,813	-	-	39,814	39,814
Mutual Funds	-	-	-	426,300	426,300
	<u>38,813</u>	<u>-</u>	<u>-</u>	<u>466,114</u>	<u>466,114</u>
	<u>\$ 83,876</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,686,916</u>	<u>\$ 4,686,916</u>

**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 2004 property tax levy was based on a net assessed valuation as of April 1, 2003 of \$665,706,941. State Education Taxes were based on a State-wide equalized valuation of \$660,706,941. 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, 2005, was as follows:

Municipal Portion	\$ 5.44
Local School Tax Assessment	9.94
State Education Tax Assessment	2.75
County Tax Assessment	.94
	<u>\$ 19.07</u>

**TOWN OF NEWMARKET, NEW HAMPSHIRE**

*Notes to Financial Statements*

June 30, 2005

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

Newmarket School District:

Local School District Assessment	\$6,617,731	
State Education Tax Assessment	<u>1,818,243</u>	
		\$8,435,974

Rockingham County:

Local Tax Assessment	638,828	
Pass-Through State Shared Revenue	<u>(10,991)</u>	
		<u>627,837</u>
		<u>\$9,063,811</u>

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, 2005 placed liens on related properties for all uncollected 2003 tax accounts not otherwise protected by court decree.

**TAXES RECEIVABLE**

Taxes receivable at June 30, 2005, are as follows:

Uncollected Taxes (Levy of 2004)

Property	\$ 2,754,242	
Land Use Change	17,500	
Resident Taxes	<u>35,610</u>	
		\$ 2,807,352

Unredeemed Taxes (under tax liens)

Levy of 2003	\$ <u>2,717</u>	
		<u>2,717</u>
		2,810,069
Reserve for non-current taxes receivable		<u>(95,880)</u>
		<u>\$ 2,714,189</u>

**TOWN OF NEWMARKET, NEW HAMPSHIRE**

*Notes to Financial Statements*

June 30, 2005

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**ACCOUNTS RECEIVABLES**

Accounts receivables as of December 31, 2005 are as follows:

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>
<u>Accounts</u>		
Ambulance services	\$ 123,986	\$ -
Water services	-	63,274
Wastewater services	-	60,712
Solid waste services	-	32,209
Other	49,597	-
	<u>173,583</u>	<u>156,195</u>
Less: Allowance for non-current receivables	(9,330)	-
	<u>\$ 164,253</u>	<u>\$ 156,195</u>

**INTERGOVERNMENTAL RECEIVABLES**

Amounts due from other governmental entities representing various grants and allocations receivable at June 30, 2005 were as follows:

	<u>Governmental Activities</u>
Capital Projects Fund	
State of New Hampshire - for Main Street Enhancements	\$ <u>20,008</u>

**TOWN OF NEWMARKET, NEW HAMPSHIRE**

*Notes to Financial Statements*

June 30, 2005

**INTERNAL BALANCES ~ INTERFUND RECEIVABLES/PAYABLES**

Individual fund interfund receivable and payable balances at June 30, 2005 are as follows:

	<b>Internal Balance/ Interfund Receivable</b>	<b>Internal Balance/ Interfund Payable</b>
<b><i>Governmental Activities:</i></b>		
General Fund	\$ 2,211,858	\$ 2,420,718
Special Revenues Fund:		
Public Library	-	5,585
Pistol Permits	30	-
Conservation Commission	-	1,874
Capital Projects Fund:		
Main Street Enhancements	81,859	-
Waterfront CDBG	14,084	-
Open Space	384,948	-
Public Works & Fire Department Complex	-	1,600,000
Downtown Business District	673,290	
Black Bear Business Park	-	119,487
Capital and Non-capital Reserves Fund:		
Capital Reserve ~ Municipal Transportation Improvement	450	81,859
Capital Reserve ~ Public Works	-	46,500
General Fund Trust ~ Health Insurance Activities	-	408,088
	<u>3,366,519</u>	<u>4,684,111</u>
<b><i>Business-Type Activities:</i></b>		
Water Department	1,106,707	-
Sewer Department	184,014	-
Solid Waste	-	15,084
Parking Meters	1,314	
Recreation Revolving	55,880	-
	<u>1,347,915</u>	<u>15,084</u>
<b><i>Fiduciary Funds:</i></b>		
Trust ~ Cemetery Trusts	-	15,239
	<u>\$ 4,714,434</u>	<u>\$ 4,714,434</u>

**TOWN OF NEWMARKET, NEW HAMPSHIRE**

*Notes to Financial Statements*

June 30, 2005

**FIXED ASSETS**

A summary of changes in fixed assets for the fiscal year ended December 31, 2005 is as follows:

	<i>Governmental Activities</i>			
	<b>Beginning</b>			<b>Ending</b>
	<b>Balances</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balances</b>
Land	\$ 3,850,000	\$ 765,497	\$ -	\$ 4,615,497
Buildings & Other Structures	2,000,000	1,941,980		3,941,980
Construction in Progress	4,868,958	2,267,847	1,941,980	5,194,825
Equipment	1,020,000			1,020,000
Vehicles	2,142,300	212,907	934,300	1,420,907
Infrastructure	50,000,000	-	-	50,000,000
	<u>63,881,258</u>	<u>5,188,231</u>	<u>2,876,280</u>	<u>66,193,209</u>
Less: Accumulated Depreciation	<u>(7,961,100)</u>	<u>(694,268)</u>	<u>(920,300)</u>	<u>(7,735,068)</u>
	<u>\$ 55,920,158</u>	<u>\$ 4,493,963</u>	<u>\$ 1,955,980</u>	<u>\$ 58,458,141</u>

	<i>Business-Type Activities ~ Water Treatment</i>			
	<b>Beginning</b>			<b>Ending</b>
	<b>Balances</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balances</b>
Land	\$ 400	\$ -	\$ -	\$ 400
Buildings & Other Structures	2,400,000			2,400,000
Vehicles	18,000			18,000
Infrastructure	5,500,236		-	5,500,236
	<u>7,918,636</u>	<u>-</u>	<u>-</u>	<u>7,918,636</u>
Less: Accumulated Depreciation	<u>(3,307,424)</u>	<u>(180,453)</u>	<u>-</u>	<u>(3,487,877)</u>
	<u>\$ 4,611,212</u>	<u>\$ (180,453)</u>	<u>\$ -</u>	<u>\$ 4,430,759</u>

	<i>Business-Type Activities ~ Wastewater Treatment</i>			
	<b>Beginning</b>			<b>Ending</b>
	<b>Balances</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balances</b>
Land	\$ 340,000	\$ -	\$ -	\$ 340,000
Buildings & Other Structures	1,850,000			1,850,000
Vehicles	63,500			63,500
Infrastructure	2,232,658		-	2,232,658
	<u>4,486,158</u>	<u>-</u>	<u>-</u>	<u>4,486,158</u>
Less: Accumulated Depreciation	<u>(1,298,194)</u>	<u>(132,899)</u>	<u>-</u>	<u>(1,431,093)</u>
	<u>\$ 3,187,964</u>	<u>\$ (132,899)</u>	<u>\$ -</u>	<u>\$ 3,055,065</u>

# TOWN OF NEWMARKET, NEW HAMPSHIRE

## Notes to Financial Statements

June 30, 2005

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### 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 *Local Government Center Property-Liability Trust, Inc.*, a public-entity risk pool currently operating as a common risk management and insurance programs for member towns, cities and other qualified political subdivisions of New Hampshire.

As a member of the *Local Government Center Property-Liability Trust, Inc.* the Town shares in contribution to the cost of and receiving benefits from a self-insured pooled risk management program. The membership and coverage run from July 1<sup>st</sup> to July 1<sup>st</sup>. The program includes a Self Insured Retention (SIR) from which is paid up to \$500,000 for each and every covered property, auto physical damage, and crime loss, subject to a \$1,000 deductible, and each and every covered General Liability and Public Officials Liability loss. The Trust maintains on behalf of its members several reinsurance policies that are shared by the membership.

- **Contributions** paid in 2004 for FY2005, ending June 30, 2005, to be recorded as an insurance expense/expenditure totaled \$75,921.04.
- **Unpaid contributions** for the year ending June 30, 2005, and due in 2005 were \$0.00.
- **Additional contributions** paid in 2005 for FY2005, ending June 30, 2005, to be recorded as an insurance expense/expenditure totaled \$112.40.
- **Additional contributions** paid in 2004 for FY2005, ending June 30, 2005, to be recorded as an insurance expense/expenditure totaled \$3,467.83
- **Workers Compensation Plan** paid for the period of 1/1/2005 to 12/31/2005 totaled \$61,225.16.

Member Participation Agreements permit the risk pool to make additional assessments to members should there be a deficiency in pooled assets to meet its liabilities. At this time, the neither entity foresees the likelihood of an additional assessment and claims have not exceeded insurance coverage in any of the past years.

### LIABILITIES

#### AGENCY DEPOSITS

Amounts held for others at June 30, 2005 were as follows:

##### Agency Funds

Newmarket School District ~ Capital Reserve Funds	\$ 550,835
Developers' Performance Bonds	52,809
Employee Benefit Plan Assets:	
<i>Deferred Compensation Plan - ICMA</i>	284,283
<i>Deferred Compensation Plan - Nationwide</i>	<u>142,017</u>
	<u>\$1,029,944</u>

**TOWN OF NEWMARKET, NEW HAMPSHIRE**

*Notes to Financial Statements*

June 30, 2005

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**DEFERRED REVENUE**

Deferred Revenues at June 30, 2005 were as follows:

2005-2006 fiscal year Property taxes billed on May 15, 2005	\$6,887,886
Impact Fees	268,247
Other	<u>793</u>
	<u>\$7,156,926</u>

**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, 2005, was \$2,284,851; the Town's total payroll was \$2,709,082. Contribution requirements for the year ended June 30, 2005, were as follows:

State of New Hampshire	\$ 28,870
Town's Portion	146,316
Employees' Portion	<u>141,867</u>
	<u>\$ 317,053</u>

**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.

**TOWN OF NEWMARKET, NEW HAMPSHIRE**

*Notes to Financial Statements*

June 30, 2005

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, 2005:

	<u>July 1, 2004</u>	<u>Issued</u>	<u>Retired</u>	<u>June 30, 2005</u>	<u>Within One Year</u>
<i>Governmental Activities:</i>					
Bonds and Notes Payable	\$ 3,325,000		\$ 175,000	\$ 3,150,000	\$ 175,000
Landfill Closure & Long-Term Maintenance	861,000		41,000	820,000	41,000
	<u>4,186,000</u>	-	<u>216,000</u>	<u>3,970,000</u>	<u>216,000</u>
<i>Business-Type Activities:</i>					
Major Enterprise Funds					
Bonds and Notes Payable					
Water Treatment	690,000		115,000	575,000	115,000
Wastewater Treatment	1,462,721		119,040	1,343,681	79,040
	<u>2,152,721</u>	-	<u>234,040</u>	<u>1,918,681</u>	<u>194,040</u>
	<u>\$ 6,338,721</u>	\$ -	\$ <u>450,040</u>	\$ <u>5,888,681</u>	\$ <u>410,040</u>

**Long-term Debt Payable.** Long-term debt payable at June 30, 2005, is comprised of the following individual issues:

<u>Description of Issue</u>	<u>Original Amount</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Rate %</u>	<u>June 30, 2004</u>
<i>Governmental Activities:</i>					
Bonds & Notes Payable					
<u>General Fund</u>					
Open Space Conservation	\$ 2,000,000	01/15/03	01/15/23	4.25-4.90	\$ 1,800,000
<u>Capital Projects</u>					
Downtown TIF Improvements	1,500,000	01/15/03	01/15/23	4.25-4.90	<u>1,350,000</u>
					<u>3,150,000</u>
Landfill Closure & LT Maintenance					<u>820,000</u>
					<u>3,970,000</u>
<i>Business-Type Activities:</i>					
Water Treatment					
Water Facility Bond	2,300,000	01/15/89	01/15/10	6.8-6.875	575,000
Wastewater Treatment					
Sewer Construction Bond	800,000	08/15/85	08/15/05	8.80-9.90	
Creighton Street Pump/Outfall Notes	1,964,777	03/05/03	01/01/22	3.704	<u>1,343,681</u>
					<u>1,918,681</u>
					<u>\$ 5,888,681</u>

**TOWN OF NEWMARKET, NEW HAMPSHIRE**

*Notes to Financial Statements*

June 30, 2005

**Annual Requirements To Amortize General Obligation Debt.** The annual requirements to amortize all general obligation debt outstanding as of June 30, 2005, including interest payments, are as follows:

*Governmental Activities:*

Fiscal Year Ending December 31,	General Obligation Notes and Bonds		
	Principal	Interest	Total
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	175,000	109,900	284,900
2011-23	2,275,000	736,755	3,011,755
	<u>\$ 3,150,000</u>	<u>\$ 1,360,631</u>	<u>\$ 4,510,631</u>

*Business-Type Activities:*

Fiscal Year Ending December 31,	Water Treatment Debt		
	Principal	Interest	Total
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
	<u>\$ 575,000</u>	<u>\$ 118,594</u>	<u>\$ 693,594</u>

Fiscal Year Ending December 31,	Wastewater Treatment Debt		
	Principal	Interest	Total
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	79,040	38,059	117,099
2011-22	948,481	228,347	1,176,828
	<u>\$ 1,343,681</u>	<u>\$ 447,920</u>	<u>\$ 1,791,601</u>

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 December 31,	Estimated Landfill Post-Closure Costs		
	Principal	Interest	Total
2006	\$ 41,000	\$ -	\$ 41,000
2007	41,000	-	41,000
2008	41,000	-	41,000
2009	41,000	-	41,000
2010	41,000	-	41,000
2011-21	615,000	-	615,000
	<u>\$ 820,000</u>	<u>\$ -</u>	<u>\$ 820,000</u>

**TOWN OF NEWMARKET, NEW HAMPSHIRE**

*Notes to Financial Statements*

June 30, 2005

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 20 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, 2005. 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, 2005:

	<b>Balance January 1, 2005</b>	<b>New Grants</b>	<b>Grants Received</b>	<b>Balance June 30, 2005</b>	<b>Due Within One Year</b>
<i>Business-Type Activities:</i>					
Major Enterprise Funds					
Water Treatment	\$ 171,166		\$ 32,487	\$ 138,679	\$ 30,906
Wastewater Treatment	311,500		47,781	263,719	25,281
	<u>\$ 482,666</u>	\$ -	<u>\$ 80,268</u>	<u>\$ 402,398</u>	<u>\$ 56,187</u>

As of December 31, 2005, the Town is due to receive the following annual amounts to offset debt payments:

<b>Fiscal Year Ending December 31,</b>	<b>For Water Treatment Debt</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
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
	<u>\$ 138,679</u>	<u>\$ -</u>	<u>\$ 138,679</u>

<b>Fiscal Year Ending December 31,</b>	<b>For Wastewater Treatment Debt</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
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	15,513	7,470	22,983
2011-22	186,154	44,819	230,973
	<u>\$ 263,719</u>	<u>\$ 87,913</u>	<u>\$ 351,632</u>

**TOWN OF NEWMARKET, NEW HAMPSHIRE**

*Notes to Financial Statements*

June 30, 2005

**Bonds or Notes Authorized - Unissued**

Bonds and notes authorized and unissued as of June 30, 2005 were as follows:

<u>Authorization</u>	<u>Purpose</u>	<u>Unissued Amount</u>
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	2,500,000
May 11, 2004 ~ Article 3	Capital Project	
March 1994	Renovate McCallen Building	<u>1,600,000</u>
		<u>\$ 10,300,000</u>

**SEGMENT INFORMATION FOR BUSINESS-TYPE FUNDS**

Selected segment information for the Town's Business-type funds for the fiscal year ended June 30, 2005, was as follows:

	<u>Water Treatment</u>	<u>Wastewater Treatment</u>	<u>Solid Waste</u>	<u>Parking</u>	<u>Recreation Revolving</u>
Operating revenues	\$ 892,485	\$ 855,271	\$ 190,271	\$ 14,484	\$ 199,621
Depreciation	180,453	132,899	-	-	-
Operating income(loss)	228,249	14,012	(152,802)	(20,791)	(130,334)
Change in net assets	189,019	(51,358)	6,282	(19,999)	3,440
Net working capital	1,658,404	794,999	221,827	48,574	43,600
Total assets	6,235,408	3,986,368	237,626	49,294	74,900
Bonds and other long-term liabilities	352,227	1,016,435	-	-	-
Total net assets(deficit)	5,736,936	2,833,629	221,827	48,574	43,600

TOWN OF NEWMARKET, NEW HAMPSHIRE

Notes to Financial Statements

June 30, 2005

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**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	\$ 115,580
Conservation Commission	248,686
Drug Forfeiture	2,684
Pistol Permits	2,155
	<u>\$ 369,105</u>

Capital Projects

Main Street Enhancements	\$ 256,124
Department of Justice Federal Equity Sharing	10,853
Open Space	622,341
Public Works & Fire Department Complex	(1,600,000)
Downtown Business District	2,534,958
Black Bear Business Park	(119,487)
	<u>\$ 1,704,789</u>

**TOWN OF NEWMARKET, NEW HAMPSHIRE**

*Notes to Financial Statements*

June 30, 2005

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Expendable Trusts

Capital and Non-capital Reserves Fund

*Capital Reserves:*

Ambulance	\$ 106,533
Works Department	142,552
Fire Department	340,660
Revaluation	21,446
Library	86,087
Roadway Improvement	379,523
Building Improvement	249,950
Safety Building	6,132
Downtown Redevelopment	107,720
Recreational Facility	439,521
Waterfront Improvements	112,644
Main Street Roadway	1
Police Vehicles	66,604
Municipal Transportation Improvement	124,781
Public Works Facility	204,539
etc.	168

*Non-capital Reserves:*

Riverside Cemetery Maintenance	9,702
Newmarket Veteran's Memorial	5,589
Health Insurance Trust	980

\$ 2,405,132

Health Trust

(389,093)

\$ 2,016,039

**TOWN OF NEWMARKET, NEW HAMPSHIRE**

*Notes to Financial Statements*

June 30, 2005

**Private Purpose Trusts** – Trust funds held by the Town and Library Trustees at December 31, 2005 for donor-restricted purposes were as follows:

	<b>Non- expendable Endowment</b>	<b>Expendable for Trust Purposes</b>	<b>Total</b>
<b>Non-expendable Trusts:</b>			
<i>Town Trusts:</i>			
Cemetery	\$ 416,685	\$ 165,083	\$ 581,768
Scholarship	275,285	16,652	291,937
Community cultural	75,000	12,660	87,660
Downtown infrastructure improvements	1	-	1
Unrealized gain on investments	87,623	-	87,623
	<u>854,594</u>	<u>194,395</u>	<u>1,048,989</u>
<i>Library Trusts:</i>			
Support of the Newmarket Public Library	<u>10,000</u>	<u>25,119</u>	<u>35,119</u>
	<u>\$ 864,594</u>	<u>\$ 219,514</u>	<u>\$ 1,084,108</u>

**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, 2005

*All amounts are expressed in American Dollars*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes	3,273,149	3,273,149	3,506,576	233,427
Licenses and permits	1,263,385	1,263,385	1,463,531	200,146
State support	553,734	553,734	561,597	7,863
Federal support	73,856	73,856	73,856	
Charges for services	251,525	251,525	269,142	17,617
Miscellaneous	55,497	55,497	72,929	17,432
	<u>5,471,146</u>	<u>5,471,146</u>	<u>5,947,631</u>	<u>476,485</u>
<b>EXPENDITURES</b>				
Current:				
General government	1,815,593	1,815,593	1,812,505	3,088
Public safety	1,358,958	1,358,958	1,331,149	27,809
Highways and streets	694,837	694,837	776,850	(82,013)
Welfare	149,449	149,449	157,829	(8,380)
Culture and recreation	46,397	46,397	46,397	
Conservation	864	864	864	
Economic development	13,000	13,000	10,525	2,475
Debt service	184,050	184,050	184,050	
Capital outlay	633,767	680,267	554,238	126,029
	<u>4,896,915</u>	<u>4,943,415</u>	<u>4,874,407</u>	<u>69,008</u>
Excess of revenues over(under) expenditures	574,231	527,731	1,073,224	545,493
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	20,000	66,500	61,739	(4,761)
Transfers out	(1,024,231)	(1,024,231)	(1,025,221)	(990)
	<u>(1,004,231)</u>	<u>(957,731)</u>	<u>(963,482)</u>	<u>(5,751)</u>
Net change in fund balances	(430,000)	(430,000)	109,742	539,742
Unreserved Fund balances - beginning	1,694,643	1,694,643	1,694,643	
Unreserved Fund balances - ending	<u>1,264,643</u>	<u>1,264,643</u>	<u>1,804,385</u>	<u>539,742</u>

**TOWN OF NEWMARKET, NEW HAMPSHIRE**  
*Note to Required Supplementary Information -- Budgetary Reporting*  
June 30, 2005

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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 2004-05, \$430,000, 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, 2005

All amounts are expressed in American Dollars

	Original & Final <u>Budget</u>	Reserves and <u>Authorizations</u>	Actual (GAAP <u>Basis</u> )	Over (Under) <u>Budget</u>
<b>REVENUES</b>				
<b>Taxes</b>				
Property	3,483,070		3,498,062	14,992
Land Use	45,000		66,961	21,961
Resident	57,000		48,051	(8,949)
Timber yield			4,618	4,618
Payments in lieu of taxes	57,829		65,580	7,751
Excavation tax	620		622	2
Interest and penalties on delinquent taxes	59,000		52,634	(6,366)
Overlay	(429,370)		(229,952)	199,418
	<u>3,273,149</u>		<u>3,506,576</u>	<u>233,427</u>
<b>Licenses and permits</b>				
Motor vehicle fees	1,090,000		1,160,303	70,303
Building permits	59,050		149,162	90,112
Franchise fees	85,000		109,591	24,591
Other licenses, permits and fees	29,335		44,475	15,140
	<u>1,263,385</u>		<u>1,463,531</u>	<u>200,146</u>
<b>State Support</b>				
Shared revenue block grant	125,579		125,579	
Meals and rooms tax distributions	291,553		291,553	
Highway block grant	135,389		143,252	7,863
Other	1,213		1,213	
	<u>553,734</u>		<u>561,597</u>	<u>7,863</u>
<b>Federal Support</b>				
Drug task force	34,750		34,750	
Resource officer	39,106		39,106	
	<u>73,856</u>		<u>73,856</u>	
<b>Charges for Services</b>				
Income From Departments				
<i>General Government Services:</i>				
Planning & zoning fees	34,000		28,049	(5,951)
<i>Public safety services:</i>				
Police department	50,525		43,757	(6,768)
Amulance	70,000		119,002	49,002
Fire department	6,500		8,265	1,765
Dispatch	62,000		64,038	2,038
Other	28,500		6,031	(22,469)
	<u>251,525</u>		<u>269,142</u>	<u>17,617</u>
<b>Miscellaneous</b>				
Sale of municipal property	1,000			(1,000)
Interest on investments	45,000		54,509	9,509
Rents of property	9,360		18,420	9,060
Other	137			(137)
	<u>55,497</u>		<u>72,929</u>	<u>17,432</u>
<b>OTHER FINANCING SOURCES</b>				
Operating transfers in - Interfund Transfers				
<i>Nonexpendable Trust Funds -</i>				
Cemetery Perpetual Care	20,000		15,239	(4,761)
<i>Capital &amp; Noncapital Reserve Funds -</i>				
Public Works Facility (for Suflex Property)		46,500	46,500	
	<u>20,000</u>	<u>46,500</u>	<u>61,739</u>	<u>(4,761)</u>
Total revenues and other financing sources	<u>5,491,146</u>	<u>46,500</u>	<u>6,009,370</u>	<u>471,724</u>
Unreserved Fund Balance Used to Reduce Tax Rate	<u>430,000</u>			
Total revenues and use of fund balance	<u>5,921,146</u>			

Schedule D1b  
**TOWN OF NEWMARKET, NEW HAMPSHIRE**  
**General Fund**

*Detailed Statement of Appropriations, Expenditures and Encumbrances*  
For the Fiscal Year Ended June 30, 2005

*all numbers are expressed in American Dollars*

	Voted Appropriations	Reserves and Authorizations	Expenditures Net of Refunds	(Over) Under Budget
	13,000	-	10,525	2,475
Debt service				
Principal of long-term debt	100,000		100,000	-
Interest expense - long-term debt	84,050		84,050	-
	184,050	-	184,050	-
Facilities acquisition and construction				
Land and Improvements:				-
Suflex property acquisition		46,500	46,500	-
Machinery, vehicles & equipment				
Police vehicles	50,000		48,907	1,093
Public works vehicle	137,500		137,500	-
ISO facilities	27,365		27,365	-
Buildings				
Building improvements	20,000			20,000
Improvements other than buildings				
Roadway improvements	312,652		183,216	129,436
Revaluation	20,000		20,000	-
Telecommunications	66,250		40,750	25,500
Sidewalks			50,000	(50,000)
Master Plan				-
Revaluation				-
	633,767	46,500	554,238	126,029
OTHER FINANCING USES				
Operating transfers out - Interfund transfers				
Special revenue				
Public Library	223,117		223,117	-
CDBG			990	(990)
Capital Projects:				-
Main Street Enhancements	50,000		50,000	-
Fire Complex	120,000		120,000	-
Capital & Noncapital Reserves:				
Capital Reserves				
Ambulance	28,802		28,802	-
Fire Department	65,357		65,357	-
Library	10,380		10,380	-
Building Improvement	32,415		32,415	-
Downtown Redevelopment	29,500		29,500	-
Recreational Facility	121,400		121,400	-
Waterfront Improvement	25,000		25,000	-
Business-type Funds:				
Solid Waste	154,750		154,750	-
Recreation	163,510		163,510	-
	1,024,231		1,025,221	(990)
	5,921,146	46,500	5,899,628	68,018

Schedule D2a  
**TOWN OF NEWMARKET, NEW HAMPSHIRE**  
*Balance Sheet*  
*Special Revenue Funds*  
 June 30, 2005

*All numbers are expressed in American Dollars*

	<i>Special Revenue</i>				Total
	Public Library	Conservation Commission	Drug Forfeiture	Pistol Permits	
<b>ASSETS</b>					
Cash and cash equivalents	126,503	263,560	2,684	250	394,622
Investments				1,875	
Interfund receivable				30	30
	<u>126,503</u>	<u>263,560</u>	<u>2,684</u>	<u>2,155</u>	<u>394,902</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	5,338	13,000			13,000
Accrued Liabilities	5,585	1,874			5,338
Interfund payable	10,923	14,874	-	-	7,459
					<u>25,797</u>
<b>Fund balances:</b>					
Reserved for special purposes, reported in:					
Special revenue funds	115,580	248,686	2,684	2,155	369,105
	<u>115,580</u>	<u>248,686</u>	<u>2,684</u>	<u>2,155</u>	<u>369,105</u>
	<u>126,503</u>	<u>263,560</u>	<u>2,684</u>	<u>2,155</u>	<u>394,902</u>

**TOWN OF NEWMARKET, NEW HAMPSHIRE**

*Statement of Revenues, Expenditures, and Changes in Fund Balances*

Special Revenue Funds

For the Fiscal Year Ended June 30, 2005

*All numbers are expressed in American Dollars*

	Special Revenue				Total
	Public Library	Conservation Commission	Drug Forfeiture	Pistol Permits	
<b>REVENUES</b>					
Taxes		66,950			66,950
Licenses and permits				410	410
Miscellaneous	9,688	44,627	47	50	54,412
	9,688	111,577	47	460	121,772
<b>EXPENDITURES</b>					
Current:					
Public safety				1,496	1,496
Culture and recreation	238,134				238,134
Conservation		43,488			43,488
	238,134	43,488	-	1,496	283,118
Excess (deficiency) of revenues over (under) expenditures	(228,446)	68,089	47	(1,036)	(161,346)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	223,117				223,117
Transfers out		(28,200)			(28,200)
	223,117	(28,200)	-	-	194,917
Net change in fund balances	(5,329)	39,889	47	(1,036)	33,571
Fund balances - beginning	120,909	208,797	2,637	3,191	335,534
Fund balances - ending	115,580	248,686	2,684	2,155	369,105

Schedule D3a  
**TOWN OF NEWMARKET, NEW HAMPSHIRE**  
*Balance Sheet*  
*Capital Projects Fund*  
 June 30, 2005

*All numbers are expressed in American Dollars*

	<i>Capital Projects</i>										Total	
	Main Street Enhancements	Council Public Access	Dept. of Justice Federal Equity Sharing	Open Space	Fire Department Complex	Waterfront CDBG	Downtown Business District	Black Bear Business Park				
<b>ASSETS</b>												
Investments	171,057		10,853	238,392			1,861,668					2,281,970
Intergovernmental receivable	20,008											20,008
Interfund receivable	81,859			384,949			673,290					1,154,182
	272,924	-	10,853	623,341	-		2,534,958					3,456,160
	8,075			1,000								9,075
	8,725											14,084
												8,725
	16,800			1,000								1,719,487
												1,751,371
<b>LIABILITIES AND FUND BALANCES</b>												
Liabilities:												
Accounts payable												
Contracts payable												
Retainage payable												
Interfund payable												
Fund balances:												
Reserved for:												
Special purposes, reported in:												
Capital project funds	256,124		10,853	622,341	(1,600,000)		2,534,958				(119,487)	1,704,789
	272,924		10,853	623,341			2,534,958					3,456,160

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, 2005

All numbers are expressed in American Dollars

	Capital Projects										Total
	Main Street Enhancements	Council Public Access	Dept. of Justice Federal Equity Sharing	Open Space	Fire Department Complex	Waterfront CDBG	Downtown Business District	Black Bear Business Park			
<b>REVENUES</b>											
Taxes											
Federal support	386,560		9,900			50,500		153,366			813,596
Miscellaneous	57,294	669	140	7,960				32,257			446,960
	443,854	669	10,040	7,960	-	50,500		185,623			1,577,139
<b>EXPENDITURES</b>											
Debt service:											
Principal											
Interest											
Capital outlay:											
Real property acquisition		38,992		741,000							779,992
Architectural/engineering	136,289				1,039,711						156,103
Construction	883,354								34,918	6,122	2,065,795
Project administration				31,454							31,454
	1,019,643	38,992	-	772,454	1,039,711	121,504		172,956		6,122	3,171,382
Excess (deficiency) of revenues over (under) expenditures	(575,789)	(38,323)	10,040	(764,494)	(1,039,711)	(71,004)		705,537		179,501	(1,594,243)
<b>OTHER FINANCING</b>											
<b>SOURCES (USES)</b>											
Transfers in	131,859			29,948	120,000						305,811
Transfers out				(38,508)						(4,947)	(43,455)
	131,859	-	-	(8,560)	120,000	24,004		-		(4,947)	262,356
Net change in fund balances	(443,930)	(38,323)	10,040	(773,054)	(919,711)	(47,000)		705,537		174,554	(1,331,887)
Fund balances - beginning	700,054	38,323	813	1,395,395	(680,289)	47,000		1,829,421		(294,041)	3,036,676
Fund balances - ending	256,124	-	10,853	622,341	(1,600,000)	-		2,534,958		(119,487)	1,704,789

Schedule D4a  
**TOWN OF NEWMARKET, NEW HAMPSHIRE**  
*Balance Sheet*  
*Expendable Trusts Fund*  
 June 30, 2005

*All numbers are expressed in American Dollars*

	<i>Expendable Trusts</i>		
	<b>Capital &amp; Noncapital Reserves</b>	<b>Health Trust</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	2,533,041		2,533,041
Interfund receivable	450		450
Prepaid items		18,995	18,995
	<u>2,533,491</u>	<u>18,995</u>	<u>2,552,486</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Interfund payable	128,359	408,088	536,447
	<u>128,359</u>	<u>408,088</u>	<u>536,447</u>
Fund balances:			
Reserved for:			
Special purposes, reported in:			
Expendable Trusts	2,405,132		2,405,132
Unreserved(deficit), reported in:			
Expendable trust funds		(389,093)	(389,093)
	<u>2,405,132</u>	<u>(389,093)</u>	<u>2,016,039</u>
	<u>2,533,491</u>	<u>18,995</u>	<u>2,552,486</u>

Schedule D4b  
**TOWN OF NEWMARKET, NEW HAMPSHIRE**  
*Statement of Revenues, Expenditures, and Changes in Fund Balances*  
**Expendable Trusts Fund**  
For the Fiscal Year Ended June 30, 2005

*All numbers are expressed in American Dollars*

	<i>Expendable Trusts</i>		<b>Total</b>
	<b>Capital &amp; Noncapital Reserves</b>	<b>Health Trust</b>	
<b>REVENUES</b>			
Charges for services	47,515	705,664	753,179
Miscellaneous	37,394	2,159	39,553
	<u>84,909</u>	<u>707,823</u>	<u>792,732</u>
<b>EXPENDITURES</b>			
Current:			
General government	138	660,303	660,441
	<u>138</u>	<u>660,303</u>	<u>660,441</u>
Excess (deficiency) of revenues over (under) expenditures	84,771	47,520	132,291
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	312,854		312,854
Transfers out	(128,359)		(128,359)
	<u>184,495</u>	<u>-</u>	<u>184,495</u>
Net change in fund balances	269,266	47,520	316,786
Fund balances -beginning	2,135,866	(436,613)	1,699,253
Fund balances(deficits) - ending	<u>2,405,132</u>	<u>(389,093)</u>	<u>2,016,039</u>

Schedule D5a  
**TOWN OF NEWMARKET, NEW HAMPSHIRE**  
*Combining Statement of Changes in Assets and Liabilities*

*All Agency Funds*

For the Fiscal Year Ended June 30, 2005

*All amounts are expressed in American Dollars*

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending</u> <u>Balance</u>
<b>ASSETS</b>				
Cash and equivalents	430,763	168,255	72	598,946
Investments	397,899	38,155	5,056	430,998
	<u>828,662</u>	<u>206,410</u>	<u>5,128</u>	<u>1,029,944</u>
<b>LIABILITIES</b>				
Agency deposits:				
Newmarket School District				
<i>Capital Reserve Funds:</i>				
School Account	382,757	168,072		550,829
Newmarket School Improvement	6			6
Developers' Performance Bonds	57,624	313	5,128	52,809
Employee Benefit Plan Assets:				
Section 457 Deferred Compensation Plan - /CMA	258,596	25,687		284,283
Section 457 Deferred Compensation Plan - Nationwide	129,679	12,338		142,017
	<u>828,662</u>	<u>206,410</u>	<u>5,128</u>	<u>1,029,944</u>