

TOWN OF NEWMARKET, NEW HAMPSHIRE

FINANCIAL STATEMENTS
AND SUPPLEMENTAL SCHEDULES

JUNE 30, 2006

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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

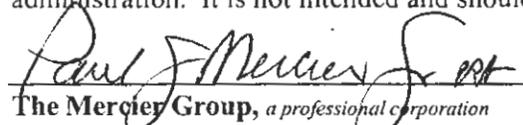
In planning and performing our audit of the Town of Newmarket, New Hampshire for the year ended June 30, 2006, we considered the Town's internal control structure in order to determine the scope of our auditing procedures for the purpose of expressing our opinion on the financial statements. Our review 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 all accounting functions and preparation of financial statements.** Where as the complexity of municipal finances continue to expand and some records were not available at the time of audit, we encourage the community to consider centralizing all accounting and reporting functions within the Finance Department under the responsibility of the community's Finance Director. While still responsible for decentralized operations and (in the case of trust and library funds) custody of assets, accounting records could at least be closed for reporting purposes in a timely fashion.

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, 2006

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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

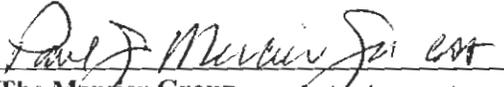
We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Town of Newmarket, New Hampshire as of and for the year ended June 30, 2006, which collectively comprise the Town's basic financial statements 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 auditing standards that are generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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, 2006, 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.

The management discussion and analysis beginning on page iii is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and therefore express no opinion on it.

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, 2006

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, 2006. 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 \$71,966,360 (net assets).
- The Town's total cash and investments totaled \$14,858,254 at June 30, 2006 representing an increase of \$1,007,385 from June 30, 2005.
- The Town had program revenues of \$4,070,743 and program expenses of \$8,688,998 for the year ended June 30, 2006.
- The General Fund (operating fund) reflected on a modified accrual basis of accounting, reports a \$1,814,707 in fund balance (surplus)
- The total General Fund actual expenditures were \$845,825 more 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 \$71,966,360 at June 30, 2006.

Capital Assets and Debt Administration

During the year ended June 30, 2006, the Town's Governmental Activities depreciation was less than the additions to equipment resulting in a increase in capital assets (net of depreciation) of (\$2,420,290) and the Business-Type Activities depreciation was more than the additions to equipment resulting in a decrease in capital assets (net of depreciation) of (\$77,754). 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, 2006, the Governmental Activities (Town) long-term liabilities were \$3,754,000 and the Business-Type Activities (Water and Sewer Department) long-term liabilities were \$1,368,662 for total long-term liabilities of \$5,122,662.

Economic Factors and Next Year's Budget

The following factors were considered in preparing the Town's budget for the 2006/2007 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 and the date of the annual audit will be revised. Every effort will be made so all information for the audit will be available when the auditors are on site performing their review.

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, 2006

All numbers are expressed in American Dollars

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Cash and cash equivalents	8,868,304	1,216,245	10,084,549
Investments	4,219,388	554,317	4,773,705
Receivables <i>(net of allowance for uncollectibles)</i>			
Taxes receivable	2,437,891		2,437,891
Accounts	130,813	209,866	340,679
Intergovernmental receivable	278,838		278,838
Internal balances	(622,106)	640,397	18,291
Other receivables	450		450
Prepays	32,844		32,844
Capital assets:			
Land	4,615,497	340,400	4,955,897
Buildings and other structures	4,166,746	2,400,000	6,566,746
Construction in progress	7,362,071		7,362,071
Equipment & furnishings	1,080,000	1,850,000	2,930,000
Vehicles	1,973,282	81,500	2,054,782
Infrastructure	50,303,021	7,971,268	58,274,289
Accumulated depreciation	(8,622,186)	(5,235,099)	(13,857,285)
	<u>76,224,853</u>	<u>10,028,894</u>	<u>86,253,747</u>
LIABILITIES			
Accounts payable and other current liabilities	910,204	316,334	1,226,538
Deffered Revenues	7,787,210		7,787,210
Long-term obligations:			
Due within one year:			
Bonds & notes payable	175,000	149,242	324,242
Landfill post-closure maintenance	41,000		41,000
Due Beyond one year:			
Bonds & notes payable	2,800,000	1,219,420	4,019,420
Landfill post-closure maintenance	738,000		738,000
Unearned revenue	150,977		150,977
	<u>12,602,391</u>	<u>1,684,996</u>	<u>14,287,387</u>
NET ASSETS			
Invested in capital assets, net of related debt	57,124,431	6,070,703	63,195,134
Restricted for:			
Special Revenues	364,833		364,833
Capital projects	2,945,436		2,945,436
Expendable trusts	1,736,420	477,385	2,213,805
Enterprise fund purposes		1,795,810	1,795,810
Unrestricted	1,451,342		1,451,342
	<u>63,622,462</u>	<u>8,343,898</u>	<u>71,966,360</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, 2006

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	Governmental Activities	Primary Government	
					Business-type Activities	Total
Primary government:						
<i>Governmental activities:</i>						
General Government	2,815,008	803,863	815,751	(1,195,394)		(1,195,394)
Public safety	1,247,905	188,450	16,432	(1,043,023)		(1,043,023)
Highways and streets	724,534		142,110	(582,424)		(582,424)
Welfare	166,011			(166,011)		(166,011)
Culture and recreation	293,026			(293,026)		(293,026)
Conservation	10,957			(10,957)		(10,957)
Economic development	4,670			(4,670)		(4,670)
Interest on long-term debt	98,650			(98,650)		(98,650)
Capital outlay	205,132			(205,132)		(205,132)
Depreciation-unallocated	887,118			(887,118)		(887,118)
	6,453,011	992,313	974,293	(4,486,405)	-	(4,486,405)
Business-type activities:						
Water treatment	674,168	878,239	-	-	204,071	204,071
Wastewater treatment	790,611	829,434	-	-	38,823	38,823
Solid waste	347,251	182,800	-	-	(164,451)	(164,451)
Parking	5,228	20,180	-	-	14,952	14,952
Recreation Revolving	418,729	193,484	-	-	(225,245)	(225,245)
	2,235,987	2,104,137	-	-	(131,850)	(131,850)
	8,688,998	3,096,450	974,293	(4,486,405)	(131,850)	(4,618,255)
General revenues and transfers:						
Taxes:						
Property taxes, levied for general purposes				3,396,636		3,396,636
Property taxes, levied for debt services				299,800		299,800
Property taxes, levied for conservation purposes				36,250		36,250
Property Taxes, levied for Tax Increment Financing				845,634		845,634
Licenses and permits				1,465,460		1,465,460
Other local revenues				1,267,198	(57,451)	1,209,747
Capital Contributions					64,063	64,063
Transfers				415,430	(415,430)	-
				7,726,408	(408,818)	7,317,590
Change in net assets				3,240,003	(540,668)	2,699,335
Net assets - beginning				60,382,459	8,884,566	69,267,025
Net assets - ending				63,622,462	8,343,898	71,966,360

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, 2006

All numbers are expressed in American Dollars

	General	Special Revenue	Capital Projects	Capital & Noncapital Reserves	Total Governmental Funds
ASSETS					
Cash and cash equivalents	5,945,876	67,973		2,854,455	8,868,304
Investments	1,484,566	363,338	2,371,484		4,219,388
Receivables					
Taxes	2,437,891				2,437,891
Accounts	130,813				130,813
Intergovernmental	258,830		20,008		278,838
Interfund receivable	4,048,058	10,048	2,305,053	50,000	6,413,159
Other receivables				450	450
Prepaid items	32,844				32,844
	<u>14,338,878</u>	<u>441,359</u>	<u>4,696,545</u>	<u>2,904,905</u>	<u>22,381,687</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	69,740	11,807	46,672		128,219
Accrued Liabilities	557,143	5,481			562,624
Contracts payable	186,493		9,606		196,099
Retainage payable			23,262		23,262
Interfund payable	3,776,205	55,641	1,671,569	1,531,850	7,035,265
Deferred revenue	7,783,613	3,597			7,787,210
Unearned revenue	150,977				150,977
	<u>12,524,171</u>	<u>76,526</u>	<u>1,751,109</u>	<u>1,531,850</u>	<u>15,883,656</u>
Fund balances:					
Reserved for:					
Special purposes, reported in:					
Special revenue funds		364,833			364,833
Capital projects fund			2,945,436		2,945,436
Expendable trust funds				1,736,420	1,736,420
Unreserved (deficit), reported in:					
General fund	1,814,707				1,814,707
Expendable trusts				(363,365)	(363,365)
	<u>1,814,707</u>	<u>364,833</u>	<u>2,945,436</u>	<u>1,373,055</u>	<u>6,498,031</u>
	<u>14,338,878</u>	<u>441,359</u>	<u>4,696,545</u>	<u>2,904,905</u>	<u>22,381,687</u>

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, 2006

All numbers are expressed in American Dollars

Total Fund Balance - Governmental Funds (Exhibit B1) 6,498,031

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	4,166,746	
Construction in progress	7,362,071	
Improvements other than buildings		
Equipment & furnishings	1,080,000	
Vehicles	1,973,282	
Infrastructure	50,303,021	
Accumulated depreciation	<u>(8,622,186)</u>	
		60,878,431

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Notes payable	(2,975,000)	
Landfill post-closure maintenance	<u>(779,000)</u>	
		<u>(3,754,000)</u>

Net Assets of Governmental Activities (Exhibit A1) 63,622,462

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, 2006

All numbers are expressed in American Dollars

	General	Special Revenue	Capital Projects	Capital & Noncapital Reserves	Total Governmental Funds
REVENUES					
Property tax assessments	3,696,436	36,250	845,634		4,578,320
Licenses and permits	1,465,460				1,465,460
State support	610,323				610,323
Federal support		16,432	347,538		363,970
Charges for services	209,623			782,690	992,313
Other local sources	289,789	29,549	849,712	98,148	1,267,198
	<u>6,271,631</u>	<u>82,231</u>	<u>2,042,884</u>	<u>880,838</u>	<u>9,277,584</u>
EXPENDITURES					
Current:					
General Government	2,058,046			756,962	2,815,008
Public safety	1,247,593	312			1,247,905
Highways and streets	724,534				724,534
Welfare	166,011				166,011
Culture and recreation	57,424	235,602			293,026
Conservation	1,070	9,887			10,957
Economic development	4,670				4,670
Debt service	179,800		134,850		314,650
Capital outlay	1,281,084		2,231,309	147	3,512,540
	<u>5,720,232</u>	<u>245,801</u>	<u>2,366,159</u>	<u>757,109</u>	<u>9,089,301</u>
Excess of revenues over(under) expenditures	551,399	(163,570)	(323,275)	123,729	188,283
OTHER FINANCING SOURCES (USES)					
Transfers in	783,113	234,298	1,563,922	421,737	3,003,070
Transfers out	(1,324,190)	(75,000)		(1,188,450)	(2,587,640)
	<u>(541,077)</u>	<u>159,298</u>	<u>1,563,922</u>	<u>(766,713)</u>	<u>415,430</u>
Net change in fund balances	10,322	(4,272)	1,240,647	(642,984)	603,713
Fund balances - beginning	1,804,385	369,105	1,704,789	2,016,039	5,894,318
Fund balances - ending	<u>1,814,707</u>	<u>364,833</u>	<u>2,945,436</u>	<u>1,373,055</u>	<u>6,498,031</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, 2006

All numbers are expressed in American Dollars

Net change in fund balances - total governmental funds (Exhibit B3) 603,713

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.

Reduce expenditures for capital outlays increasing capital assets	3,307,408
Increase expenditures for depreciation charges	(887,118)

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

Reduction in Other Financing Sources for long-term debt issued	175,000
Reduction in expenditures for Landfill Closure	<u>41,000</u>

Change in net assets of governmental activities (Exhibit A2) 3,240,003

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, 2006

All numbers are expressed in American Dollars

	Original Budget	Actual (GAAP Basis)	Over(Under) Budget
REVENUES			
Taxes	3,468,712	3,696,436	227,724
Licenses and permits	1,359,470	1,465,460	105,990
State support	603,602	610,323	6,721
Charges for services	267,725	209,623	(58,102)
Miscellaneous	155,966	289,789	133,823
	<u>5,855,475</u>	<u>6,271,631</u>	<u>416,156</u>
EXPENDITURES			
Current:			
General Government	2,061,273	2,058,046	3,227
Public safety	1,344,406	1,247,593	96,813
Highways and streets	736,869	724,534	12,335
Welfare	168,796	166,011	2,785
Culture and recreation	57,667	57,424	243
Conservation	1,070	1,070	
Economic development	11,000	4,670	6,330
Debt service	179,800	179,800	
Capital outlay	1,327,962	1,281,084	46,878
	<u>5,888,843</u>	<u>5,720,232</u>	<u>168,611</u>
Excess of revenues over(under) expenditures	<u>(33,368)</u>	<u>551,399</u>	<u>584,767</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	783,113	783,113	
Transfers out	(1,304,745)	(1,324,190)	(19,445)
	<u>(521,632)</u>	<u>(541,077)</u>	<u>(19,445)</u>
Net change in fund balances	(555,000)	10,322	565,322
Fund balances - beginning	1,804,385	1,804,385	-
Fund balances - ending	<u>1,249,385</u>	<u>1,814,707</u>	<u>565,322</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, 2006

All numbers are expressed in American Dollars

	Business-type Activities - Enterprise Funds					Total
	Water Treatment	Wastewater Treatment	Solid Waste	Parking	Recreation Revolving	
ASSETS						
Current assets:						
Cash and cash equivalents	546,222	669,748	200		75	1,216,245
Investments	260,657	10,897	213,201	49,871	19,691	554,317
Accounts receivable	84,908	85,316	13,689		25,953	209,866
Interfund receivable	1,218,958	156,635		15,545		1,391,138
	2,110,745	922,596	227,090	65,416	45,719	3,371,566
Noncurrent assets:						
Capital assets:						
Land	400					340,400
Buildings and other structures	2,400,000	340,000				2,400,000
Equipment & furnishings		1,850,000				1,850,000
Vehicles	18,000	63,500				81,500
Infrastructure	5,707,312	2,263,956				7,971,268
Accumulated depreciation	(3,673,507)	(1,561,592)				(5,235,099)
	4,452,205	2,955,864				7,408,069
	6,562,950	3,878,460	227,090	65,416	45,719	10,779,635
LIABILITIES						
Current liabilities:						
Accounts payable and accrued liabilities	72,615	23,199	3,469		21,670	120,953
Contracts payable	176,546					176,546
Interfund payable	538,245	200,340	3,785		8,371	750,741
Deferred revenue					18,835	18,835
Bonds & notes payable, net of State Aid	85,715	63,527				149,242
	873,121	287,066	7,254		48,876	1,216,317
Long-term liabilities:						
Bonds & notes payable, net of State Aid	266,512	952,908				1,219,420
	1,139,633	1,239,974	7,254		48,876	2,435,737
NET ASSETS						
Invested in capital assets, net of related debt	4,099,978	1,970,725				6,070,703
Restricted for capital outlays ^{Capital Reserve Funds}	7,977	469,408				477,385
Unrestricted	1,315,362	198,353	219,836	65,416	(3,157)	1,795,810
	5,423,317	2,638,486	219,836	65,416	(3,157)	8,343,898

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, 2006

All numbers are expressed in American Dollars

	Business-type Activities - Enterprise Funds					Total
	Water Treatment	Wastewater Treatment	Solid Waste	Parking	Recreation Revolving	
OPERATING REVENUES						
Charges for services:						
User charges	785,982	742,503				1,528,485
Entrance fees	66,575	70,575				137,150
Job Works & materials	25,682		181,035			206,717
Landfill Charges			1,765	20,180	193,484	215,329
Other services		16,356	182,800	20,180	193,484	412,820
	<u>878,239</u>	<u>829,434</u>	<u>182,800</u>	<u>20,180</u>	<u>193,484</u>	<u>2,104,137</u>
OPERATING EXPENSES						
Wages and benefits	191,399	297,244	5,764		271,721	766,128
Purchased services	60,281	34,188	245,485		69,308	409,262
Operating supplies	18,202	67,686	9,770		13,099	108,757
Operations & maintenance	126,287	232,868	85,159		23,233	467,547
General and administrative	34,150	22,846				56,996
Nondepreciable capital expenses	51,544					51,544
Depreciation	185,629	130,499	1,073	5,228	41,368	316,128
Other	6,676	5,280	1,073	5,228	41,368	59,625
	<u>674,168</u>	<u>790,611</u>	<u>347,251</u>	<u>5,228</u>	<u>418,729</u>	<u>2,235,987</u>
Operating income(loss)	<u>204,071</u>	<u>38,823</u>	<u>(164,451)</u>	<u>(4,932)</u>	<u>(225,245)</u>	<u>(131,850)</u>
NONOPERATING INCOME(EXPENSE)						
DCYF Grant					30,240	30,240
DCYF Grant					(20,000)	(20,000)
Interest Income	27,321	5,757	8,084	1,890	(531)	43,052
Other federal and state aid		9,768				9,768
Interest on Debt	(39,531)	(49,770)				(89,301)
Non depreciable Capital Items		(30,679)				(30,679)
	<u>(12,210)</u>	<u>(64,924)</u>	<u>8,084</u>	<u>1,890</u>	<u>9,709</u>	<u>(57,451)</u>
Income before contributions and transfers	<u>191,861</u>	<u>(26,101)</u>	<u>(156,367)</u>	<u>16,842</u>	<u>(215,536)</u>	<u>(189,301)</u>
CONTRIBUTIONS AND TRANSFERS						
Capital contributions	32,765	31,298				64,063
Transfers in		75,000	154,376		168,779	398,155
Transfers out	(538,245)	(275,340)				(813,585)
Changes in net assets	<u>(313,619)</u>	<u>(195,143)</u>	<u>(1,991)</u>	<u>16,842</u>	<u>(46,757)</u>	<u>(540,668)</u>
Total net assets - beginning	<u>5,756,936</u>	<u>2,833,629</u>	<u>221,827</u>	<u>48,574</u>	<u>43,600</u>	<u>8,884,566</u>
Total net assets - ending	<u>5,423,317</u>	<u>2,638,486</u>	<u>219,836</u>	<u>65,416</u>	<u>(3,157)</u>	<u>8,343,898</u>

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

Exhibit B8
TOWN OF NEWMARKET, NEW HAMPSHIRE
Statement of Cash Flows
 Proprietary Funds
 For the Fiscal Year Ended June 30, 2006

All numbers are expressed in American Dollars

	Business-type Activities -- Enterprise Funds					Total
	Water Treatment	Wastewater Treatment	Solid Waste	Parking	Recreation Revolving	
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers and users	856,605	804,830	201,420	20,180	177,939	2,060,974
Payments to suppliers for goods and services	(110,130)	(412,446)	(338,733)	(5,948)	(428,359)	(1,295,616)
Payments to employees for services	(191,399)	(297,244)	(5,764)			(494,407)
	555,076	95,140	(143,077)	14,232	(250,420)	270,951
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES						
Operating Transfer from(to) other funds	(112,251)	27,389	143,077	(14,232)	240,786	284,769
Nonoperating grants received	30,906	25,281			9,709	65,896
	(81,345)	52,670	143,077	(14,232)	250,495	350,665
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Purchases of capital assets	(174,311)	(30,679)				(204,990)
Principal paid on capital debt	(115,000)	(79,040)				(194,040)
Interest paid on capital debt	(39,531)	(49,770)				(89,301)
	(328,842)	(159,489)				(488,331)
CASH FLOWS FROM INVESTING ACTIVITIES						
Sale(Purchase) of investments	(9,883)	(424)	(8,084)	(1,890)		(20,281)
Interest and dividends received	27,321	5,757	8,084	1,890		43,052
	17,438	5,333				22,771
Net increase(decrease) in cash and cash equivalents	162,327	(6,346)			75	156,056
Cash and cash equivalents - beginning	383,895	676,094	200			1,060,189
Cash and cash equivalents - ending	546,222	669,748	200		75	1,216,245
(Exhibit B8 - Continued)						
Reconciliation of operating income (loss) to net cash received(used) by operating activities:						
Operating income (loss)	204,071	38,823	(164,451)	14,952	(225,245)	(131,850)
Adjustments to reconcile operating income(loss) to net cash received from(used by) operating activities:						
Depreciation expense	185,629	130,499				316,128
(Increase) decrease in accounts receivable	(21,634)	(24,604)	18,620		(15,545)	(43,163)
Increase (decrease) in accounts payable	22,964	(49,578)	2,754	(720)	(9,630)	(34,210)
Increase (decrease) in contracts payable	164,046					164,046
	351,005	56,317	21,374	(720)	(25,175)	402,801
Net cash received from (used by) operating activities:	555,076	95,140	(143,077)	14,232	(250,420)	270,951
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, 2006

All numbers are expressed in American Dollars

	Private-Purpose Trusts		
	Non-expendable		
	Town	Library	Agency Funds
ASSETS			
Cash and cash equivalents	72,996		980,464
Investments, at fair value	985,831	35,780	535,960
	1,058,827	35,780	1,516,424
LIABILITIES			
Interfund payable	18,291		
Agency deposits			1,516,424
	18,291		1,516,424
NET ASSETS			
Reserved for endowments	1,040,536		
Reserved for special purposes		35,780	
	1,040,536	35,780	

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

Exhibit B10
TOWN OF NEWMARKET, NEW HAMPSHIRE
Statement of Changes in Fiduciary Net Assets
 Fiduciary Funds
 For the Fiscal Year Ended June 30, 2006

All numbers are expressed in American Dollars

	Private-Purpose		
	Trusts		
	Non-expendable		
	Town	Library	Agency Funds
ADDITIONS:			
New funds received	5,075		491,937
	<u>5,075</u>		<u>491,937</u>
Investment earnings:			
Interest and dividends	43,196	661	
Net increase(decrease) in the fair value of investment	(14,180)		
	<u>29,016</u>	<u>661</u>	
	<u>34,091</u>	<u>661</u>	<u>491,937</u>
DEDUCTIONS:			
Cemetery care	28,030		
Scholarships	14,514		
	<u>42,544</u>		<u>5,457</u>
Change in net assets	(8,453)	661	486,480
Net assets - beginning	1,048,989	35,119	1,029,944
Net assets - ending	<u>1,040,536</u>	<u>35,780</u>	<u>1,516,424</u>

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

TOWN OF NEWMARKET, NEW HAMPSHIRE

Notes to Financial Statements

June 30, 2006

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.

FINANCIAL REPORTING ENTITY

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

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

TOWN OF NEWMARKET, NEW HAMPSHIRE

Notes to Financial Statements

June 30, 2006

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

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The **government-wide financial statements** are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Tax assessments (property and other taxes), grants, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. If any, only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

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

TOWN OF NEWMARKET, NEW HAMPSHIRE

Notes to Financial Statements

June 30, 2006

- 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 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.

TOWN OF NEWMARKET, NEW HAMPSHIRE

Notes to Financial Statements

June 30, 2006

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 2005-06, \$555,000 of the beginning General Fund balance was applied for this purpose.

Encumbrance accounting, under which purchase orders, contracts, and continuing appropriations (certain projects and specific items not fully expended at year-end) are recognized, is employed in the governmental funds. Encumbrances are not the equivalent of expenditures and are therefore reported as part of the fund balance at June 30 and are carried forward to supplement appropriations of the subsequent year. Amounts recorded as budgetary expenditures in the *Budgetary Comparison Schedule (Exhibit C1)* are presented on the basis budgeted by the Town. Since there were no encumbrances at the beginning or end of the fiscal year, those reported in conformity with generally accepted accounting principles in the *Statement of Revenues, Expenditures and Changes in Fund Balances (Exhibit B3)* were the same.

ASSETS, LIABILITIES AND FUND EQUITY

Deposits and Investments. For financial reporting purposes, cash and equivalents include amounts in demand deposits and money market funds, as well as certificates of deposit and short-term investments with original maturities of 90 days or less. With the exception of Library and Trust Fund monies, which are held by separately elected trustees, the Town Treasurer is required by State statute to have custody of all monies belonging to the Town and shall pay out the same only upon orders of the Town Council. 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

TOWN OF NEWMARKET, NEW HAMPSHIRE

Notes to Financial Statements

June 30, 2006

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

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

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

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

TOWN OF NEWMARKET, NEW HAMPSHIRE

Notes to Financial Statements

June 30, 2006

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 (c.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

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

<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

TOWN OF NEWMARKET, NEW HAMPSHIRE

Notes to Financial Statements

June 30, 2006

monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

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

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

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

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

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

RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

Explanation Of Certain Differences Between The Governmental Fund Statement Of

TOWN OF NEWMARKET, NEW HAMPSHIRE

Notes to Financial Statements

June 30, 2006

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

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

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

STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

DEFICIT FUND BALANCES

Project Deficits

The following projects had fund deficits at June 30, 2006:

Governmental Activities:

Capital Projects Fund

CDBG Grants	\$ 107,484
Public Works and Fire Department Complex	1,480,000
Black Bear Business Park	97,342
	<u>\$ 1,684,826</u>

Generally, these deficits 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. These 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.

TOWN OF NEWMARKET, NEW HAMPSHIRE

Notes to Financial Statements

June 30, 2006

Fiduciary Funds:

Health Insurance Trust	<u>\$ 363,365</u>
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Generally, this deficit arises because of claims in excess of premiums for the years prior to 2006. During 2006, the excess of premiums over claims was \$ 25,728. 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.

Governmental Activities:

Cash & Equivalents

Bank Deposits & Petty Cash	3,363,318	4,301,213	13,420	7,677,951	8,868,304
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Enterprise Funds:

Cash & Equivalents

Bank Deposits & Petty Cash	1,216,245			1,216,245	1,216,245
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Fiduciary Funds:

Cash & Equivalents

Bank Deposits	1,053,460	-	-	1,053,460	1,053,460
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	<u>\$ 5,633,023</u>	<u>\$ 4,301,213</u>	<u>\$ 13,420</u>	<u>\$ 9,947,656</u>	<u>\$ 11,138,009</u>
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TOWN OF NEWMARKET, NEW HAMPSHIRE

Notes to Financial Statements

June 30, 2006

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, 2006 are summarized below:

	Category			Unclassified	Fair Value
	1	2	3		
<i>Governmental Activities:</i>					
NH Public Deposit Investment Pool	\$ -	\$ -	\$ -	\$ 4,219,388	\$ 4,219,388
<i>Business-Type Activities:</i>					
NH Public Deposit Investment Pool	-	-	-	554,317	554,317
<i>Fiduciary Funds:</i>					
Bank Certificates of Deposits	35,780	-	-	-	35,780
NH Public Deposit Investment Pool				535,960	535,960
Mutual Funds	985,831	-	-	-	985,831
	<u>1,021,611</u>	<u>-</u>	<u>-</u>	<u>535,960</u>	<u>1,557,571</u>
	<u>\$ 1,021,611</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,309,665</u>	<u>\$ 6,331,276</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 2005 property tax levy was based on a net assessed valuation as of April 1, 2004 of \$684,779,892. State Education Taxes were based on a State-wide equalized valuation of \$680,018,892. 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, 2006, was as follows:

Municipal portion	\$ 5.58
Local School Tax Assessment	11.21
State Education Tax Assessment	2.65
County Tax Assessment	0.95
	<u>\$ 20.39</u>

TOWN OF NEWMARKET, NEW HAMPSHIRE

Notes to Financial Statements

June 30, 2006

Responsibility for the collection of all 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. Property taxes collected by the Town include taxes levied for other governmental entities as follows:

<u>State of New Hampshire</u>		
State Education Tax	\$	1,800,775
<u>Newmarket School District</u>		
Local School Tax Assessment		7,678,043
<u>Rockingham County:</u>		
Local Tax Assessment	661,813	
Less: Pass-Trough State Shared Revenue	<u>(10,991)</u>	
		<u>650,822</u>
		<u>\$ 10,129,640</u>

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

TAXES RECEIVABLE

Taxes receivable at June 30, 2006, are as follows:

<u>Uncollected Taxes (Levy of 2006)</u>		
Property	\$ 2,319,827	
Land Use Change	-	
Resident Taxes	<u>35,346</u>	
		\$ 2,355,173
<u>Unredeemed Taxes (under tax liens)</u>		
Levy of 2003	\$ 141,636	
Levy of 2002	37,645	
Levy of 2001	1,405	
Prior levies	182	
Elderly liens	<u>17,400</u>	
		<u>198,268</u>
		2,553,441
Reserve for non-current taxes receivable		<u>(115,550)</u>
		<u>\$ 2,437,891</u>

TOWN OF NEWMARKET, NEW HAMPSHIRE

Notes to Financial Statements

June 30, 2006

ACCOUNTS RECEIVABLES

Accounts receivables as of June 30,2006 are as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Ambulance services	\$ 50,824	\$ -
Water services	-	84,908
Wastewater services	-	85,316
Solid waste services	-	13,689
Recreation	-	25,953
Insurance recoveries	24,431	-
Other	80,499	25,953
	<u>155,754</u>	<u>235,819</u>
Less: Allowance for non-current receivables	(24,941)	-
	<u>\$ 130,813</u>	<u>\$ 235,819</u>

INTERGOVERNMENTAL RECEIVABLES

Amounts due from other governmental entities representing various grants and allocations receivable at June 30, 2006 were as follows:

	<u>Governmental Activities</u>
<u>Federal Government:</u>	
FEMA	\$ 193,934
Drug Task Force	34,750
<u>State of New Hampshire:</u>	
Various grants and reimbursements	20,008
<u>Other local governments:</u>	
Various service revenues and reimbursements	30,146
	<u>\$ 278,838</u>

TOWN OF NEWMARKET, NEW HAMPSHIRE

Notes to Financial Statements

June 30, 2006

INTERNAL BALANCES ~ INTERFUND RECEIVABLES/PAYABLES

Individual fund interfund receivable and payable balances at June 30, 2006 are as follows:

	Internal Balance/ Interfund Receivable	Internal Balance/ Interfund Payable
<i>Governmental Activities:</i>		
General Fund	\$ 4,048,058	\$ 3,776,205
Special Revenues Fund:		
Public Library	2,771	-
DARE Grant	5,579	-
Drug Forfeiture	1,400	-
Pistol Permits	298	-
Conservation Commission	-	55,641
Capital Projects Fund:		
Main Street Enhancements	275,656	-
Waterfront CDBG	-	94,855
Main Street Project-Sewer	187,388	-
Main Street Project- Water	520,263	-
Open Space	360,644	-
Public Works & Fire Department Complex	-	1,480,000
Downtown Business District	961,102	-
Black Bear Business Park	-	96,714
Capital and Non-capital Reserves Fund:	50,000	1,531,850
	<u>6,413,159</u>	<u>7,035,265</u>
<i>Business-Type Activities:</i>		
Water Department	1,218,958	538,245
Sewer Department	156,635	200,340
Solid Waste	-	3,785
Parking Meters	15,545	-
Recreation Revolving	-	8,371
	<u>1,391,138</u>	<u>750,741</u>
<i>Fiduciary Funds:</i>		
Trust ~ Cemetery Trusts	-	18,291
	<u>\$ 7,804,297</u>	<u>\$ 7,804,297</u>

TOWN OF NEWMARKET, NEW HAMPSHIRE

Notes to Financial Statements

June 30, 2006

CAPITAL ASSETS

A summary of changes in capital assets for the fiscal year ended June 30,2006 is as follows:

	<i>Governmental Activities</i>			
	Beginning			Ending
	Balances	Additions	Deductions	Balances
Land	\$ 4,615,497	\$ -	\$ -	\$ 4,615,497
Buildings & Other Structures	3,941,980	224,766	-	4,166,746
Construction in Progress	5,194,825	2,167,246	-	7,362,071
Equipment	1,020,000	60,000	-	1,080,000
Vehicles	1,420,907	552,375	-	1,973,282
Infrastructure	50,000,000	303,021	-	50,303,021
	66,193,209	3,307,408	-	69,500,617
Less: Accumulated Depreciation	(7,735,068)	(887,118)	-	(8,622,186)
	<u>\$ 58,458,141</u>	<u>\$ 2,420,290</u>	<u>\$ -</u>	<u>\$ 60,878,431</u>

	<i>Business-Type Activities ~ Water Treatment</i>			
	Beginning			Ending
	Balances	Additions	Deductions	Balances
Land	\$ 400	\$ -	\$ -	\$ 400
Buildings & Other Structures	2,400,000	-	-	2,400,000
Vehicles	18,000	-	-	18,000
Infrastructure	5,500,236	207,076	-	5,707,312
	7,918,636	207,076	-	8,125,712
Less: Accumulated Depreciation	(3,487,878)	(185,629)	-	(3,673,507)
	<u>\$ 4,430,758</u>	<u>\$ 21,447</u>	<u>\$ -</u>	<u>\$ 4,452,205</u>

	<i>Business-Type Activities ~ Wastewater Treatment</i>			
	Beginning			Ending
	Balances	Additions	Deductions	Balances
Land	\$ 340,000	\$ -	\$ -	\$ 340,000
Buildings & Other Structures	1,850,000	-	-	1,850,000
Vehicles	63,500	-	-	63,500
Construction in Progress		31,298	-	31,298
Infrastructure	2,232,658	-	-	2,232,658
	4,486,158	31,298	-	4,517,456
Less: Accumulated Depreciation	(1,431,093)	(130,499)	-	(1,561,592)
	<u>\$ 3,055,065</u>	<u>\$ (99,201)</u>	<u>\$ -</u>	<u>\$ 2,955,864</u>

TOWN OF NEWMARKET, NEW HAMPSHIRE

Notes to Financial Statements

June 30, 2006

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 1st to July 1st. 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 2005 for FY2006, ending June 30, 2006, to be recorded as an insurance expense/expenditure totaled \$79,618.
- **Unpaid contributions** for the year ending June 30, 2006, and due in 2006 were \$0.00.
- **Additional contributions** paid in 2005 for FY2006, ending June 30, 2006, to be recorded as an insurance expense/expenditure totaled \$348.
- **Workers Compensation Plan** paid for the period of 1/1/2006 to 12/31/2006 totaled \$64,286.

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.

TOWN OF NEWMARKET, NEW HAMPSHIRE

Notes to Financial Statements

June 30, 2006

LIABILITIES

AGENCY DEPOSITS

Amounts held for others at June 30, 2006 were as follows:

Agency Funds

Newmarket School District:

Capital Reserve Funds	\$	980,464
Developers' Performance Bonds		53,407
<i>Employee Benefit Plan Assets:</i>		
Deferred Compensation Plan - ICMA	\$	345,220
Deferred Compensation Plan - Nationwide		<u>137,333</u>
		<u>482,553</u>
	\$	<u><u>1,516,424</u></u>

DEFERRED REVENUE

2006-2007 fiscal year property taxes billed on May 15, 2006	\$	7,501,070
Developers' Performance Bonds		278,819
Other		<u>7,321</u>
		<u><u>\$7,787,210</u></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.

TOWN OF NEWMARKET, NEW HAMPSHIRE

Notes to Financial Statements

June 30, 2006

The payroll for employees covered by the System for the year ended June 30, 2006, was \$2,200,944; the Town's total payroll was \$2,905,657. Contribution requirements for the year ended June 30, 2006, were as follows:

State of New Hampshire	\$ 32,581
Employer Contributions	167,798
Employee Contributions	<u>136,886</u>
	<u>\$ 337,265</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.

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.

TOWN OF NEWMARKET, NEW HAMPSHIRE

Notes to Financial Statements

June 30, 2006

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, 2006:

	July 1, 2005	Issued	Retired	June 30, 2006	Within One Year
<i>Governmental Activities:</i>					
Bonds and Notes Payable	\$ 3,150,000		\$ 175,000	\$ 2,975,000	\$ 175,000
Landfill Closure & Long-Term Maintenance	820,000		41,000	779,000	41,000
	<u>3,970,000</u>	-	<u>216,000</u>	<u>3,754,000</u>	<u>216,000</u>
<i>Business-Type Activities:</i>					
Major Enterprise Funds					
Bonds and Notes Payable					
Water Treatment	575,000		115,000	460,000	115,000
Wastewater Treatment	1,343,681		79,040	1,264,641	79,040
	<u>1,918,681</u>	-	<u>194,040</u>	<u>1,724,641</u>	<u>194,040</u>
	<u>\$ 5,888,681</u>	\$ -	<u>\$ 410,040</u>	<u>\$ 5,478,641</u>	<u>\$ 410,040</u>

Long-term Debt Payable. Long-term debt payable at June 30, 2006, is comprised of the following individual issues:

Description of Issue	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding June 30, 2006
<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	\$ 1,700,000
<u>Capital Projects</u>					
Downtown TIF Improvements	1,500,000	01/15/03	01/15/23	4.25-4.90	1,275,000
					<u>2,975,000</u>
Landfill Closure & LT Maintenance					779,000
					<u>3,754,000</u>
<i>Business-Type Activities:</i>					
Water Treatment					
Water Facility Bond	2,300,000	01/15/89	01/15/10	6.8-6.875	460,000
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	1,264,641
					<u>1,724,641</u>
					<u>\$ 5,478,641</u>

TOWN OF NEWMARKET, NEW HAMPSHIRE

Notes to Financial Statements

June 30, 2006

Annual Requirements To Amortize General Obligation Debt. The annual requirements to amortize all general obligation debt outstanding as of June 30, 2006, including interest payments, are as follows:

Governmental Activities:

Fiscal Year Ending <u>December 31,</u>	General Obligation Notes and Bonds		
	Principal	Interest	Total
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	175,000	102,463	277,463
	875,000	586,689	1,461,689
2012-16	875,000	400,664	1,275,664
2017-21	875,000	207,990	1,082,990
2022	350,000	25,638	375,638
	<u>\$ 2,975,000</u>	<u>\$ 1,220,981</u>	<u>\$ 4,195,981</u>

Business-Type Activities:

Fiscal Year Ending <u>June 30</u>	Water Treatment Debt		
	Principal	Interest	Total
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>\$ 460,000</u>	<u>\$ 79,063</u>	<u>\$ 539,063</u>

Fiscal Year Ending <u>June 30</u>	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
	395,200	219,573	614,773
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.

TOWN OF NEWMARKET, NEW HAMPSHIRE

Notes to Financial Statements

June 30, 2006

Fiscal Year Ending	Estimated Landfill Post-Closure Costs		
	Principal	Interest	Total
June 30			
2007	\$ 41,000	\$ -	\$ 41,000
2008	41,000	-	41,000
2009	41,000	-	41,000
2010	41,000	-	41,000
2011	41,000	-	41,000
	205,000	-	205,000
2012-16	205,000	-	205,000
2017-21	205,000	-	205,000
2022	164,000	-	164,000
	<u>\$ 779,000</u>	<u>\$ -</u>	<u>\$ 779,000</u>

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 \$779,000 over the next 19 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, 2006. 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, 2006:

	Balance July 1, 2005	New Grants	Grants Received	Balance June 30, 2006	Due Within One Year
<i>Business-Type Activities:</i>					
Major Enterprise Funds					
Water Treatment	\$ 138,679		\$ 30,906	\$ 107,773	\$ 29,285
Wastewater Treatment	263,719		15,513	248,206	15,513
	<u>\$ 402,398</u>	<u>\$ -</u>	<u>\$ 46,419</u>	<u>\$ 355,979</u>	<u>\$ 44,798</u>

TOWN OF NEWMARKET, NEW HAMPSHIRE

Notes to Financial Statements

June 30, 2006

As of June 30, 2006, the Town is due to receive the following annual amounts to offset debt payments:

Fiscal Year Ending	For Water Treatment Debt		
	Principal	Interest	Total
June 30			
2007	\$ 29,285	\$ -	\$ 29,285
2008	27,744	-	27,744
2009	26,163	-	26,163
2010	24,581	-	24,581
	<u>\$ 107,773</u>	<u>\$ -</u>	<u>\$ 107,773</u>

Fiscal Year Ending	For Wastewater Treatment Debt		
	Principal	Interest	Total
June 30			
2007	\$ 15,513	\$ 9,193	\$ 24,706
2008	15,513	8,619	24,132
2009	15,513	58,044	73,557
2010	15,513	7,470	22,983
2011	15,513	6,895	22,408
	<u>77,565</u>	<u>90,221</u>	<u>167,786</u>
2012-16	77,565	25,857	103,422
2017-21	77,564	11,492	89,056
2022	15,512	575	16,087
	<u>\$ 248,206</u>	<u>\$ 128,145</u>	<u>\$ 376,351</u>

Bonds or Notes Authorized - Unissued

Bonds and notes authorized and unissued as of June 30, 2006 were as follows:

Authorization	Purpose	Unissued Amount
May 12, 1998 ~ Article 8	Black Bear Business Park	
	Infrastructure Improvements	\$ 3,250,000
May 14, 2002 ~ Article 4	Water Treatment System	
	Infrastructure Improvements	2,150,000
May 14, 2002 ~ Article 5	Wastewater Collection System	
	Infrastructure Improvements	800,000
May 13, 2003 ~ Article 3	Downtown TIF	
	Infrastructure Improvements	500,000
May 11, 2004 ~ Article 3	Capital Project	
March 1994	Renovate McCallen Building	1,600,000
		<u>\$ 8,300,000</u>

TOWN OF NEWMARKET, NEW HAMPSHIRE

Notes to Financial Statements

June 30, 2006

SEGMENT INFORMATION FOR BUSINESS-TYPE FUNDS

Selected segment information for the Town's Business-type funds for the fiscal year ended June 30, 2006, was as follows:

	Water <u>Treatment</u>	Wastewater <u>Treatment</u>	Solid <u>Waste</u>	<u>Parking</u>
Operating revenues	\$ 878,239	\$ 829,434	\$ 182,800	\$ 20,180
Depreciation	185,629	130,499	-	-
Operating income(loss)	204,071	38,823	(164,451)	14,952
Change in net assets	(313,619)	(195,143)	(1,991)	16,842
Net working capital	1,237,624	635,530	219,836	65,416
Total assets	6,562,950	3,878,460	227,090	65,416
Bonds and other				
long-term liabilities	266,512	952,908	-	-
Total net assets(deficit)	5,423,317	2,638,486	219,836	48,574

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	\$ 126,072
Conservation Commission	215,214
DARE Grant	16,680
Drug Forfeiture	4,190
Pistol Permits	2,497
	<u>\$ 364,653</u>

Capital Projects

Main Street Enhancements	\$ 407,596
CDBG Grant	(107,484)
Main Street Project- Sewer	187,388
Main Street Project - Water	520,263
Department of Justice Federal Equity Sharing	10,853
Open Space	608,016
Public Works & Fire Department Complex	(1,480,000)
Downtown Business District	2,896,146
Black Bear Business Park	(97,342)
	<u>\$ 2,945,436</u>

TOWN OF NEWMARKET, NEW HAMPSHIRE

Notes to Financial Statements

June 30, 2006

Expendable Trusts

Capital and Non-capital Reserves Fund

Capital Reserves:

Ambulance	\$	13,554
Works Department		220,226
Fire Department		91,520
Revaluation		557
Library		98,867
Roadway Improvement		56,491
Building Improvement		243,276
Downtown Redevelopment		140,482
Recreational Facility		515,046
Waterfront Improvements		90,964
Main Street Roadway		1
Police Vehicles		58,876
Municipal Transportation Improvement		103,759
Aquifer Protection		34,853
Ladder Truck		50,000

Non-capital Reserves:

Riverside Cemetery Maintenance		10,974
Newmarket Veteran's Memorial		5,969
Health Insurance Trust		1,005

\$ 1,736,420

Health Trust

(363,365)

\$ 1,373,055

TOWN OF NEWMARKET, NEW HAMPSHIRE

Notes to Financial Statements

June 30, 2006

Private Purpose Trusts -- Trust funds held by the Town and Library Trustees at June 30, 2006 for donor-restricted purposes were as follows:

	<u>Non- expendable Endowment</u>	<u>Expendable for Trust Purposes</u>	<u>Total</u>
<i>Non-expendable Trusts:</i>			
<i>Town Trusts:</i>			
Cemetery	\$ 429,916	\$ 162,727	\$ 592,643
Scholarship	281,690	18,416	300,106
Community cultural	75,000	14,938	89,938
Downtown infrastructure improvements	1	-	1
Unrealized gain on investments	57,848	-	57,848
	<u>844,455</u>	<u>196,081</u>	<u>1,040,536</u>
<i>Library Trusts:</i>			
Support of the Newmarket Public Library	10,000	25,780	35,780
	<u>\$ 854,455</u>	<u>\$ 221,861</u>	<u>\$ 1,076,316</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, 2006

All amounts are expressed in American Dollars

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
REVENUES				
Taxes	3,468,712	3,468,712	3,696,436	227,724
Licenses and permits	1,359,470	1,359,470	1,465,460	105,990
State support	603,602	603,602	610,323	6,721
Charges for services	267,725	267,725	209,623	(58,102)
Miscellaneous	155,966	155,966	289,789	133,823
	<u>5,855,475</u>	<u>5,855,475</u>	<u>6,271,631</u>	<u>416,156</u>
EXPENDITURES				
Current:				
General government	2,061,273	2,061,273	2,058,046	3,227
Public safety	1,344,406	1,344,406	1,247,593	96,813
Highways and streets	736,869	736,869	724,534	12,335
Welfare	168,796	168,796	166,011	2,785
Culture and recreation	57,667	57,667	57,424	243
Conservation	1,070	1,070	1,070	
Economic development	11,000	11,000	4,670	6,330
Debt service	299,800	179,800	179,800	
Capital outlay	719,849	1,327,962	1,281,084	46,878
	<u>5,400,730</u>	<u>5,888,843</u>	<u>5,720,232</u>	<u>168,611</u>
Excess of revenues over(under) expenditures	454,745	(33,368)	551,399	584,767
OTHER FINANCING SOURCES (USES)				
Transfers in		783,113	783,113	
Transfers out	(1,009,745)	(1,304,745)	(1,324,190)	(19,445)
	<u>(1,009,745)</u>	<u>(521,632)</u>	<u>(541,077)</u>	<u>(19,445)</u>
Net change in fund balances	(555,000)	(555,000)	10,322	565,322
Unreserved Fund balances - beginning	<u>1,804,385</u>	<u>1,804,385</u>	<u>1,804,385</u>	
Unreserved Fund balances - ending	<u>1,249,385</u>	<u>1,249,385</u>	<u>1,814,707</u>	<u>565,322</u>

TOWN OF NEWMARKET, NEW HAMPSHIRE
Note to Required Supplementary Information – Budgetary Reporting
June 30, 2006

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 2005-06, \$555,000, 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, 2006

All amounts are expressed in American Dollars

	Original & Final Budget	Reserves and RSA 31:95-b Authorizations	Actual (GAAP Basis)	Over (Under) Budget
REVENUES				
Taxes				
Property	3,705,815		3,761,353	55,538
Land Use	45,000		36,250	(8,750)
Resident	57,000		77,131	20,131
Timber yield			8,405	8,405
Payments in lieu of taxes	30,486		56,044	25,558
Excavation tax	1,000		1,226	226
Interest and penalties on delinquent taxes	59,000		64,245	5,245
Overlay	(429,589)		(308,218)	121,371
	<u>3,468,712</u>		<u>3,696,436</u>	<u>227,724</u>
Licenses and permits				
Motor vehicle fees	1,170,500		1,188,671	18,171
Building permits	75,085		112,758	37,673
Franchise fees			118,105	118,105
Other licenses, permits and fees	113,885		45,926	(67,959)
	<u>1,359,470</u>		<u>1,465,460</u>	<u>105,990</u>
State Support				
Shared revenue block grant	125,579		125,579	
Meals and rooms tax distributions	341,177		341,177	
Highway block grant	135,389		142,110	6,721
Other	1,457		1,457	
	<u>603,602</u>		<u>610,323</u>	<u>6,721</u>
Charges for Services				
Income From Departments				
<i>General Government Services:</i>				
Planning & zoning fees	34,000		12,393	(21,607)
Other	28,500		8,780	(19,720)
<i>Public safety services:</i>				
Police department	61,600		41,412	(20,188)
Ambulance	75,125		78,024	2,899
Fire department	6,500		6,225	(275)
Dispatch	62,000		62,789	789
	<u>267,725</u>		<u>209,623</u>	<u>(58,102)</u>
Miscellaneous				
Sale of municipal property	1,000		19,533	18,533
Interest on investments	50,000		216,353	166,353
Rents of property			11,080	11,080
Cemetery	20,000		18,291	(1,709)
Other	84,966		24,532	(60,434)
	<u>155,966</u>		<u>289,789</u>	<u>133,823</u>
OTHER FINANCING SOURCES				
Operating transfers in - Interfund Transfers				
<i>Capital & Noncapital Reserve Funds -</i>				
Ambulance		125,000	125,000	
Building Improvement		13,617	13,617	
Public Works Department		6,712	6,712	
Police Vehicle		23,000	23,000	
Waterfront		50,000	50,000	
Recreation		43,963	43,963	
Fire Department		324,375	324,375	
Revaluation		21,446	21,446	
Aquifer		175,000	175,000	
		<u>783,113</u>	<u>783,113</u>	
Total revenues and other financing sources	<u>5,855,475</u>	<u>783,113</u>	<u>7,054,744</u>	<u>416,156</u>
Unreserved Fund Balance Used to Reduce Tax Rate	<u>555,000</u>			
Total revenues and use of fund balance	<u>6,410,475</u>			

Schedule D1b
TOWN OF NEWMARKET, NEW HAMPSHIRE
General Fund

Detailed Statement of Appropriations, Expenditures and Encumbrances
For the Fiscal Year Ended June 30, 2006

all numbers are expressed in American Dollars

	Voted <u>Appropriations</u>	Reserves and RSA 31:95-b <u>Authorizations</u>	Expenditures Net of Refunds	(Over) Under Budget
EXPENDITURES				
Current				
General Government				
Executive	197,975		187,602	10,373
Election, Registration & Vital Statistics	133,893		131,760	2,133
Financial Administration	217,407		217,241	166
Revaluation of Property	57,485		55,217	2,268
Legal Expenses	52,500		81,900	(29,400)
Employee Benefits	928,598		900,860	27,738
Planning and Zoning	92,885		95,574	(2,689)
General Government Buildings	256,300		299,145	(42,845)
Cemeteries	29,730		30,057	(327)
Insurance, not otherwise allocated	59,000		58,690	310
Merit pay pool	35,500			35,500
	<u>2,061,273</u>	-	<u>2,058,046</u>	<u>3,227</u>
Public safety				
Police Department	1,093,551		997,877	95,674
Fire Department	174,070		172,377	1,693
Building Inspection (code enforcement)	74,885		75,439	(554)
Emergency management	1,900		1,900	-
	<u>1,344,406</u>	-	<u>1,247,593</u>	<u>96,813</u>
Highways and streets				
Administration	369,802		346,870	22,932
Highways and streets	124,144		102,708	21,436
Bridges	100			100
Street Lighting	29,000		31,778	(2,778)
Other	213,823		243,178	(29,355)
	<u>736,869</u>	-	<u>724,534</u>	<u>12,335</u>
Welfare				
Administration & Direct Assistance	121,436		118,651	2,785
Social Service Agencies	47,360		47,360	-
	<u>168,796</u>	-	<u>166,011</u>	<u>2,785</u>
Culture and recreation				
Patriotic Purposes	1,800			1,800
Other	55,867		57,424	(1,557)
	<u>57,667</u>	-	<u>57,424</u>	<u>243</u>
Conservation				
Conservation Commission	1,070		1,070	-
	<u>1,070</u>	-	<u>1,070</u>	-
Economic development				
Administration	11,000		4,670	6,330
	<u>11,000</u>	-	<u>4,670</u>	<u>6,330</u>
Debt service				
Principal of long-term debt	100,000		100,000	-
Interest expense - long-term debt	79,800		79,800	-
Interest expense - tax anticipation notes	120,000	(120,000)		-
	<u>299,800</u>	<u>(120,000)</u>	<u>179,800</u>	-
Facilities acquisition and construction				
Land and Improvements:				
Leo Landroche Field repairs		14,180	14,180	-
Machinery, vehicles & equipment				
Public Works	4,500		4,500	-
Ladder Truck		50,000	50,000	-
Fire Truck Tanker		324,375	324,375	-
Engine		19,000	19,000	-
Ambulance	125,000		125,000	-
Police Vehicle	30,000	23,000	53,000	-

Schedule D1b
TOWN OF NEWMARKET, NEW HAMPSHIRE
General Fund

Detailed Statement of Appropriations, Expenditures and Encumbrances
For the Fiscal Year Ended June 30, 2006

all numbers are expressed in American Dollars

	Voted Appropriations	Reserves and RSA 31:95-b Authorizations	Expenditures Net of Refunds	(Over) Under Budget
Buildings				
Fuel Pump System- Highway	60,000		60,000	-
Town Hall		8,042	8,042	-
Recreation		5,575	5,575	-
Drainage	20,500	6,712	13,022	14,190
Improvements other than buildings				
Irrigation		7,783	7,783	-
Flood Expenses			2,069	(2,009)
Paving	303,021		303,021	-
Cemetery Fence	60,000		60,000	-
Telecommunication	74,463		39,766	34,697
Recreation Facilities	15,000		15,000	-
ISO Facilities	27,365		27,365	-
Fiber Network		125,000	125,000	-
Survey		3,000	3,000	-
Revaluation		21,446	21,446	-
	<u>719,849</u>	<u>608,113</u>	<u>1,281,084</u>	<u>46,878</u>
OTHER FINANCING USES				
Operating transfers out - Interfund transfers				
<i>Special revenue</i>				
Newmarket Public Library	234,798		234,298	500
<i>Capital & Noncapital Reserves:</i>				
<i>Capital Reserves</i>				
Ambulance	28,802		28,802	-
Public Works	73,000		73,000	-
Fire Department	65,357		65,357	-
Library	10,380		10,380	-
Downtown Redevelopment	29,500		29,500	-
Recreational Facility	106,400		106,400	-
Waterfront Improvements	25,000		25,000	-
Police vehicles	13,333		13,333	-
Ladder Truck	50,000		50,000	-
<i>Noncapital Reserves:</i>				
CDBG Grant	50,000		50,000	-
Open Space		175,000	175,000	-
Fire Department		120,000	120,000	-
Municipal Transportation			19,965	(19,965)
<i>Business-type Funds:</i>				
Solid Waste	154,376		154,376	-
Recreation	168,799		168,779	20
	<u>1,009,745</u>	<u>295,000</u>	<u>1,324,190</u>	<u>(19,445)</u>
	<u>6,410,475</u>	<u>783,113</u>	<u>7,044,422</u>	<u>149,166</u>

Schedule D2a
TOWN OF NEWMARKET, NEW HAMPSHIRE
Balance Sheet
Special Revenue Funds
 June 30, 2006

All numbers are expressed in American Dollars

	<i>Special Revenue</i>						Total
	Public Library	Conservation Commission	Drug Forfeiture	Pistol Permits	DARE Grant		
ASSETS							
Cash and cash equivalents	52,845	3,597		250	11,281		67,973
Investments	84,651	273,948	2,790	1,949			363,338
Interfund receivable	2,771		1,400	298	5,579		10,048
	<u>140,267</u>	<u>277,545</u>	<u>4,190</u>	<u>2,497</u>	<u>16,860</u>		<u>441,359</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	8,714	3,093					11,807
Accrued Liabilities	5,481						5,481
Interfund payable		55,641					55,641
Deferred revenue		3,597					3,597
	<u>14,195</u>	<u>62,331</u>					<u>76,526</u>
Fund balances:							
Reserved for special purposes, reported in:							
Special revenue funds	126,072	215,214	4,190	2,497	16,860		364,833
	<u>140,267</u>	<u>277,545</u>	<u>4,190</u>	<u>2,497</u>	<u>16,860</u>		<u>441,359</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, 2006

All numbers are expressed in American Dollars

	<i>Special Revenue</i>					Total
	Public Library	Conservation Commission	Drug Forfeiture	Pistol Permits	DARE Grant	
REVENUES						
Taxes		36,250				36,250
Federal support					16,432	16,432
Miscellaneous	11,796	15,165	1,506	654	428	29,549
	11,796	51,415	1,506	654	16,860	82,231
EXPENDITURES						
Current:						
Public safety				312		312
Culture and recreation	235,602					235,602
Conservation		9,887				9,887
	235,602	9,887	-	312	-	245,801
Excess (deficiency) of revenues over (under) expenditures	(223,806)	41,528	1,506	342	16,860	(163,570)
OTHER FINANCING SOURCES (USES)						
Transfers in	234,298					234,298
Transfers out		(75,000)				(75,000)
	234,298	(75,000)	-	-	-	159,298
Net change in fund balances	10,492	(33,472)	1,506	342	16,860	(4,272)
Fund balances - beginning	115,580	248,686	2,684	2,155		369,105
Fund balances - ending	126,072	215,214	4,190	2,497	16,860	364,833

Schedule D3a
TOWN OF NEWMARKET, NEW HAMPSHIRE
Balance Sheet
Capital Projects Fund
 June 30, 2006

All numbers are expressed in American Dollars

		<i>Capital Projects</i>										
	Main Street Enhancements	Dept. of Justice Federal Equity Sharing	Open Space	Public Works & Fire Department Complex	CDBG Grants	Phase I-Sewer Main Street Project	Water Main Street Project	Downtown Business District	Black Bear Business Park	Total		
ASSETS												
Investments	177,799	10,853	247,788					1,935,044		2,371,484		
Accounts receivable	20,008									20,008		
Interfund receivable	275,656		360,644			187,388	520,263	961,102		2,305,053		
	473,463	10,853	608,432	-	-	187,388	520,263	2,896,146	-	4,696,545		
	45,628		416						628	46,672		
Contracts payable	9,606									9,606		
Retainage payable	10,633					12,629				23,262		
Interfund payable				1,480,000		94,855			96,714	1,671,569		
	65,867	-	416	1,480,000	107,484	-	-	-	97,342	1,751,109		
	407,596	10,853	608,016	(1,480,000)	(107,484)	187,388	520,263	2,896,146	(97,342)	2,945,436		
	473,463	10,853	608,432	-	-	187,388	520,263	2,896,146	-	4,696,545		
LIABILITIES AND FUND BALANCES												
Liabilities:												
Accounts payable												
Contracts payable												
Retainage payable												
Interfund payable												
Fund balances:												
Reserved for:												
Special purposes, reported in:												
Capital project funds												

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, 2006

All numbers are expressed in American Dollars

	Main Street Enhancements	Depr. of Justice Federal Equity Sharing	Open Space	Fire Department Complex	CDBG Grants	Phase I-Sewer Main Street Project	Water Main Street Project	Downtown Business District	Black Bear Business Park	Total
REVENUES										
Taxes										
Federal support	56,741		689,895		347,538			713,762	131,872	845,634
Miscellaneous	56,741		689,895		347,538			73,376	29,700	347,538
								787,138	161,572	849,712
EXPENDITURES										
Debt service:										
Principal								75,000		75,000
Interest								59,850		59,850
Capital outlay:										
Real property acquisition			859,680							859,680
Architectural/engineering	71,396				505,022	4,816	10,130			591,364
Construction	206,081		71,500		26,482	22,635	22,635	261,082	139,427	727,207
Equipment & furnishings			23,040					30,018		30,018
Project administration	277,477		954,220		505,022	31,298	32,765	425,950	139,427	2,366,159
	(220,736)		(264,325)		(157,484)	(31,298)	(32,765)	361,188	22,145	(323,275)
Excess (deficiency) of revenues over (under) expenditures										
OTHER FINANCING SOURCES (USES)										
Transfers in	405,337		250,000	120,000	50,000	200,340	538,245			1,563,922
	405,337		250,000	120,000	50,000	200,340	538,245			1,563,922
Net change in fund balances	184,601		(14,325)	120,000	(107,484)	169,042	505,480	361,188	22,145	1,240,647
Fund balances - beginning (restated)	222,995	10,853	622,341	(1,600,000)		18,346	14,783	2,534,958	(119,487)	1,704,789
Fund balances - ending	407,596	10,853	608,016	(1,480,000)	(107,484)	187,388	520,263	2,896,146	(97,342)	2,945,436

Schedule D4a
TOWN OF NEWMARKET, NEW HAMPSHIRE
Balance Sheet
Capital and Noncapital Reserves
 June 30, 2006

All numbers are expressed in American Dollars

	<i>Expendable Trusts</i>		
	Capital & Noncapital Reserves	Health Trust	Total
	ASSETS		
Cash and cash equivalents	2,854,455		2,854,455
Interfund receivable	50,000		50,000
Other receivables	450		450
	<u>2,904,905</u>	-	<u>2,904,905</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Interfund payable	1,168,485	363,365	1,531,850
	<u>1,168,485</u>	<u>363,365</u>	<u>1,531,850</u>
Fund balances:			
Reserved for:			
Special purposes, reported in:			
Expendable Trusts	1,736,420		1,736,420
Unreserved(deficit), reported in:			
Expendable Trusts		(363,365)	(363,365)
	<u>1,736,420</u>	<u>(363,365)</u>	<u>1,373,055</u>
	<u>2,904,905</u>	-	<u>2,904,905</u>

TOWN OF NEWMARKET, NEW HAMPSHIRE*Statement of Revenues, Expenditures, and Changes in Fund Balances*

Capital and Noncapital Reserves

For the Fiscal Year Ended June 30, 2006

All numbers are expressed in American Dollars

	<i>Expendable Trusts</i>		Total
	Capital & Noncapital Reserves	Health Trust	
REVENUES			
Charges for services		782,690	782,690
Miscellaneous	98,148		98,148
	98,148	782,690	880,838
EXPENDITURES			
Current:			
General government		756,962	756,962
Capital outlay - Fund purposes	147		147
	147	756,962	757,109
Excess (deficiency) of revenues over (under) expenditures	98,001	25,728	123,729
OTHER FINANCING SOURCES (USES)			
Transfers in	421,737		421,737
Transfers out	(1,188,450)		(1,188,450)
	(766,713)	-	(766,713)
Nct change in fund balances	(668,712)	25,728	(642,984)
Fund balances - beginning	2,405,132	(389,093)	2,016,039
Fund balances(deficits) - ending	1,736,420	(363,365)	1,373,055

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, 2006

All amounts are expressed in American Dollars

	Beginning Balance	Additions	Deductions	Ending Balance
ASSETS				
Cash and equivalents	603,644	377,593	773	980,464
Investments	426,300	114,344	4,684	535,960
	<u>1,029,944</u>	<u>491,937</u>	<u>5,457</u>	<u>1,516,424</u>
LIABILITIES				
Agency deposits:				
Newmarket School District				
<i>Capital Reserve Funds:</i>				
School Account	550,829	326,741		877,570
School Repair and maintenance fund		50,966		50,966
School Technology Fund		505		505
School Special Education Fund		50,966		50,966
Newmarket School Improvement	6	451		457
Developers' Performance Bonds	52,809	1,371	773	53,407
Employee Benefit Plan Asscts:				
Section 457 Deferred Compensation Plan - <i>ICMA</i>	284,283	60,937		345,220
Section 457 Deferred Compensation Plan - <i>Nationwide</i>	142,017		4,684	137,333
	<u>1,029,944</u>	<u>491,937</u>	<u>5,457</u>	<u>1,516,424</u>