

**TOWN OF NEWMARKET, NEW HAMPSHIRE**

**Annual Financial Statements**

**For the Year Ended June 30, 2009**

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### INDEPENDENT AUDITORS' REPORT

To the Town Council  
Town of Newmarket, New Hampshire

We have audited the accompanying financial statements 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 and for the year ended June 30, 2009, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Newmarket's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the 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, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, appearing on the following pages, and the supplementary information, appearing in the back of this report, are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of

Additional Offices:

Andover, MA • Greenfield, MA • Ellsworth, ME • Manchester, NH

management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Melanson, Heath + Company P.C.*

Nashua, New Hampshire  
January 11, 2010

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the Town of Newmarket, we offer readers this narrative overview and analysis of the financial activities of the Town of Newmarket for the fiscal year ended June 30, 2009.

### **A. OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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

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

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

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

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

An annual appropriated budget is adopted for the general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

**Proprietary funds.** Proprietary funds are maintained as follows:

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Specifically, enterprise funds are used to account for water treatment, wastewater treatment, solid waste, parking, and recreation revolving operations.

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

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

**Notes to the financial statements.** The notes provide additional information that are essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary infor-

mation which is required to be disclosed by accounting principles generally accepted in the United States of America.

## **B. FINANCIAL HIGHLIGHTS**

- As of the close of the current fiscal year, the total of assets exceeded liabilities by \$ 69,996,622 (i.e., net assets), a change of \$ 1,339,125 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$ 6,071,448, a change of \$ (2,101,664) in comparison with the prior year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$ 456,957, a change of \$ (552,328) in comparison with the prior year.
- Total long-term debt (i.e., bonds payable) at the close of the current fiscal year was \$ 3,592,521, a change of \$ (369,039) in comparison to the prior year.

## **C. GOVERNMENT-WIDE FINANCIAL ANALYSIS**

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Current and other assets	\$ 17,006,073	\$ 18,726,583	\$ 2,335,882	\$ 2,409,069	\$ 19,341,955	\$ 21,135,652
Capital assets	56,716,777	53,424,981	5,626,240	5,969,098	62,343,017	59,394,079
Total assets	<u>73,722,850</u>	<u>72,151,564</u>	<u>7,962,122</u>	<u>8,378,167</u>	<u>81,684,972</u>	<u>80,529,731</u>
Long-term liabilities	3,107,457	3,143,008	1,159,824	1,340,689	4,267,281	4,483,697
Other liabilities	9,193,925	9,239,400	(1,772,856)	(1,850,863)	7,421,069	7,388,537
Total liabilities	<u>12,301,382</u>	<u>12,382,408</u>	<u>(613,032)</u>	<u>(510,174)</u>	<u>11,688,350</u>	<u>11,872,234</u>
Net assets:						
Invested in capital assets, net of related debt	54,591,721	52,811,807	5,364,593	5,513,411	59,956,314	58,325,218
Restricted	3,676,487	3,701,033	-	-	3,676,487	3,701,033
Unrestricted	3,153,260	3,256,316	3,210,561	3,374,930	6,363,821	6,631,246
Total net assets	<u>\$ 61,421,468</u>	<u>\$ 59,769,156</u>	<u>\$ 8,575,154</u>	<u>\$ 8,888,341</u>	<u>\$ 69,996,622</u>	<u>\$ 68,657,497</u>

**CHANGES IN NET ASSETS**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Revenues:						
Program revenues:						
Charges for services	\$ 707,747	\$ 1,308,212	\$ 1,680,558	\$ 1,946,796	\$ 2,388,305	\$ 3,255,008
Operating grants and contributions	61,522	228,850	8,044	82,318	69,566	311,168
Capital grants and contributions	895,517	1,348,807	-	-	895,517	1,348,807
General revenues:						
Property taxes	5,777,832	5,080,295	-	-	5,777,832	5,080,295
Motor vehicle permits	1,161,864	1,236,732	-	-	1,161,864	1,236,732
Penalties and interest on taxes	96,509	152,529	-	-	96,509	152,529
Grants and contributions not restricted to specific programs	792,136	717,180	-	-	792,136	717,180
Investment income	129,635	500,865	23,335	61,228	152,970	562,093
Miscellaneous	149,067	5,498	630	-	149,697	5,498
Total revenues	<u>9,771,829</u>	<u>10,578,968</u>	<u>1,712,567</u>	<u>2,090,342</u>	<u>11,484,396</u>	<u>12,669,310</u>
Expenses:						
General government	2,034,781	2,773,175	-	-	2,034,781	2,773,175
Public safety	2,014,451	1,507,054	-	-	2,014,451	1,507,054
Highway and streets	1,987,530	2,048,168	-	-	1,987,530	2,048,168
Welfare	209,712	165,426	-	-	209,712	165,426
Library and recreation	689,594	668,189	-	-	689,594	668,189
Conservation	254,922	106,211	-	-	254,922	106,211
Economic development	5,675	5,350	-	-	5,675	5,350
School district impact fee	-	109,420	-	-	-	109,420
Interest expense	113,046	121,560	-	-	113,046	121,560
Miscellaneous	586,577	841,135	-	-	586,577	841,135
Water services	-	-	736,383	746,612	736,383	746,612
Sewer services	-	-	947,857	961,231	947,857	961,231
Solid waste services	-	-	567,845	431,347	567,845	431,347
Total expenses	<u>7,896,288</u>	<u>8,345,688</u>	<u>2,252,085</u>	<u>2,139,190</u>	<u>10,148,373</u>	<u>10,484,878</u>
Change in net assets before transfers and permanent fund contributions	1,875,541	2,233,280	(539,518)	(48,848)	1,336,023	2,184,432
Interfund	(226,331)	(13,004)	226,331	13,004	-	-
Permanent fund contributions	3,102	2,819	-	-	3,102	2,819
Change in net assets	<u>1,652,312</u>	<u>2,223,095</u>	<u>(313,187)</u>	<u>(35,844)</u>	<u>1,339,125</u>	<u>2,187,251</u>
Net assets - beginning of year	<u>59,769,156</u>	<u>57,546,061</u>	<u>8,888,341</u>	<u>8,924,185</u>	<u>68,657,497</u>	<u>66,470,246</u>
Net assets - end of year	<u>\$ 61,421,468</u>	<u>\$ 59,769,156</u>	<u>\$ 8,575,154</u>	<u>\$ 8,888,341</u>	<u>\$ 69,996,622</u>	<u>\$ 68,657,497</u>

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net assets were \$ 69,996,622, a change of \$ 1,339,125 from the prior year.

The largest portion of net assets, \$ 59,956,314, reflects our investment in capital assets (e.g., land, buildings, infrastructure, and machinery and equipment), less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources

needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net assets \$ 3,676,487 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$ 6,363,821 may be used to meet the government's ongoing obligations to citizens and creditors.

**Governmental activities.** Governmental activities for the year resulted in a change in net assets of \$ 1,652,312. Key elements of this change are as follows:

General fund operations, as discussed further in section D	\$ (607,367)
Downtown Business District, a major fund activity - accrual basis	1,213,496
Black Bear Business District, a major fund activity - accrual basis	99,176
Nonmajor fund revenues and transfers in excess of expenditures and transfers out - accrual basis	1,395,032
Excess of depreciation, which is not budgeted, over principal and maturities, a budgeted (i.e., funded) expense	(1,521,932)
Other GAAP accruals	<u>1,073,907</u>
Total	<u>\$ 1,652,312</u>

**Business-type activities.** Business-type activities for the year resulted in a change in net assets of \$ (313,187). Key elements of this change are as follows:

Water Treatment	\$ (42,814)
Wastewater Treatment	(251,370)
Solid Waste	(50,801)
Parking	<u>31,798</u>
Total	<u>\$ (313,187)</u>

#### **D. FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS**

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

**Governmental funds.** The focus of governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing financing requirements. In particular,

unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$ 6,071,448, a change of \$ (2,101,664) in comparison with the prior year. Key elements of this change are as follows:

General fund operating results, as discussed further in section D	\$ (607,367)
Downtown Business District activities	(247,414)
Black Bear Business District activities	99,176
Nonmajor funds revenues over expenditures and transfer in	<u>(1,346,059)</u>
Total	<u>\$ (2,101,664)</u>

The general fund is the chief operating fund. At the end of the current fiscal year, unreserved fund balance of the general fund was \$ 456,957, while total fund balance was \$ 1,859,462. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 6.8 percent of total general fund expenditures, while total fund balance represents 27.8 percent of that same amount.

The fund balance of the general fund changed by \$ (607,367) during the current fiscal year. Key factors in this change are as follows:

Actual revenues less than budget	\$ (218,291)
Expenditures less than budget	190,619
Use of fund balance as a funding source	(780,000)
Current year encumbrances to be expended in subsequent year	(55,039)
Prior levy year property tax collections	<u>255,344</u>
Total	<u>\$ (607,367)</u>

**Proprietary funds.** Proprietary funds provide the same type of information found in the business-type activities reported in the government-wide financial statements, but in more detail.

Unrestricted net assets of the enterprise funds at the end of the year amounted to \$ 3,210,561. Other factors concerning the finances of proprietary funds have already been addressed in the entity-wide discussion of business-type activities.

## **E. GENERAL FUND BUDGETARY HIGHLIGHTS**

There were no changes between the original and final budget.

## **F. CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital assets.** Total investment in capital assets for governmental and business-type activities at year end amounted to \$ 62,343,017 (net of accumulated depreciation), a change of \$ 2,948,938 from the prior year. This investment in capital assets includes land, buildings and system, improvements, and machinery and equipment.

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

Purchase of:

Main street enhancements	\$ 2,457,196
Open space	230,650
Sunrise sunset	34,114
Riverwalk development	16,246
Downtown business district improvements	1,068,932
Black bear business park improvements	2,886
Riverdale garage	324,754
Eagles property	369,910
Community center roof	25,000
356 Wadleigh Falls Road	230,615
Prescott Street	100,291
Water line 108-car wash	15,587
Beech St. water line replacement	10,157
Cedar St. water line replacement	7,755
Elder St. water line replacement	2,365
Grape St water line replacement	2,843
Beech St sewer line replacement	8,378
Cedar St sewer line replacement	8,378
Elder St. sewer line replacement	1,950
Grape St sewer line replacement	2,345
Leaf vac	5,759
Portable chargeable sign #1	16,000
Portable chargeable sign #2	16,000
2009 Ford Taurus	24,288
2009 Ford Crown Victoria	28,549
2009 Ford F250 pickup	11,727
2009 Ford F250 pickup	11,727

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(Continued)

Thermal imager with powerhouse	14,797
Power pro ambulance cot	11,715
John Deere mower x320	3,771
Electronic message center sign	<u>10,543</u>
Subtotal	5,075,228
Current year depreciation	(2,124,092)
Disposals net of accumulated depreciation	<u>(2,198)</u>
Increase in capital assets	<u>\$ 2,948,938</u>

Additional information on capital assets can be found in the footnotes to the financial statements.

**Long-term debt.** At the end of the current fiscal year, total bonded debt outstanding was \$ 3,592,521, all of which was backed by the full faith and credit of the government.

Additional information on capital assets and long-term debt can be found in the footnotes to the financial statements.

### **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Town of Newmarket's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Office of the Finance Director  
Town of Newmarket  
186 Main Street  
Newmarket, New Hampshire 03857

TOWN OF NEWMARKET, NEW HAMPSHIRE

STATEMENT OF NET ASSETS

JUNE 30, 2009

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Current:			
Cash and short-term investments	\$ 15,157,494	\$ 1,753,933	\$ 16,911,427
Receivables, net of allowance for uncollectibles:			
Property taxes	1,304,855	-	1,304,855
User fees	119,955	355,699	475,654
Intergovernmental	-	40,094	40,094
Other assets	10,124	-	10,124
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	413,645	-	413,645
Intergovernmental	-	186,156	186,156
Capital assets:			
Land and construction in progress	20,267,772	476,935	20,744,707
Other assets, net of accumulated depreciation	<u>36,449,005</u>	<u>5,149,305</u>	<u>41,598,310</u>
<b>TOTAL ASSETS</b>	<b>73,722,850</b>	<b>7,962,122</b>	<b>81,684,972</b>
<b>LIABILITIES</b>			
Current:			
Vouchers payable	229,115	63,948	293,063
Accrued liabilities	75,791	29,712	105,503
Due to other governments	771	-	771
Internal activity	1,879,187	(1,866,516)	12,671
Other current liabilities	55,238	-	55,238
Taxes collected in advance	6,953,823	-	6,953,823
Current portion of long-term liabilities:			
Bonds payable	175,000	194,040	369,040
Other liabilities	46,361	1,401	47,762
Noncurrent:			
Bonds payable, net of current portion	2,275,000	948,481	3,223,481
Other liabilities, net of current portion	<u>611,096</u>	<u>15,902</u>	<u>626,998</u>
<b>TOTAL LIABILITIES</b>	<b>12,301,382</b>	<b>(613,032)</b>	<b>11,688,350</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	54,591,721	5,364,593	59,956,314
Restricted for:			
Grants	3,076,602	-	3,076,602
Permanent funds:			
Nonexpendable	448,649	-	448,649
Expendable	151,236	-	151,236
Unrestricted	<u>3,153,260</u>	<u>3,210,561</u>	<u>6,363,821</u>
<b>TOTAL NET ASSETS</b>	<b>\$ <u>61,421,468</u></b>	<b>\$ <u>8,575,154</u></b>	<b>\$ <u>69,996,622</u></b>

See notes to financial statements.

TOWN OF NEWMARKET, NEW HAMPSHIRE

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2009

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Assets</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Governmental Activities:</b>							
General government	\$ 2,034,781	\$ 363,751	\$ 246	\$ -	\$ (1,670,784)	\$ -	\$ (1,670,784)
Public safety	2,014,451	110,161	-	-	(1,904,290)	-	(1,904,290)
Highway and streets	1,987,530	-	61,276	756,902	(1,169,352)	-	(1,169,352)
Welfare	209,712	2,397	-	-	(207,315)	-	(207,315)
Library and recreation	689,594	224,408	-	-	(465,186)	-	(465,186)
Conservation	254,922	-	-	138,615	(116,307)	-	(116,307)
Economic development	5,675	7,030	-	-	1,355	-	1,355
Interest expense	113,046	-	-	-	(113,046)	-	(113,046)
Miscellaneous	586,577	-	-	-	(586,577)	-	(586,577)
Total Governmental Activities	7,896,288	707,747	61,522	895,517	(6,231,502)	-	(6,231,502)
<b>Business-Type Activities:</b>							
Water services	736,383	681,931	-	-	-	(54,452)	(54,452)
Waste water services	947,857	679,266	8,044	-	-	(260,547)	(260,547)
Solid waste services	567,845	288,160	-	-	-	(279,685)	(279,685)
Parking services	-	31,201	-	-	-	31,201	31,201
Total Business-Type Activities	2,252,085	1,680,558	8,044	-	-	(563,483)	(563,483)
Total	\$ 10,148,373	\$ 2,388,305	\$ 69,566	\$ 895,517	(6,231,502)	(563,483)	(6,794,985)
<b>General Revenues, Interfund Transfers, and Contributions:</b>							
Taxes					5,777,832	-	5,777,832
Motor vehicle permits					1,161,864	-	1,161,864
Penalties, interest, and other taxes					96,509	-	96,509
Grants and contributions not restricted to specific programs					792,136	-	792,136
Investment income					129,635	23,335	152,970
Miscellaneous					149,067	630	149,697
Interfund					(226,331)	226,331	-
Permanent fund contributions					3,102	-	3,102
Total general revenues, interfund transfers, and contributions					7,883,814	250,296	8,134,110
Change in Net Assets					1,652,312	(313,187)	1,339,125
<b>Net Assets:</b>							
Beginning of year, as restated					59,769,156	8,888,341	68,657,497
End of year					\$ 61,421,468	\$ 8,575,154	\$ 69,996,622

See notes to financial statements.

TOWN OF NEWMARKET, NEW HAMPSHIRE

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2009

	<u>General</u>	<u>Downtown Business District</u>	<u>Black Bear Business Park</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash and short-term investments	\$ 9,782,585	\$ 576,979	\$ -	\$ 4,796,889	\$ 15,156,453
Receivables:					
Property taxes	1,794,942	-	-	-	1,794,942
User fees	174,563	-	-	-	174,563
Other	10,124	-	-	-	10,124
Due from other funds	3,777,403	3,340,013	274,270	260,405	7,652,091
Advance to other funds	<u>1,360,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,360,000</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 16,899,617</u></b>	<b><u>\$ 3,916,992</u></b>	<b><u>\$ 274,270</u></b>	<b><u>\$ 5,057,294</u></b>	<b><u>\$ 26,148,173</u></b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Vouchers payable	\$ 191,237	\$ 1,814	\$ -	\$ 41,350	\$ 234,401
Accrued liabilities	-	-	-	20,435	20,435
Due to other governments	771	-	-	-	771
Due to other funds	5,924,224	-	-	3,606,013	9,530,237
Advance from other funds	-	-	-	1,360,000	1,360,000
Deferred revenues	1,926,945	-	-	161	1,927,106
Taxes collected in advance	6,953,823	-	-	-	6,953,823
Other liabilities	<u>43,155</u>	<u>-</u>	<u>-</u>	<u>6,797</u>	<u>49,952</u>
<b>TOTAL LIABILITIES</b>	<b>15,040,155</b>	<b>1,814</b>	<b>-</b>	<b>5,034,756</b>	<b>20,076,725</b>
Fund Balances:					
Reserved for:					
Encumbrances and continuing appropriations	42,505	-	-	7,156	49,661
Perpetual (nonexpendable) permanent funds	-	-	-	448,649	448,649
Advance	1,360,000	-	-	-	1,360,000
Unreserved:					
Undesignated, reported in:					
General fund	456,957	-	-	-	456,957
Special revenue funds	-	-	-	3,530,005	3,530,005
Capital project funds	-	3,915,178	274,270	(4,114,508)	74,940
Permanent funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>151,236</u>	<u>151,236</u>
<b>TOTAL FUND BALANCES</b>	<b><u>1,859,462</u></b>	<b><u>3,915,178</u></b>	<b><u>274,270</u></b>	<b><u>22,538</u></b>	<b><u>6,071,448</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 16,899,617</u></b>	<b><u>\$ 3,916,992</u></b>	<b><u>\$ 274,270</u></b>	<b><u>\$ 5,057,294</u></b>	<b><u>\$ 26,148,173</u></b>

See notes to financial statements.

TOWN OF NEWMARKET, NEW HAMPSHIRE  
RECONCILIATION OF TOTAL GOVERNMENTAL FUND  
BALANCES TO NET ASSETS OF GOVERNMENTAL  
ACTIVITIES IN THE STATEMENT OF NET ASSETS

JUNE 30, 2009

<b>Total governmental fund balances</b>	\$ 6,071,448
<ul style="list-style-type: none"><li>• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</li></ul>	56,716,777
<ul style="list-style-type: none"><li>• Revenues are reported on the accrual basis of accounting and are not deferred until collection.</li></ul>	1,796,056
<ul style="list-style-type: none"><li>• In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.</li></ul>	(55,356)
<ul style="list-style-type: none"><li>• Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.</li></ul>	<u>(3,107,457)</u>
<b>Net assets of governmental activities</b>	<u><u>\$ 61,421,468</u></u>

See notes to financial statements.

TOWN OF NEWMARKET, NEW HAMPSHIRE

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2009

	<u>General</u>	<u>Downtown Business District</u>	<u>Black Bear Business Park</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>					
Property taxes	\$ 4,338,650	\$ 816,531	\$ 101,816	\$ -	\$ 5,256,997
Penalties, interest, and other taxes	96,509	-	-	-	96,509
Charges for services	176,904	-	-	371,054	547,958
Intergovernmental	853,412	-	-	895,517	1,748,929
Licenses and permits	1,292,262	-	-	47,209	1,339,471
Investment income	68,651	4,987	-	55,997	129,635
Contributions	-	-	-	3,102	3,102
Miscellaneous	145,614	-	246	3,453	149,313
Total Revenues	<u>6,972,002</u>	<u>821,518</u>	<u>102,062</u>	<u>1,376,332</u>	<u>9,271,914</u>
<b>Expenditures:</b>					
Current:					
General government	2,846,316	943,644	-	5,025	3,794,985
Public safety	1,681,116	-	-	67,536	1,748,652
Highway and streets	992,646	-	-	-	992,646
Welfare	202,643	-	-	-	202,643
Library and recreation	65,980	-	-	624,567	690,547
Conservation	3,828	-	-	235,785	239,613
Economic development	5,675	-	-	-	5,675
Debt service	167,050	125,288	-	-	292,338
Capital outlay	718,066	-	2,886	2,459,196	3,180,148
Total Expenditures	<u>6,683,320</u>	<u>1,068,932</u>	<u>2,886</u>	<u>3,392,109</u>	<u>11,147,247</u>
Excess (deficiency) of revenues over expenditures	288,682	(247,414)	99,176	(2,015,777)	(1,875,333)
<b>Other Financing Sources (Uses):</b>					
Transfers in	286,125	-	-	1,058,614	1,344,739
Transfers out	<u>(1,182,174)</u>	<u>-</u>	<u>-</u>	<u>(388,896)</u>	<u>(1,571,070)</u>
Total Other Financing Sources (Uses)	<u>(896,049)</u>	<u>-</u>	<u>-</u>	<u>669,718</u>	<u>(226,331)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(607,367)	(247,414)	99,176	(1,346,059)	(2,101,664)
Fund Equity, at Beginning of Year, as restated	<u>2,466,829</u>	<u>4,162,592</u>	<u>175,094</u>	<u>1,368,597</u>	<u>8,173,112</u>
Fund Equity, at End of Year	<u>\$ 1,859,462</u>	<u>\$ 3,915,178</u>	<u>\$ 274,270</u>	<u>\$ 22,538</u>	<u>\$ 6,071,448</u>

See notes to financial statements.

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 YEAR ENDED JUNE 30, 2009

<b>NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS</b>	<b>\$ (2,101,664)</b>						
<ul style="list-style-type: none"> <li>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: <table> <tr> <td style="padding-left: 40px;">Capital outlay purchases, net of disposals</td> <td style="text-align: right;">4,988,728</td> </tr> <tr> <td style="padding-left: 40px;">Depreciation</td> <td style="text-align: right;">(1,696,932)</td> </tr> </table> </li> <li>Internal service fund is used by management to account for health insurance. The net activity of the internal service fund is reported with Governmental Activities. <span style="float: right;">195,103</span></li> <li>Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue. <span style="float: right;">227,214</span></li> <li>The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net assets: <table> <tr> <td style="padding-left: 40px;">Repayments of debt</td> <td style="text-align: right;">175,000</td> </tr> </table> </li> <li>In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. <span style="float: right;">4,312</span></li> <li>Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds. <span style="float: right;"><u>(139,449)</u></span></li> </ul>		Capital outlay purchases, net of disposals	4,988,728	Depreciation	(1,696,932)	Repayments of debt	175,000
Capital outlay purchases, net of disposals	4,988,728						
Depreciation	(1,696,932)						
Repayments of debt	175,000						
<b>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<b>\$ <u>1,652,312</u></b>						

See notes to financial statements.

TOWN OF NEWMARKET, NEW HAMPSHIRE

GENERAL FUND

STATEMENT OF REVENUES AND OTHER SOURCES, AND EXPENDITURES AND OTHER USES -  
BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
<b>Revenues and Other Sources:</b>				
Taxes	\$ 4,083,306	\$ 4,083,306	\$ 4,083,306	\$ -
Licenses, permits, and fees	1,409,700	1,409,700	1,292,262	(117,438)
Intergovernmental	733,401	733,401	780,139	46,738
Charges for services	152,326	152,326	176,904	24,578
Investment income	325,000	325,000	68,651	(256,349)
Penalties, interest, and other taxes	151,911	151,911	96,509	(55,402)
Miscellaneous	12,000	12,000	145,614	133,614
Transfers in	18,000	18,000	23,968	5,968
Use of fund balance	<u>780,000</u>	<u>780,000</u>	<u>780,000</u>	<u>-</u>
Total Revenues and Other Sources	7,665,644	7,665,644	7,447,353	(218,291)
<b>Expenditures and Other Uses:</b>				
General government	2,888,580	2,888,580	2,850,499	38,081
Public safety	1,567,250	1,567,250	1,578,847	(11,597)
Highway and streets	1,027,502	1,027,502	970,195	57,307
Welfare	176,726	176,726	202,643	(25,917)
Conservation	9,070	9,070	3,828	5,242
Economic development	-	-	1,675	(1,675)
Debt service	317,050	317,050	167,050	150,000
Capital outlay	300,000	300,000	460,469	(160,469)
Transfers out	<u>1,379,466</u>	<u>1,379,466</u>	<u>1,239,819</u>	<u>139,647</u>
Total Expenditures and Other Uses	<u>7,665,644</u>	<u>7,665,644</u>	<u>7,475,025</u>	<u>190,619</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ <u>-</u>	\$ <u>-</u>	\$ <u>(27,672)</u>	\$ <u>(27,672)</u>

See notes to financial statements.

TOWN OF NEWMARKET, NEW HAMPSHIRE

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS

JUNE 30, 2009

	Business-Type Activities Enterprise Funds				Total	Governmental
	Water Fund	Wastewater Fund	Solid Waste Fund	Parking Fund		Activities Internal Service Funds
<b><u>ASSETS</u></b>						
Current:						
Cash and short-term investments	\$ 912,518	\$ 550,270	\$ 235,990	\$ 55,155	\$ 1,753,933	\$ 1,041
Receivables, net of allowance for uncollectibles:						
User fees, net of allowance for uncollectibles	179,801	175,898	-	-	355,699	-
Due from other governments	24,581	15,513	-	-	40,094	-
Due from other funds	<u>1,600,966</u>	<u>233,092</u>	<u>-</u>	<u>90,401</u>	<u>1,924,459</u>	<u>-</u>
Total current assets	2,717,866	974,773	235,990	145,556	4,074,185	1,041
Noncurrent:						
Receivables, net of allowance for uncollectibles:						
Due from other governments	-	186,156	-	-	186,156	-
Capital assets, net of accumulated depreciation	<u>2,547,039</u>	<u>3,079,201</u>	<u>-</u>	<u>-</u>	<u>5,626,240</u>	<u>-</u>
Total noncurrent assets	<u>2,547,039</u>	<u>3,265,357</u>	<u>-</u>	<u>-</u>	<u>5,812,396</u>	<u>-</u>
<b>TOTAL ASSETS</b>	5,264,905	4,240,130	235,990	145,556	9,886,581	1,041
<b><u>LIABILITIES</u></b>						
Current:						
Accounts payable	12,343	10,972	40,633	-	63,948	-
Accrued liabilities	10,703	19,009	-	-	29,712	-
Due to other funds	-	36,473	21,470	-	57,943	1,041
Current portion of long-term liabilities:						
Bonds payable	115,000	79,040	-	-	194,040	-
Other liabilities	<u>345</u>	<u>1,056</u>	<u>-</u>	<u>-</u>	<u>1,401</u>	<u>-</u>
Total current liabilities	138,391	146,550	62,103	-	347,044	1,041
Noncurrent:						
Bonds payable, net of current portion	-	948,481	-	-	948,481	-
Other liabilities, net of current portion	<u>3,628</u>	<u>12,274</u>	<u>-</u>	<u>-</u>	<u>15,902</u>	<u>-</u>
Total noncurrent liabilities	<u>3,628</u>	<u>960,755</u>	<u>-</u>	<u>-</u>	<u>964,383</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	142,019	1,107,305	62,103	-	1,311,427	1,041
<b><u>NET ASSETS</u></b>						
Invested in capital assets, net of related debt	2,884,953	2,479,640	-	-	5,364,593	-
Unrestricted	<u>2,237,933</u>	<u>653,185</u>	<u>173,887</u>	<u>145,556</u>	<u>3,210,561</u>	<u>-</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 5,122,886</u>	<u>\$ 3,132,825</u>	<u>\$ 173,887</u>	<u>\$ 145,556</u>	<u>\$ 8,575,154</u>	<u>\$ -</u>

See notes to financial statements.

TOWN OF NEWMARKET, NEW HAMPSHIRE  
 PROPRIETARY FUNDS  
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
 FOR THE YEAR ENDED JUNE 30, 2009

	Business-Type Activities Enterprise Funds					Governmental Activities
	Water Fund	Wastewater Fund	Solid Waste Fund	Parking Fund	Total	Internal Service Fund
<b>Operating Revenues:</b>						
Charges for services	\$ 681,931	\$ 679,266	\$ 288,160	\$ 31,201	\$ 1,680,558	\$ -
Employee and employer contributions	-	-	-	-	-	275,803
Total Operating Revenues	681,931	679,266	288,160	31,201	1,680,558	275,803
<b>Operating Expenses:</b>						
Operating expenses	518,932	686,298	567,845	-	1,773,075	-
Depreciation	205,239	221,921	-	-	427,160	-
Employee benefits	-	-	-	-	-	80,700
Total Operating Expenses	724,171	908,219	567,845	-	2,200,235	80,700
Operating Income (Loss)	(42,240)	(228,953)	(279,685)	31,201	(519,677)	195,103
<b>Nonoperating Revenues (Expenses):</b>						
Intergovernmental	-	8,044	-	-	8,044	-
Investment income	11,008	9,177	2,553	597	23,335	-
Miscellaneous	630	-	-	-	630	-
Interest expense	(12,212)	(39,638)	-	-	(51,850)	-
Total Nonoperating Revenues (Expenses), Net	(574)	(22,417)	2,553	597	(19,841)	-
Income (Loss) Before Transfers	(42,814)	(251,370)	(277,132)	31,798	(539,518)	195,103
<b>Other financing sources and uses:</b>						
Transfers in	-	-	226,331	-	226,331	-
Transfers out	-	-	-	-	-	-
Change in Net Assets	(42,814)	(251,370)	(50,801)	31,798	(313,187)	195,103
Net Assets at Beginning of Year	5,165,700	3,384,195	224,688	113,758	8,888,341	(195,103)
Net Assets at End of Year	\$ 5,122,886	\$ 3,132,825	\$ 173,887	\$ 145,556	\$ 8,575,154	\$ -

See notes to financial statements.

TOWN OF NEWMARKET, NEW HAMPSHIRE

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2009

	Business-Type Activities Enterprise Funds					Governmental Activities
	Water Fund	Sewer Fund	Solid Waste Fund	Parking Fund	Total	Internal Service Fund
<b><u>Cash Flows From Operating Activities:</u></b>						
Receipts from customers and users	\$ 780,679	\$ 757,779	\$ 288,160	\$ 31,201	\$ 1,857,819	\$ -
Payments to vendors and employees	(503,018)	(667,793)	(539,194)	-	(1,710,005)	-
Receipts from employees and employer	-	-	-	-	-	275,803
Net Cash Provided By (Used For) Operating Activities	277,661	89,986	(251,034)	31,201	147,814	275,803
<b><u>Cash Flows From Noncapital Financing Activities:</u></b>						
Interfund borrowing	40,758	4,223	24,704	(31,200)	38,485	(275,803)
Operating transfers in (out)	-	-	226,331	-	226,331	-
Net Cash (Used For) Noncapital Financing Activities	40,758	4,223	251,035	(31,200)	264,816	(275,803)
<b><u>Cash Flows From Capital and Related Financing Activities:</u></b>						
Acquisition and construction of capital assets	(50,436)	(32,778)	-	-	(83,214)	-
Capital asset transfer between funds	9,427	9,427	-	-	-	-
Loss on disposal of capital assets	(9,727)	9,269	-	-	(458)	-
Payments from State	26,163	23,557	-	-	49,720	-
Principal payments on bonds and notes	(115,000)	(79,040)	-	-	(194,040)	-
Interest expense	(12,212)	(39,638)	-	-	(51,850)	-
Net Cash (Used For) Capital and Related Financing Activities	(170,639)	(109,203)	-	-	(279,842)	-
<b><u>Cash Flows From Investing Activities:</u></b>						
Investment income	11,008	9,177	2,553	597	23,335	-
Net Cash (Used For) Investing Activities	11,008	9,177	2,553	597	23,335	-
Net Change in Cash and Short-Term Investments	158,788	(5,817)	2,554	598	156,123	-
Cash and Short-Term Investments, Beginning of Year	753,730	556,087	233,436	54,557	1,597,810	1,041
Cash and Short-Term Investments, End of Year	\$ 912,518	\$ 550,270	\$ 235,990	\$ 55,155	\$ 1,753,933	\$ 1,041
<b><u>Reconciliation of Operating Income to Net Cash Provided by (Used For) Operating Activities:</u></b>						
Operating income (loss)	\$ (42,240)	\$ (228,953)	\$ (279,685)	\$ 31,201	\$ (519,677)	\$ 195,103
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:						
Depreciation	205,239	221,921	-	-	427,160	-
Changes in assets and liabilities:						
Deposit held by others	-	-	-	-	-	80,700
User fees	98,748	78,513	-	-	177,261	-
Prepaid assets	4,399	5,974	-	-	10,373	-
Accounts payable	10,063	9,837	28,900	-	48,800	-
Accrued liabilities	(1,519)	(7,510)	-	-	(9,029)	-
Other liabilities	2,971	10,204	(249)	-	12,926	-
Net Cash Provided By (Used For) Operating Activities	\$ 277,661	\$ 89,986	\$ (251,034)	\$ 31,201	\$ 147,814	\$ 275,803

See notes to financial statements.

TOWN OF NEWMARKET, NEW HAMPSHIRE

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2009

	Private Purpose Trust <u>Funds</u>	Agency <u>Funds</u>
<b><u>ASSETS</u></b>		
Cash and short term investments	\$ 406,530	\$ 478,915
Investments	-	921,169
Due from other funds	<u>-</u>	<u>12,671</u>
Total Assets	406,530	1,412,755
<b><u>LIABILITIES</u></b>		
Escrow deposits	<u>-</u>	<u>1,412,755</u>
Total Liabilities	<u>-</u>	<u>1,412,755</u>
<b><u>NET ASSETS</u></b>		
Total net assets held in trust	\$ <u>406,530</u>	\$ <u>-</u>

See notes to financial statements.

TOWN OF NEWMARKET, NEW HAMPSHIRE  
 FIDUCIARY FUNDS  
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
 FOR THE YEAR ENDED JUNE 30, 2009

	<u>Private Purpose Trust Funds</u>
<b>Additions:</b>	
Contributions	\$ 3,857
Investment income (loss)	<u>(33,418)</u>
Total additions	(29,561)
<b>Deductions:</b>	
Other	<u>18,957</u>
Total deductions	<u>18,957</u>
Net increase (decrease)	(48,518)
<b>Net assets:</b>	
Beginning of year	<u>455,048</u>
End of year	<u>\$ 406,530</u>

See notes to financial statements.

# TOWN OF NEWMARKET, NEW HAMPSHIRE

## Notes to Financial Statements

### 1. Summary of Significant Accounting Policies

The accounting policies of the Town of Newmarket, New Hampshire (the Town) conform to generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the more significant policies:

#### A. Reporting Entity

The government is a municipal corporation governed by an elected Town Council. As required by generally accepted accounting principles, these financial statements present the government and applicable component units for which the government is considered to be financially accountable. In fiscal year 2009, it was determined that no entities met the required GASB-39 criteria of component units.

#### B. Government-Wide and Fund Financial Statements

##### Government-Wide 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 nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational 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*.

##### Fund Financial Statements

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 govern-

mental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Financial Statements

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. 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.

Fund Financial Statements

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 property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. 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.

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.

- *Downtown Business District* accounts for construction costs associated with the revitalization of the downtown area and Main Street.
- *Black Bear Business Park* accounts for construction costs associated with the revitalization of the Black Bear Business Park.

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. The principal operating revenues of the enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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.

The government reports the following major proprietary funds:

- Water Services
- Waste water Services
- Solid Waste Services
- Parking Services

The self-insured employee health program is reported as an internal service fund in the accompanying financial statements.

The *private-purpose trust fund* is used to account for trust arrangements, other than those properly reported in the pension trust fund or permanent fund, under which principal and investment income exclusively benefit individuals, private organizations, or other governments.

#### D. Cash and Short-Term Investments

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash. Cash balances are invested to the extent available, and interest earnings are recognized in the General Fund. Certain special revenue, proprietary, and fiduciary

funds segregate cash, and investment earnings become a part of those funds.

Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, and savings accounts. A cash and investment pool is maintained that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption "cash and short-term investments". The interest earnings attributable to each fund type is included under investment income.

For purpose of the statement of cash flows, the proprietary funds consider investments with original maturities of three months or less to be short-term investments.

#### *E. Investments*

State and local statutes place certain limitations on the nature of deposits and investments available. Deposits in any financial institution may not exceed certain levels within the financial institution. Non-fiduciary fund investments can be made in securities issued by or unconditionally guaranteed by the U.S. Government or agencies that have a maturity of one year or less from the date of purchase and repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase.

Investments for the Trust Funds consist of marketable securities, bonds and short-term money market investments. Investments are carried at market value.

#### *F. Interfund Receivables and Payables*

Transactions between funds that are representative of lending/ borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due from/to 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).

Advances between funds are offset by a fund balance reserve account in applicable governmental funds to indicate the portion not available for appropriation and not available as expendable financial resources.

#### *G. Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (for enterprise funds only) are reported in the applicable governmental or business-type activities columns 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 is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	20
Infrastructure	20 - 60
Vehicles	5
Office equipment	5
Computer equipment	5
Other equipment & furnishings	10

*H. Compensated Absences*

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vested sick and vacation pay is 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.

*I. 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.

*J. 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. Desig-

nations of fund balance represent tentative management plans that are subject to change.

**K. Use of Estimates**

The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures for contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of the revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

**2. Stewardship, Compliance and Accountability**

**A. Budgetary Information**

At the annual town meeting, the Finance Committee presents an operating and capital budget for the proposed expenditures of the fiscal year commencing the following July 1. The budget, as enacted by town meeting, establishes the legal level of control and specifies that certain appropriations are to be funded by particular revenues. The original budget is amended during the fiscal year at special town meetings as required by changing conditions. In cases of extraordinary or unforeseen expenses, the Finance Committee is empowered to transfer funds from the Reserve Fund (a contingency appropriation) to a departmental appropriation. "Extraordinary" includes expenses which are not in the usual line, or are great or exceptional. "Unforeseen" includes expenses which are not foreseen as of the time of the annual meeting when appropriations are voted.

Departments are limited to the line items as voted. Certain items may exceed the line item budget as approved if it is for an emergency and for the safety of the general public.

Formal budgetary integration is employed as a management control device during the year for the General Fund and Proprietary Funds. At year end, appropriation balances lapse, except for certain unexpended capital items and encumbrances which will be honored during the subsequent year.

**B. Budgetary Basis**

The General Fund final appropriation appearing on the "Budget and Actual" page of the fund financial statements represents the final amended budget after all reserve fund transfers and supplemental appropriations.

**C. Budget/GAAP Reconciliation**

The budgetary data for the general and proprietary funds is based upon accounting principles that differ from generally accepted accounting principles (GAAP). Therefore, in addition to the GAAP basis financial statements, the results of operations of the general fund are presented in accordance with budgetary accounting principles to provide a meaningful comparison with budgetary data.

The following is a summary of adjustments made to the actual revenues and other sources, and expenditures and other uses, to conform to the budgetary basis of accounting.

<u>General Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP basis)	\$ 6,972,002	\$ 6,683,320
Other financing sources/uses (GAAP basis)	<u>286,125</u>	<u>1,182,174</u>
Subtotal (GAAP Basis)	7,258,127	7,865,494
Adjust tax revenue to accrual basis	(255,344)	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(97,544)
Add end of year appropriation carryforwards to expenditures	-	42,505
To reverse the effect of nonbudgeted State contributions to the New Hampshire Retirement System	(73,273)	(73,273)
To expenditures from capital reserve funds	(262,157)	(262,157)
Recognize use of fund balance as funding source	<u>780,000</u>	<u>-</u>
Budgetary basis	<u>\$ 7,447,353</u>	<u>\$ 7,475,025</u>

**D. Excess of Expenditures Over Appropriations**

Expenditures exceeding appropriations during the current fiscal year were as follows:

Public Safety	\$	(11,597)
Welfare		(25,917)
Economic development		(1,675)
Capital outlay		<u>(160,469)</u>
	\$	<u>(199,658)</u>

*E. Deficit Fund Equity*

The following funds had deficits as of June 30, 2009:

Special revenue funds:		
Drug forfeiture	\$	(2,072)
Capital project funds:		
Main street enhancement	\$	(3,176,358)
CDBG grant	\$	(37,935)
Public Works and Fire Department Complex	\$	(1,360,000)

The Town anticipates the deficits in these funds will be eliminated through future departmental revenues and transfers from other funds.

**3. Cash and Short-Term Investments**

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. RSA 48:16 limits "deposit in any one bank shall not at any time exceed the sum of its paid-up capital and surplus, exception that a city with a population in excess of 50,000 is authorized to deposit funds in a solvent bank in excess of the paid-up capital surplus of said bank." The Town does not have a deposit policy for custodial credit risk.

As of June 30, 2009, \$ 5,617,151 of the Town's bank balance of \$ 17,375,364 was exposed to custodial credit risk as uninsured, uncollateralized, and collateral held by pledging bank's trust department not in the Town's name. Of the Town's \$ 5,998,507 deposit in repurchase agreements, all of underlying securities are held by the investment's counterparty, not in the name of the Town.

#### 4. Investments

##### A. Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. State law employs the prudent person rule whereby investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments.

Presented below is the actual rating as of year end for each investment of the Town:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Minimum Legal Rating</u>	<u>Exempt From Disclosure</u>	<u>Rating as of Year End</u>			
				<u>Aaa</u>	<u>Aa</u>	<u>A</u>	<u>Not Rated</u>
Corporate bonds	\$ 385,747	N/A	\$ -	\$ 332,027	\$ 25,734	\$ 25,645	\$ 2,341
Corporate equities	354,926	N/A	354,926	-	-	-	-
Mutual funds	<u>180,496</u>	N/A	<u>180,496</u>	-	-	-	-
Total investments	\$ <u>921,169</u>		\$ <u>535,422</u>	\$ <u>332,027</u>	\$ <u>25,734</u>	\$ <u>25,645</u>	\$ <u>2,341</u>

##### B. Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Town and System do not have policies for custodial credit risk.

All of the investments of the government have a custodial credit risk exposure of \$ 921,169, because the related securities are uninsured, unregistered, and held by the Town's brokerage firm, which is also the Counterparty to these securities.

##### C. Concentration of Credit Risk

The Town places no limit on the amount the Town may invest in any one issuer.

##### D. Interest Rate Risk

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

Information about the sensitivity of the fair values of the Town’s investments to market interest rate fluctuations is as follows:

<u>Investment Type</u>	<u>Investment Maturities (in Years)</u>				
	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>
Corporate and federal bonds	\$ <u>385,747</u>	\$ <u>36,322</u>	\$ <u>265,599</u>	\$ <u>83,826</u>	\$ <u>-</u>
Total	\$ <u>385,747</u>	\$ <u>36,322</u>	\$ <u>265,599</u>	\$ <u>83,826</u>	\$ <u>-</u>

*E. Foreign Currency Risk*

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. The Town does not have policies for foreign currency risk.

**5. Taxes Receivable**

The Town bills property taxes on a semi-annual basis, which are due in July and December. Property tax revenues are recognized in the fiscal year for which taxes have been levied (budgeted) to the extent that they become available, i.e., due or receivable within the current fiscal year and collected within the current period or within 60 days of year-end.

Property taxes collected before the due date and in advance of the year for which they are levied, are recorded as a prepaid tax liability, as they are intended to finance the subsequent year’s operations.

Delinquent taxes are typically liened at the Registrar of Deeds on February 28 of the next year. If the property taxes (redemptions) are not paid within two years of the tax lien date, the property is conveyed to the Town by deed and could subsequently be sold at public sale.

The Town annually budgets an amount (overlay for abatements) for resident and property tax abatements and refunds. All abatements and refunds are charged to overlay and are classified as a contra-tax revenue in the General Fund.

Taxes receivable at June 30, 2009 consist of the following:

Real Estate Taxes			
2009	\$	<u>1,467,368</u>	\$ 1,467,368
Real Estate Tax Liens			
2008		212,013	
2007		82,561	
2006		<u>382</u>	
			294,956
Elderly Lien			<u>32,618</u>
Total	\$		<u><u>1,794,942</u></u>

**6. Allowance for Doubtful Accounts**

The receivables reported in the accompanying entity-wide financial statements reflect the following estimated allowances for doubtful accounts:

	<u>Governmental</u>	<u>Business-Type</u>
Property taxes	\$ 76,442	\$ -
Ambulance and departmental	54,608	-
Water services	-	7,103
Waste water services	-	19,544

**7. Intergovernmental Receivables**

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2009.

**8. Interfund Fund Receivables/Payables**

Although self-balancing funds are maintained, most transactions flow through the general fund. In order to obtain accountability for each fund, interfund receivable and payable accounts must be utilized. The following is an analysis of the June 30, 2009 balances in interfund receivable and payable accounts:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>	<u>Advance To Other Funds</u>	<u>Advance From Other Funds</u>
General Fund	\$ 3,777,403	\$ 5,924,224	\$ 1,360,000	\$ -
Special Revenue Funds	260,405	134,948	-	-
Capital Project Funds	3,614,283	3,447,097	-	1,360,000
Permanent Trust Funds	-	23,968	-	-
Internal Service Fund	-	1,041	-	-
Water Enterprise Fund	1,600,966	-	-	-
Sewer Enterprise Fund	233,092	36,473	-	-
Solid Waste Enterprise Fund	-	21,470	-	-
Parking Enterprise Fund	90,401	-	-	-
Agency Fund	12,671	-	-	-
Total	<u>\$ 9,589,221</u>	<u>\$ 9,589,221</u>	<u>\$ 1,360,000</u>	<u>\$ 1,360,000</u>

## 9. Capital Assets

Capital asset activity for the year ended June 30, 2009 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 3,666,746	\$ 427,977	\$ -	\$ 4,094,723
Machinery, equipment, and furnishings	3,953,715	131,421	(259,000)	3,826,136
Infrastructure	<u>50,303,021</u>	<u>-</u>	<u>-</u>	<u>50,303,021</u>
Total capital assets, being depreciated	57,923,482	559,398	(259,000)	58,223,880
Less accumulated depreciation for:				
Buildings and improvements	(756,193)	(101,472)	-	(857,665)
Machinery, equipment, and furnishings	(2,690,058)	(337,884)	228,747	(2,799,195)
Infrastructure	<u>(16,892,677)</u>	<u>(1,257,576)</u>	<u>32,238</u>	<u>(18,118,015)</u>
Total accumulated depreciation	<u>(20,338,928)</u>	<u>(1,696,932)</u>	<u>260,985</u>	<u>(21,774,875)</u>
Total capital assets, being depreciated, net	37,584,554	(1,137,534)	1,985	36,449,005
Capital assets, not being depreciated:				
Construction in progress	10,833,928	3,810,024	(5,272)	14,638,680
Land	<u>5,006,499</u>	<u>622,593</u>	<u>-</u>	<u>5,629,092</u>
Total capital assets, being depreciated, net	<u>15,840,427</u>	<u>4,432,617</u>	<u>(5,272)</u>	<u>20,267,772</u>
Governmental activities capital assets, net	<u>\$ 53,424,981</u>	<u>\$ 3,295,083</u>	<u>\$ (3,287)</u>	<u>\$ 56,716,777</u>

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-Type Activities:</b>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 6,050,000	\$ -	\$ -	\$ 6,050,000
Machinery, equipment, and furnishings	81,500	23,454	(38,500)	66,454
Infrastructure	<u>7,971,268</u>	<u>-</u>	<u>-</u>	<u>7,971,268</u>
Total capital assets, being depreciated	14,102,768	23,454	(38,500)	14,087,722
Less accumulated depreciation for:				
Buildings and improvements	(4,504,167)	(245,493)	1,588	(4,748,072)
Machinery, equipment, and furnishings	(64,700)	(1,800)	30,029	(36,471)
Infrastructure	<u>(3,981,979)</u>	<u>(179,867)</u>	<u>7,972</u>	<u>(4,153,874)</u>
Total accumulated depreciation	<u>(8,550,846)</u>	<u>(427,160)</u>	<u>39,589</u>	<u>(8,938,417)</u>
Total capital assets, being depreciated, net	5,551,922	(403,706)	1,089	5,149,305
Capital assets, not being depreciated:				
Construction in progress	76,776	59,759	-	136,535
Land	<u>340,400</u>	<u>-</u>	<u>-</u>	<u>340,400</u>
Total capital assets, being depreciated, net	<u>417,176</u>	<u>59,759</u>	<u>-</u>	<u>476,935</u>
Business-type activities capital assets, net	<u>\$ 5,969,098</u>	<u>\$ (343,947)</u>	<u>\$ 1,089</u>	<u>\$ 5,626,240</u>

Depreciation expense was charged to functions of the Town as follows:

**Governmental Activities:**

General government	\$ 151,374
Public safety	211,099
Highway and streets	1,319,150
Culture and recreation	<u>15,309</u>

Total depreciation expense - governmental activities \$ 1,696,932

**Business-Type Activities:**

Water fund	\$ 205,239
Wastewater fund	<u>221,921</u>

Total depreciation expense - business-type activities \$ 427,160

## 10. Accounts Payable

Accounts payable represent additional 2009 expenditures paid after June 30, 2009.

## 11. Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period.

The balance of the General Fund deferred revenues account is equal to the total of all June 30, 2009 receivable balances, except property taxes that are accrued for subsequent 60 day collections.

## 12. Taxes Collected In Advance

This balance consists of tax collections represents tax collections for the 2010 levy year.

## 13. Long-Term Debt

### A. General Obligation Bonds

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. General obligation bonds currently outstanding are as follows:

<u>Governmental Activities:</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of June 30, 2009</u>
Open Space Land Acquisition	01/15/23	4.250 - 4.90%	\$ 1,400,000
Downtown TIF Improvements	01/15/23	4.250 - 4.90%	<u>1,050,000</u>
Total Governmental Activities:			\$ <u><u>2,450,000</u></u>

<u>Business-Type Activities:</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of June 30, 2009</u>
Water Facility Reconstruction	07/15/09	6.680 - 6.875%	\$ 115,000
Creighton Street Pump/Outfall	08/15/21	3.700%	<u>1,027,521</u>
Total Business-Type Activities:			\$ <u><u>1,142,521</u></u>

**B. Future Debt Service**

The annual principal payments to retire all general obligation long-term debt outstanding as of June 30, 2009 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 175,000	\$ 109,900	\$ 284,900
2011	175,000	102,463	277,463
2012	175,000	95,025	270,025
2013	175,000	87,588	262,588
2014	175,000	80,150	255,150
2015-2019	875,000	286,740	1,161,740
2020-2023	<u>700,000</u>	<u>84,789</u>	<u>784,789</u>
Total	\$ <u>2,450,000</u>	\$ <u>846,655</u>	\$ <u>3,296,655</u>

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 194,040	\$ 45,965	\$ 240,005
2011	79,040	35,132	114,172
2012	79,040	32,204	111,244
2013	79,040	29,276	108,316
2014	79,040	26,349	105,389
2015-2019	395,200	87,830	483,030
2020-2022	<u>237,121</u>	<u>17,566</u>	<u>254,687</u>
Total	\$ <u>1,142,521</u>	\$ <u>274,322</u>	\$ <u>1,416,843</u>

**C. Changes in General Long-Term Liabilities**

During the year ended June 30, 2009, the following changes occurred in long-term liabilities:

	Total Balance <u>7/1/08</u>	<u>Additions</u>	<u>Reductions</u>	Total Balance <u>6/30/09</u>	<u>Current Portion</u>	<u>Equals Long-Term Portion 6/30/09</u>
<u>Governmental Activities</u>						
Bonds payable	\$ 2,625,000	\$ -	\$ (175,000)	\$ 2,450,000	\$ (175,000)	\$ 2,275,000
Other:						
Landfill postclosure care cost	442,000	-	(26,000)	416,000	(26,000)	390,000
Compensated absences	76,008	127,605	-	203,613	(20,361)	183,252
OPEB liability	-	37,844	-	37,844	-	37,844
Totals	\$ <u>3,143,008</u>	\$ <u>165,449</u>	\$ <u>(201,000)</u>	\$ <u>3,107,457</u>	\$ <u>(221,361)</u>	\$ <u>2,886,096</u>

	Total			Total		Equals
	Balance	Additions	Reductions	Balance	Current	Long-Term
	<u>7/1/08</u>			<u>6/30/09</u>	<u>Portion</u>	<u>Portion</u>
						<u>6/30/09</u>
<u>Business-Type Activities</u>						
Bonds payable	\$ 1,336,560	\$ -	\$ (194,039)	\$ 1,142,521	\$ (194,040)	\$ 948,481
Other:						
Compensated absences	4,128	9,887	-	14,015	(1,401)	12,614
OPEB liability	-	3,288	-	3,288	-	3,288
	<u>-</u>	<u>3,288</u>	<u>-</u>	<u>3,288</u>	<u>-</u>	<u>3,288</u>
Totals	\$ <u>1,340,688</u>	\$ <u>13,175</u>	\$ <u>(194,039)</u>	\$ <u>1,159,824</u>	\$ <u>(195,441)</u>	\$ <u>964,383</u>

#### 14. Landfill Closure and Postclosure Care Costs

This liability reported is based on what it would cost to perform postclosure care in 2009. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

#### 15. Restricted Net Assets

The accompanying entity-wide financial statements report restricted net assets when external constraints from grantors or contributors are placed on net assets.

Permanent fund restricted net assets are segregated between nonexpendable and expendable. The nonexpendable portion represents the original restricted principal contribution, and the expendable represents accumulated earnings which are available to be spent based on donor restrictions.

#### 16. Reserves and Designations of Fund Equity

“Reserves” of fund equity are established to segregate fund balances which are either not available for expenditure in the future or are legally set aside for a specific future use

The following types of reserves are reported at June 30, 2009:

Reserved for Encumbrances - An account used to segregate that portion of fund balance committed for expenditure of financial resources upon vendor performance.

Reserved for Perpetual Funds - Represents the principal of the nonexpendable trust fund investments. The balance cannot be spent for any purpose; however, it may be invested and the earnings may be spent.

Reserved for Advances - An account used to segregate a portion of fund balance to indicate that advances to other funds, although a component of assets, do not represent available spendable resources.

**17. General Fund Undesignated Fund Balance**

The undesignated general fund balance reported on the balance sheet is stated in accordance with generally accepted accounting principles (GAAP), which differs in respect to how undesignated fund balance is reported in accordance with the budgetary basis for reporting for the State of New Hampshire for tax rate setting purposes. The major difference is the State of New Hampshire considers revenues in connection with property tax receivables to be available to liquidate liabilities when billed rather than received.

The following summarizes the specific differences between GAAP basis and budgetary basis of reporting the general fund undesignated fund balance:

GAAP basis balance	\$ 456,957
Deferred revenue	1,926,040
Allowance on doubtful accounts	(148,464)
Advance to PW and Fire Complex fund	1,360,000
Accrued payroll	83,668
BTLA liability	5,286
Other GAAP adjustments	<u>(423,936)</u>
Tax Rate Setting Balance	<u>\$ 3,259,551</u>

**18. Commitments and Contingencies**

Outstanding Lawsuits - There are several pending lawsuits in which the Town is involved. The Town's management is of the opinion that the potential future settlement of such claims would not materially affect its financial statements taken as a whole.

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.

## **19. Post-Employment Health Care and Life Insurance Benefits** **Other Post-Employment Benefits**

During the year, the Town implemented GASB Statement 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*. The Town has elected to use the alternative measurement method instead of obtaining an actuarial valuation. Statement 45 allows employers with less than one hundred total plan members to apply a simplified alternative measurement method instead of obtaining actuarial valuations. The alternative method includes the same broad measurement steps as an actuarial valuation; however, it permits simplification of certain assumptions to make the method usable by nonspecialists. Statement 45 requires governments to account for other post-employment benefits (OPEB), primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis. The effect is the recognition of a required contribution as an expense on the statement of revenues, expenses, and changes in net assets when a future retiree earns their post-employment benefits, rather than when they use their post-employment benefit. To the extent that an entity does not fund their required contribution, a post-employment benefit liability is recognized on the Statement of Net Assets over time.

### **A. Plan Description**

The Town provides its eligible retirees, including in some cases their beneficiaries (as govern by RSA 100-A:50), the ability to purchase health, dental, and prescription insurance at the Town's group rates. Although the Town does not supplement the cost of these plans, GASB Statement 45 requires the Town to recognize the liability for the inclusion of any implicit rate subsidies afforded its retirees. This subsidy is generated as a result of the basic nature of insurance - one risk group subsidizes another to arrive at a blended premium, therefore current employees who are young and healthy subsidized the older retirees. As of June 30, 2009, there were 3 retiree subscribers, including eligible spouses and dependents, and 47 active employees meet the eligibility requirements. The plan does not issue a separate financial report.

### **B. Benefits Provided**

The Town provides medical, prescription drug, mental health/substance abuse, and life insurance to retirees and their covered dependents. All active employees who retire from the Town and meet the eligibility criteria will receive these benefits.

### **C. Funding Policy**

Retirees contribute 100% of the cost of the health plan, as determined by the Town. The Town contributes the remainder of the health plan costs on a pay-as-you-go basis.

D. Annual OPEB Costs and Net OPEB Obligation

The Town's fiscal 2009 annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost per year and amortize the unfunded liability over a period of thirty years. The following table shows the components of the Town's annual OPEB cost for the year ending June 30, 2009, the amount actually contributed to the plan, and the change in the Town's net OPEB obligation based on an alternative measurement method valuation as of July 1, 2008.

Annual Required Contribution (ARC)	\$ 55,867
Interest on net OPEB obligation	-
Adjustment to ARC	-
Annual OPEB cost	55,867
Contributions made	(14,735)
Increase in net OPEB obligation	41,132
Net OPEB obligation - beginning of year	-
Net OPEB obligation - end of year	\$ 41,132

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

<u>Fiscal year ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2009	\$ 55,867	26.4%	\$ 41,132

E. Funded Status and Funding Progress

The funded status of the plan as of July 1, 2008, the date of the most recent valuation was as follows:

Actuarial accrued liability (AAL)	\$ 342,248
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	342,248
Funded ratio (actuarial value of plan assets/AAL)	0.0%
Covered payroll (active plan members)	\$ 2,730,643
UAAL as a percentage of covered payroll	12.5%

Valuations of an ongoing plan involve estimates of the value of reported amount and assumptions about the probability of occurrence of events far

into the future. Examples included assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the accrued liabilities for benefits.

*F. Actuarial Methods and Assumptions*

Projections of benefits for financial reporting purposes are based on the plan as understood by the Town and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the Town and plan members to that point. The methods and assumptions used include techniques that are designed to reduce short-term volatility in accrued liabilities and the value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2008 actuarial valuation the projected unit credit cost method was used. The value of assets was not determined as the Town has not advanced its obligation. The assumptions included a 4% investment rate of return and an initial annual healthcare cost trend rate of 10% which decreases to a 5% long-term rate for all healthcare benefits after ten years. The amortization costs for the initial UAAL is a level percentage of payroll for a period of 30 years, on a closed basis. This has been calculated assuming the amortization payment increases at a rate of 4%.

**20. Pension Plan**

The Town follows the provisions of GASB Statement No. 27, *Accounting for Pensions for State and Local Government Employees*, with respect to the employees' retirement funds.

*A. Plan Description*

The Town contributes to the New Hampshire Retirement System (the "System"), a cost-sharing multiple-employer, defined benefit pension plan administered by a county retirement board. The System provides retirement, disability and death benefits to plan members and beneficiaries. Revised Statutes Annotated 100-A:41 of New Hampshire Law assigns the System the authority to establish and amend benefit provisions of the plan and grant cost-of-living increases. The System issues a publicly available financial report that can be obtained through the New Hampshire Retirement System at 4 Chenell Drive, Concord, New Hampshire 03301-8509.

**B. Funding Policy**

Plan members are required to contribute 6.81% of their gross earnings to the pension plan. The Town makes annual contributions to the pension plan equal to the amount required by Revised Statutes Annotated 100-A:16, and is 9.68% for police and 14.36% for fire. The Town's contributions to the System for the years ended June 30, 2009, 2008, and 2007 were \$ 258,349, \$ 259,611 and \$ 147,986, respectively, which were equal to its annual required contributions for each of these years.

The payroll for employees covered by the System for the year ended June 30, 2009, was \$ 2,730,643. Contribution requirements for the year ended June 30, 2009, were as follows:

State of New Hampshire	\$	73,273
Town of Newmarket		258,349
Employees' contributions		<u>173,494</u>
Total	\$	<u><u>505,116</u></u>

**21. Risk Management**

The government is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. There were no significant reductions in insurance coverage from the previous year and have been no material settlements in excess of coverage in any of the past three fiscal years.

**22. Beginning Fund Balance Reclassification**

The Town's major governmental funds for fiscal year 2009, as defined by GASB Statement 34, have changed from the previous fiscal year. Accordingly, the following reconciliation is provided:

	Fund Equity 6/30/08 (as previously reported)	<u>Reclassification</u>	Fund Equity July 1, 2008 (as restated)
Nonmajor funds	\$ 1,543,691	\$ (175,094)	\$ 1,368,597
Black Bear Business District	<u>-</u>	<u>175,094</u>	<u>175,094</u>
Total	\$ <u><u>1,543,691</u></u>	\$ <u><u>-</u></u>	\$ <u><u>1,543,691</u></u>

**23. Beginning Fund Balance Net Assets Restatement**

The beginning (July 1, 2008) fund balances of the Town have been restated as follows:

Government-Wide Financial Statements:

	<u>Governmental Activities</u>
As previously reported	\$ 59,623,274
Identification of additional capital assets	<u>145,882</u>
As restated	<u><u>\$ 59,769,156</u></u>

**TOWN OF NEWMARKET, NEW HAMPSHIRE**  
**SCHEDULE OF FUNDING PROGRESS**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**June 30, 2009**  
**(Unaudited)**

**Other Post-Employment Benefits**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent- age of Covered Payroll [(b-a)/c]
07/01/08	\$ -	\$ 342,248	\$ 342,248	0.0%	\$ 2,730,643	13%

See Independent Auditors' Report.