

TOWN OF NEWMARKET, NEW HAMPSHIRE

Annual Financial Statements

For the Year Ended June 30, 2010

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS:	
Government-Wide Financial Statements:	
Statement of Net Assets	11
Statement of Activities	12
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	13
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities in the Statement of Net Assets	14
Statement of Revenues, Expenditures, and Changes in Fund Balances	15
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
Statement of Revenues and Other Sources, and Expenditures and Other Uses - Budget and Actual - General Fund	17
Proprietary Funds:	
Statement of Net Assets	18
Statement of Revenues, Expenses, and Changes in Fund Net Assets	19
Statement of Cash Flows	20
Fiduciary Funds:	
Statement of Fiduciary Net Assets	21
Statement of Changes in Fiduciary Net Assets	22
Notes to Financial Statements	23
SUPPLEMENTARY INFORMATION:	
Schedule of Funding Progress	43



MELANSON HEATH & COMPANY, PC

CERTIFIED PUBLIC ACCOUNTANTS
MANAGEMENT ADVISORS

102 Perimeter Road
Nashua, NH 03063-1301
Tel (603) 882-1111 • Fax (603) 882-9456
www.melansonheath.com

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, 2010, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, 2010, 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

Additional Offices:

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

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 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.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 29, 2011 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Melanson, Heath + Company P. C.

Nashua, New Hampshire
March 29, 2011

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, 2010.

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 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, and parking 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, sewer 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 financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

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

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 \$ 69,848,533 (i.e., net assets), a change of \$ (148,089) in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$ 3,795,007, a change of \$ (2,276,441) in comparison to the prior year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$ (29,347), a change of \$ (486,304) in comparison to the prior year.
- Total long-term debt (i.e., bonds payable) at the close of the current fiscal year was \$ 3,223,480, a change of \$ (369,041) 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>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Current and other assets	\$ 13,917,880	\$ 17,006,073	\$ 3,068,860	\$ 2,335,882	\$ 16,986,740	\$ 19,341,955
Capital assets	58,522,992	56,716,777	5,544,940	5,626,240	64,067,932	62,343,017
Total assets	<u>72,440,872</u>	<u>73,722,850</u>	<u>8,613,800</u>	<u>7,962,122</u>	<u>81,054,672</u>	<u>81,684,972</u>
Long-term liabilities	3,069,965	3,107,457	972,270	1,159,824	4,042,235	4,267,281
Other liabilities	8,095,593	9,193,925	(931,689)	(1,772,856)	7,163,904	7,421,069
Total liabilities	<u>11,165,558</u>	<u>12,301,382</u>	<u>40,581</u>	<u>(613,032)</u>	<u>11,206,139</u>	<u>11,688,350</u>
Net assets:						
Invested in capital assets, net of related debt	55,909,501	54,591,721	5,477,334	5,364,593	61,386,835	59,956,314
Restricted	2,795,100	3,676,487	-	-	2,795,100	3,676,487
Unrestricted	2,570,713	3,153,260	3,095,885	3,210,561	5,666,598	6,363,821
Total net assets	<u>\$ 61,275,314</u>	<u>\$ 61,421,468</u>	<u>\$ 8,573,219</u>	<u>\$ 8,575,154</u>	<u>\$ 69,848,533</u>	<u>\$ 69,996,622</u>

CHANGES IN NET ASSETS

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Revenues:						
Program revenues:						
Charges for services	\$ 775,565	\$ 707,747	\$ 1,845,383	\$ 1,680,558	\$ 2,620,948	\$ 2,388,305
Operating grants and contributions	27,026	61,522	7,470	8,044	34,496	69,566
Capital grants and contributions	233,702	895,517	-	-	233,702	895,517
General revenues:						
Property taxes	5,023,742	5,777,832	-	-	5,023,742	5,777,832
Motor vehicle permits	1,121,401	1,161,864	-	-	1,121,401	1,161,864
Penalties and interest on taxes	137,267	96,509	-	-	137,267	96,509
Grants and contributions not restricted to specific programs	613,456	792,136	-	-	613,456	792,136
Investment income	55,811	129,635	5,158	23,335	60,969	152,970
Miscellaneous	53,469	149,067	-	630	53,469	149,697
Total revenues	8,041,439	9,771,829	1,858,011	1,712,567	9,899,450	11,484,396
Expenses:						
General government	2,705,564	2,034,781	-	-	2,705,564	2,034,781
Public safety	1,821,821	2,014,451	-	-	1,821,821	2,014,451
Highway and streets	2,500,011	1,987,530	-	-	2,500,011	1,987,530
Welfare	161,776	209,712	-	-	161,776	209,712
Library and recreation	729,997	689,594	-	-	729,997	689,594
Conservation	26,931	254,922	-	-	26,931	254,922
Economic development	1,255	5,675	-	-	1,255	5,675
Interest expense	58,846	113,046	-	-	58,846	113,046
Miscellaneous	(56,958)	586,577	-	-	(56,958)	586,577
Water services	-	-	804,912	736,383	804,912	736,383
Sewer services	-	-	886,215	947,857	886,215	947,857
Solid waste services	-	-	408,219	567,845	408,219	567,845
Total expenses	7,949,243	7,896,288	2,099,346	2,252,085	10,048,589	10,148,373
Change in net assets before transfers and permanent fund contributions	92,196	1,875,541	(241,335)	(539,518)	(149,139)	1,336,023
Interfund	(239,400)	(226,331)	239,400	226,331	-	-
Permanent fund contributions	1,050	3,102	-	-	1,050	3,102
Change in net assets	(146,154)	1,652,312	(1,935)	(313,187)	(148,089)	1,339,125
Net assets - beginning of year	61,421,468	59,769,156	8,575,154	8,888,341	69,996,622	68,657,497
Net assets - end of year	\$ 61,275,314	\$ 61,421,468	\$ 8,573,219	\$ 8,575,154	\$ 69,848,533	\$ 69,996,622

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 \$ 69,848,533, a change of \$ (148,089) from the prior year.

The largest portion of net assets, \$ 61,386,835, 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 \$ 2,795,100 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$ 5,666,598 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 \$ (146,154). Key elements of this change are as follows:

General fund operations, as discussed further in Section D	\$ (521,064)
Downtown Business District, a major fund activity - accrual basis	782,471
Black Bear Business District, a major fund activity - accrual basis	77,775
Main Street Enhancements, a major fund activity - accrual basis	59,638
Nonmajor fund revenues and transfers in excess of expenditures and transfers out - accrual basis	(679,329)
Excess of depreciation, which is not budgeted, over principal and maturities, a budgeted (i.e., funded) expense	(1,454,728)
Other GAAP accruals	<u>1,589,083</u>
Total	<u>\$ (146,154)</u>

Business-type activities. Business-type activities for the year resulted in a change in net assets of \$ (1,935). Key elements of this change are as follows:

Water Treatment	\$ (31,111)
Wastewater Treatment	(20,125)
Solid Waste	38,441
Parking	<u>10,860</u>
Total	<u>\$ (1,935)</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 \$ 3,795,007, a change of \$ (2,276,441) in comparison to the prior year. Key elements of this change are as follows:

General fund operating results	\$ (521,064)
Downtown Business District activities	576,129
Black Bear Business District activities	65,639
Main Street Enhancements activities	(802,802)
Nonmajor funds revenues over expenditures and transfer in	<u>(1,594,343)</u>
Total	\$ <u>(2,276,441)</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 \$ (29,347), while total fund balance was \$ 1,338,398. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance (deficit) and total fund balance to total fund expenditures. Unreserved fund balance represents (.39) percent of total general fund expenditures, while total fund balance represents 17.92 percent of that same amount.

The fund balance of the general fund changed by \$ (521,064) during the current fiscal year. Key factors in this change are as follows:

Actual revenues in excess of budget estimate	\$ 240,424
Expenditures less than budget	264,244
Use of fund balance as a funding source	(800,442)
Current year encumbrances to be expended in subsequent year	(34,760)
Tax collections short of net levy	(133,907)
Other GAAP adjustments	<u>(56,623)</u>
Total	\$ <u>(521,064)</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 \$ 3,095,885. 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 \$ 64,067,932 (net of accumulated depreciation), a change of \$ 1,724,914 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	\$ 862,440
Downtown business park improvements	206,342
Black bear business Park improvements	12,136
New village project	316,249
Water meter project	122,627
Riverwalk additions	143,991
Recreation fields	694,765
Open space additions	333,826
Waterfront CDBG additions	75,743
Fire truck	465,905
Roadway construction	279,110
Ambulance	150,718
Trackless MT6 tractor	139,750
Other additions	379,489
Subtotal	<u>\$ 4,183,091</u>
Current year depreciation	(1,957,586)
Disposals net of accumulated depreciation	<u>(500,591)</u>
Increase in capital assets	<u><u>\$ 1,724,914</u></u>

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

Long-term debt. At the end of the current fiscal year, total bonded debt outstanding was \$ 3,223,480, 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 notes 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, 2010

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current:			
Cash and short-term investments	\$ 11,822,329	\$ 2,476,840	\$ 14,299,169
Receivables, net of allowance for uncollectibles:			
Property taxes	1,728,043	-	1,728,043
User fees	98,648	405,864	504,512
Intergovernmental	-	15,513	15,513
Other assets	5,590	-	5,590
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	263,270	-	263,270
Intergovernmental	-	170,643	170,643
Capital assets:			
Land and construction in progress	22,222,701	629,518	22,852,219
Other assets, net of accumulated depreciation	<u>36,300,291</u>	<u>4,915,422</u>	<u>41,215,713</u>
TOTAL ASSETS	72,440,872	8,613,800	81,054,672
LIABILITIES			
Current:			
Vouchers payable	369,197	254,441	623,638
Accrued liabilities	58,034	17,547	75,581
Internal activity	1,219,093	(1,203,677)	15,416
Other current liabilities	53,801	-	53,801
Taxes collected in advance	6,395,468	-	6,395,468
Current portion of long-term liabilities:			
Bonds payable	175,000	79,040	254,040
Other liabilities	53,738	1,541	55,279
Noncurrent:			
Bonds payable, net of current portion	2,100,000	869,440	2,969,440
Other liabilities, net of current portion	<u>741,227</u>	<u>22,249</u>	<u>763,476</u>
TOTAL LIABILITIES	11,165,558	40,581	11,206,139
NET ASSETS			
Invested in capital assets, net of related debt	55,909,501	5,477,334	61,386,835
Restricted for:			
Grants	2,207,898	-	2,207,898
Permanent funds:			
Nonexpendable	451,207	-	451,207
Expendable	135,995	-	135,995
Unrestricted	<u>2,570,713</u>	<u>3,095,885</u>	<u>5,666,598</u>
TOTAL NET ASSETS	\$ <u>61,275,314</u>	\$ <u>8,573,219</u>	\$ <u>69,848,533</u>

See notes to financial statements.

TOWN OF NEWMARKET, NEW HAMPSHIRE

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2010

	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General government	\$ 2,705,564	\$ 282,831	\$ (77)	\$ 174,580	\$ (2,248,230)	\$ -	\$ (2,248,230)
Public safety	1,821,821	297,333	-	-	(1,524,488)	-	(1,524,488)
Highway and streets	2,500,011	-	27,103	59,122	(2,413,786)	-	(2,413,786)
Welfare	161,776	832	-	-	(160,944)	-	(160,944)
Library and recreation	729,997	194,569	-	-	(535,428)	-	(535,428)
Conservation	26,931	-	-	-	(26,931)	-	(26,931)
Economic development	1,255	-	-	-	(1,255)	-	(1,255)
Interest expense	58,846	-	-	-	(58,846)	-	(58,846)
Miscellaneous	(56,958)	-	-	-	56,958	-	56,958
Total Governmental Activities	7,949,243	775,565	27,026	233,702	(6,912,950)	-	(6,912,950)
Business-Type Activities:							
Water services	804,912	770,995	-	-	-	(33,917)	(33,917)
Waste water services	886,215	857,033	7,470	-	-	(21,712)	(21,712)
Solid waste services	408,219	206,640	-	-	-	(201,579)	(201,579)
Parking services	-	10,715	-	-	-	10,715	10,715
Total Business-Type Activities	2,099,346	1,845,383	7,470	-	-	(246,493)	(246,493)
Total	\$ 10,048,589	\$ 2,620,948	\$ 34,496	\$ 233,702	(6,912,950)	(246,493)	(7,159,443)
General Revenues, Interfund Transfers, and Contributions:							
Taxes					5,023,742	-	5,023,742
Motor vehicle permits					1,121,401	-	1,121,401
Penalties, interest, and other taxes					137,267	-	137,267
Grants and contributions not restricted to specific programs					613,456	-	613,456
Investment income					55,811	5,158	60,969
Miscellaneous					53,469	-	53,469
Interfund					(239,400)	239,400	-
Permanent fund contributions					1,050	-	1,050
Total general revenues, interfund transfers, and contributions					6,766,796	244,558	7,011,354
Change in Net Assets					(146,154)	(1,935)	(148,089)
Net Assets:							
Beginning of year					61,421,468	8,575,154	69,996,622
End of year					\$ 61,275,314	\$ 8,573,219	\$ 69,848,533

See notes to financial statements.

TOWN OF NEWMARKET, NEW HAMPSHIRE

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2010

ASSETS	General	Downtown Business District	Black Bear Business Park	Main Street Enhancements	Nonmajor Governmental Funds	Total Governmental Funds
Cash and short-term investments	\$ 7,527,266	\$ 578,423	\$ -	\$ 197,153	\$ 3,518,446	\$ 11,821,288
Receivables:						
Property taxes	2,244,700	-	-	-	-	2,244,700
User fees	159,954	-	-	-	-	159,954
Other	5,590	-	-	-	-	5,590
Due from other funds	4,625,028	3,914,689	339,909	-	205,889	9,085,515
Advance to other funds	1,360,000	-	-	-	-	1,360,000
TOTAL ASSETS	\$ 15,922,538	\$ 4,493,112	\$ 339,909	\$ 197,153	\$ 3,724,335	\$ 24,677,047
LIABILITIES AND FUND BALANCES						
Liabilities:						
Vouchers payable	\$ 258,956	\$ 1,805	\$ -	\$ -	\$ 113,722	\$ 374,483
Accrued liabilities	-	-	-	-	6,897	6,897
Due to other governments	(265)	-	-	-	-	(265)
Due to other funds	5,497,316	-	-	4,176,313	629,938	10,303,567
Advance from other funds	-	-	-	-	1,360,000	1,360,000
Deferred revenues	2,393,180	-	-	-	195	2,393,375
Taxes collected in advance	6,395,468	-	-	-	-	6,395,468
Other liabilities	39,485	-	-	-	9,030	48,515
TOTAL LIABILITIES	14,584,140	1,805	-	4,176,313	2,119,782	20,882,040
Fund Balances:						
Reserved for:						
Encumbrances and continuing appropriations	7,745	-	-	-	45,805	53,550
Perpetual (nonexpendable) permanent funds	-	-	-	-	451,207	451,207
Advance	1,360,000	-	-	-	-	1,360,000
Unreserved:						
Undesignated, reported in:						
General fund	(29,347)	-	-	-	-	(29,347)
Special revenue funds	-	-	-	-	2,162,093	2,162,093
Capital project funds	-	4,491,307	339,909	(3,979,160)	(1,190,547)	(338,491)
Permanent funds	-	-	-	-	135,995	135,995
TOTAL FUND BALANCES	1,338,398	4,491,307	339,909	(3,979,160)	1,604,553	3,795,007
TOTAL LIABILITIES AND FUND BALANCES	\$ 15,922,538	\$ 4,493,112	\$ 339,909	\$ 197,153	\$ 3,724,335	\$ 24,677,047

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, 2010

Total governmental fund balances	\$ 3,795,007
<ul style="list-style-type: none">• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	58,522,992
<ul style="list-style-type: none">• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	2,078,682
<ul style="list-style-type: none">• In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(51,402)
<ul style="list-style-type: none">• Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(3,069,965)
Net assets of governmental activities	<u><u>\$ 61,275,314</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, 2010

	<u>General</u>	<u>Downtown Business District</u>	<u>Black Bear Business Park</u>	<u>Main Street Enhancements</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:						
Property taxes	\$ 3,700,976	\$ 781,026	\$ 77,853	\$ -	\$ -	\$ 4,559,855
Penalties, interest, and other taxes	137,267	-	-	-	-	137,267
Charges for services	434,478	-	-	-	290,085	724,563
Intergovernmental	640,559	-	-	59,122	174,580	874,261
Licenses and permits	1,307,237	-	-	-	46,427	1,353,664
Investment income	16,293	1,444	-	516	37,558	55,811
Contributions	-	-	-	-	1,050	1,050
Miscellaneous	50,773	-	(77)	-	2,696	53,392
Total Revenues	6,287,583	782,470	77,776	59,638	552,396	7,759,863
Expenditures:						
Current:						
General government	2,543,088	84,242	-	-	33,979	2,661,309
Public safety	1,681,078	-	-	-	54,936	1,736,014
Highway and streets	1,125,181	-	-	-	-	1,125,181
Welfare	158,840	-	-	-	-	158,840
Library and recreation	54,060	-	-	-	670,599	724,659
Conservation	562	-	-	-	10,883	11,445
Economic development	1,255	-	-	-	-	1,255
Debt service	162,800	122,099	-	-	-	284,899
Capital outlay	1,742,121	-	12,137	862,440	476,604	3,093,302
Total Expenditures	7,468,985	206,341	12,137	862,440	1,247,001	9,796,904
Excess (deficiency) of revenues over expenditures	(1,181,402)	576,129	65,639	(802,802)	(694,605)	(2,037,041)
Other Financing Sources (Uses):						
Transfers in	1,671,454	-	-	-	791,210	2,462,664
Transfers out	(1,011,116)	-	-	-	(1,690,948)	(2,702,064)
Total Other Financing Sources (Uses)	660,338	-	-	-	(899,738)	(239,400)
Excess (deficiency) of revenues and other sources over expenditures and other uses	(521,064)	576,129	65,639	(802,802)	(1,594,343)	(2,276,441)
Fund Equity, at Beginning of Year	1,859,462	3,915,178	274,270	(3,176,358)	3,198,896	6,071,448
Fund Equity, at End of Year	\$ 1,338,398	\$ 4,491,307	\$ 339,909	\$ (3,979,160)	\$ 1,604,553	\$ 3,795,007

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, 2010

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ (2,276,441)
<ul style="list-style-type: none"> • 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: 	
Capital outlay purchases, net of disposals	3,435,943
Depreciation	(1,629,728)
<ul style="list-style-type: none"> • 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. 	
	282,626
<ul style="list-style-type: none"> • 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: 	
Repayments of debt	175,000
<ul style="list-style-type: none"> • In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. 	
	3,954
<ul style="list-style-type: none"> • 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. 	
	<u>(137,508)</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ <u>(146,154)</u>

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, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
Revenues and Other Sources:				
Taxes	\$ 3,834,883	\$ 3,834,883	\$ 3,834,883	\$ -
Licenses, permits, and fees	1,207,071	1,207,071	1,307,237	100,166
Intergovernmental	599,184	599,184	603,521	4,337
Charges for services	260,000	260,000	434,478	174,478
Investment income	75,000	75,000	16,293	(58,707)
Penalties, interest, and other taxes	137,890	137,890	137,267	(623)
Miscellaneous	12,000	12,000	50,773	38,773
Transfers in	18,000	18,000	-	(18,000)
Use of fund balance	<u>800,442</u>	<u>800,442</u>	<u>800,442</u>	<u>-</u>
Total Revenues and Other Sources	6,944,470	6,944,470	7,184,894	240,424
Expenditures and Other Uses:				
General government	2,916,765	2,916,765	2,532,983	383,782
Public safety	1,549,303	1,549,303	1,637,764	(88,461)
Highway and streets	1,082,358	1,082,358	1,119,161	(36,803)
Welfare	186,477	186,477	158,840	27,637
Library and recreation	54,860	54,860	54,060	800
Conservation	1,070	1,070	562	508
Economic development	4,000	4,000	1,255	2,745
Debt service	162,800	162,800	162,800	-
Capital outlay	-	-	6,685	(6,685)
Transfers out	<u>986,837</u>	<u>986,837</u>	<u>1,006,116</u>	<u>(19,279)</u>
Total Expenditures and Other Uses	6,944,470	6,944,470	6,680,226	264,244
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ <u>-</u>	\$ <u>-</u>	\$ <u>504,668</u>	\$ <u>504,668</u>

See notes to financial statements.

TOWN OF NEWMARKET, NEW HAMPSHIRE

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS

JUNE 30, 2010

	Business-Type Activities Enterprise Funds				Total	Governmental Activities Internal Service Funds
	Water Fund	Wastewater Fund	Solid Waste Fund	Parking Fund		
ASSETS						
Current:						
Cash and short-term investments	\$ 1,486,762	\$ 688,169	\$ 236,609	\$ 55,300	\$ 2,476,840	\$ 1,041
Receivables, net of allowance for uncollectibles:						
User fees, net of allowance for uncollectibles	192,146	213,718	-	-	405,864	-
Due from other governments	-	15,513	-	-	15,513	-
Due from other funds	1,105,579	67,781	15,417	101,116	1,289,893	-
Total current assets	2,794,487	985,181	252,026	156,416	4,188,110	1,041
Noncurrent:						
Receivables, net of allowance for uncollectibles:						
Due from other governments	-	170,643	-	-	170,643	-
Capital assets, net of accumulated depreciation	2,472,049	3,072,891	-	-	5,544,940	-
Total noncurrent assets	2,472,049	3,243,534	-	-	5,715,583	-
TOTAL ASSETS	5,266,536	4,228,715	252,026	156,416	9,903,693	1,041
LIABILITIES						
Current:						
Accounts payable	165,789	48,954	39,698	-	254,441	-
Accrued liabilities	-	17,547	-	-	17,547	-
Due to other funds	4,085	82,131	-	-	86,216	1,041
Current portion of long-term liabilities:						
Bonds payable	-	79,040	-	-	79,040	-
Other liabilities	341	1,200	-	-	1,541	-
Total current liabilities	170,215	228,872	39,698	-	438,785	1,041
Noncurrent:						
Bonds payable, net of current portion	-	869,440	-	-	869,440	-
Other liabilities, net of current portion	4,546	17,703	-	-	22,249	-
Total noncurrent liabilities	4,546	887,143	-	-	891,689	-
TOTAL LIABILITIES	174,761	1,116,015	39,698	-	1,330,474	1,041
NET ASSETS						
Invested in capital assets, net of related debt	2,924,963	2,552,371	-	-	5,477,334	-
Unrestricted	2,166,812	560,329	212,328	156,416	3,095,885	-
TOTAL NET ASSETS	\$ 5,091,775	\$ 3,112,700	\$ 212,328	\$ 156,416	\$ 8,573,219	\$ -

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, 2010

	Business-Type Activities Enterprise Funds				Total
	Water Fund	Wastewater Fund	Solid Waste Fund	Parking Fund	
Operating Revenues:					
Charges for services	\$ 770,995	\$ 857,033	\$ 206,640	\$ 10,715	\$ 1,845,383
Total Operating Revenues	770,995	857,033	206,640	10,715	1,845,383
Operating Expenses:					
Operating expenses	655,789	666,623	408,219	-	1,730,631
Depreciation	144,863	182,995	-	-	327,858
Total Operating Expenses	800,652	849,618	408,219	-	2,058,489
Operating Income (Loss)	(29,657)	7,415	(201,579)	10,715	(213,106)
Nonoperating Revenues (Expenses):					
Intergovernmental	-	7,470	-	-	7,470
Investment income	2,806	1,587	620	145	5,158
Interest expense	(4,260)	(36,597)	-	-	(40,857)
Total Nonoperating Revenues (Expenses), Net	(1,454)	(27,540)	620	145	(28,229)
Income (Loss) Before Transfers	(31,111)	(20,125)	(200,959)	10,860	(241,335)
Other financing sources and uses:					
Transfers in	-	-	239,400	-	239,400
Change in Net Assets	(31,111)	(20,125)	38,441	10,860	(1,935)
Net Assets at Beginning of Year	5,122,886	3,132,825	173,887	145,556	8,575,154
Net Assets at End of Year	\$ 5,091,775	\$ 3,112,700	\$ 212,328	\$ 156,416	\$ 8,573,219

See notes to financial statements.

TOWN OF NEWMARKET, NEW HAMPSHIRE

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2010

	Business-Type Activities Enterprise Funds				Total
	Water Fund	Sewer Fund	Solid Waste Fund	Parking Fund	
<u>Cash Flows From Operating Activities:</u>					
Receipts from customers and users	\$ 758,650	\$ 819,213	\$ 206,640	\$ 10,715	\$ 1,795,218
Payments to vendors and employees	(512,132)	(624,530)	(409,154)	-	(1,545,816)
Net Cash Provided By (Used For) Operating Activities	246,518	194,683	(202,514)	10,715	249,402
<u>Cash Flows From Noncapital Financing Activities:</u>					
Interfund borrowing	499,472	210,969	(36,887)	-	673,554
Operating transfers in (out)	-	-	239,400	-	239,400
Net Cash (Used For) Noncapital Financing Activities	499,472	210,969	202,513	-	912,954
<u>Cash Flows From Capital and Related Financing Activities:</u>					
Acquisition and construction of capital assets	(137,222)	(186,112)	-	-	(323,334)
Loss on disposal of capital assets	67,349	9,427	-	-	76,776
Payments from State	24,581	22,983	-	-	47,564
Principal payments on bonds and notes	(115,000)	(79,041)	-	(10,715)	(204,756)
Interest expense	(4,260)	(36,597)	-	-	(40,857)
Net Cash (Used For) Capital and Related Financing Activities	(164,552)	(269,340)	-	(10,715)	(444,607)
<u>Cash Flows From Investing Activities:</u>					
Investment income	2,806	1,587	620	145	5,158
Net Cash (Used For) Investing Activities	2,806	1,587	620	145	5,158
Net Change in Cash and Short-Term Investments	584,244	137,899	619	145	722,907
Cash and Short-Term Investments, Beginning of Year	912,518	550,270	235,990	55,155	1,753,933
Cash and Short-Term Investments, End of Year	\$ 1,496,762	\$ 688,169	\$ 236,609	\$ 55,300	\$ 2,476,840
<u>Reconciliation of Operating Income to Net Cash Provided by (Used For) Operating Activities:</u>					
Operating income (loss)	\$ (29,657)	\$ 7,415	\$ (201,579)	\$ 10,715	\$ (213,106)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation	144,863	182,995	-	-	327,858
Changes in assets and liabilities:					
User fees	(12,345)	(37,820)	-	-	(50,165)
Accounts payable	153,446	37,982	(935)	-	190,493
Accrued liabilities	(10,703)	(1,462)	-	-	(12,165)
Other liabilities	914	5,573	-	-	6,487
Net Cash Provided By (Used For) Operating Activities	\$ 246,518	\$ 194,683	\$ (202,514)	\$ 10,715	\$ 249,402

See notes to financial statements.

TOWN OF NEWMARKET, NEW HAMPSHIRE

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2010

	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
<u>ASSETS</u>		
Cash and short term investments	\$ 483,573	\$ 421,963
Investments	-	988,721
Due from other funds	-	<u>15,416</u>
Total Assets	483,573	1,426,100
<u>LIABILITIES</u>		
Escrow deposits	<u>-</u>	<u>1,426,100</u>
Total Liabilities	<u>-</u>	<u>1,426,100</u>
<u>NET ASSETS</u>		
Total net assets held in trust	<u>\$ 483,573</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, 2010

	<u>Private Purpose Trust Funds</u>
Additions:	
Contributions	\$ 13,376
Investment income (loss)	<u>82,170</u>
Total additions	95,546
Deductions:	
Other	<u>18,503</u>
Total deductions	<u>18,503</u>
Net increase (decrease)	77,043
Net assets:	
Beginning of year	<u>406,530</u>
End of year	<u>\$ 483,573</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 2010, 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.
- *Main Street Enhancements* accounts for construction costs associated with the revitalization of Main Street.

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 Town discontinued the self-insurance program in fiscal year 2008.

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 are 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. Designations 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 to 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)	\$ 6,287,583	\$ 7,468,985
Other financing sources/uses (GAAP basis)	<u>1,671,454</u>	<u>1,011,116</u>
Subtotal (GAAP Basis)	7,959,037	8,480,101
Adjust tax revenue to accrual basis	133,907	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(42,505)
Add end of year appropriation carryforwards to expenditures	-	7,745
To reverse Payroll Accrual		(24,540)
To reverse GASB 24	(37,038)	(37,038)
To remove expenditures from capital reserve funds	(1,671,454)	(1,703,537)
Recognize use of fund balance as funding source	<u>800,442</u>	<u>-</u>
Budgetary basis	<u>\$ 7,184,894</u>	<u>\$ 6,680,226</u>

D. Deficit Fund Equity

The following funds had deficits as of June 30, 2010:

Special revenue funds:		
Recreation revolving	\$	(176,283)
Drug forfeiture	\$	(1,534)
Capital project funds:		
Main street enhancement	\$	(3,979,160)
CDBG grant	\$	(37,935)
Public Works and Fire Department Complex	\$	(1,360,000)
Water ARRA Projects	\$	(253,689)

The Town anticipates the deficits in these funds will be eliminated through future grants, 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, 2010, none of the Town's bank balance of \$ 15,177,259 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 \$ 5,112,219 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	\$ 431,164	N/A	\$ -	\$ 274,304	\$ 75,994	\$ 79,095	\$ 1,771
Corporate equities	392,779	N/A	392,779	-	-	-	-
Mutual funds	<u>164,778</u>	N/A	<u>164,778</u>	-	-	-	-
Total investments	\$ <u>988,721</u>		\$ <u>557,557</u>	\$ <u>274,304</u>	\$ <u>75,994</u>	\$ <u>79,095</u>	\$ <u>1,771</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 \$ 988,721, 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>431,164</u>	\$ <u>76,509</u>	\$ <u>268,578</u>	\$ <u>86,077</u>	\$ <u>-</u>
Total	\$ <u>431,164</u>	\$ <u>76,509</u>	\$ <u>268,578</u>	\$ <u>86,077</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, 2010 consist of the following:

Real Estate Tax Liens		
2009	303,486	
2008	134,003	
2007	<u>5,264</u>	
		442,753
Elderly Lien		30,891
Resident Tax		<u>(100)</u>
Total		<u>\$ 2,244,700</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	\$ 253,387	
Ambulance and departmental	59,263	
Water services		\$ 8,287
Waste water services		23,746

7. Intergovernmental Receivables

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2010.

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, 2010 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	\$ 4,625,028	\$ 5,497,316	\$ 1,360,000	\$ -
Special Revenue Funds	184,239	360,424	-	-
Capital Project Funds	4,276,248	4,445,827	-	1,360,000
Internal Service Fund	-	1,041	-	-
Water Enterprise Fund	1,105,579	4,085	-	-
Sewer Enterprise Fund	67,781	82,131	-	-
Solid Waste Enterprise Fund	15,417	-	-	-
Parking Enterprise Fund	101,116	-	-	-
Agency Fund	15,416	-	-	-
Total	\$ <u>10,390,824</u>	\$ <u>10,390,824</u>	\$ <u>1,360,000</u>	\$ <u>1,360,000</u>

9. Capital Assets

Capital asset activity for the year ended June 30, 2010 was as follows:

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Governmental Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 4,094,723	\$ 12,804	\$ -	\$ 4,107,527
Machinery, equipment, and furnishings	3,826,136	779,531	(51,000)	4,554,667
Infrastructure	<u>50,303,021</u>	<u>688,678</u>	<u>-</u>	<u>50,991,699</u>
Total capital assets, being depreciated	58,223,880	1,481,013	(51,000)	59,653,893
Less accumulated depreciation for:				
Buildings and improvements	(857,664)	(103,108)	-	(960,772)
Machinery, equipment, and furnishings	(2,799,195)	(269,026)	51,000	(3,017,221)
Infrastructure	<u>(18,118,015)</u>	<u>(1,257,594)</u>	<u>-</u>	<u>(19,375,609)</u>
Total accumulated depreciation	<u>(21,774,874)</u>	<u>(1,629,728)</u>	<u>51,000</u>	<u>(23,353,602)</u>
Total capital assets, being depreciated, net	36,449,006	(148,715)	-	36,300,291
Capital assets, not being depreciated:				
Construction in progress	14,638,680	2,234,753	(423,815)	16,449,618
Land	<u>5,629,092</u>	<u>143,991</u>	<u>-</u>	<u>5,773,083</u>
Total capital assets, not being depreciated	<u>20,267,772</u>	<u>2,378,744</u>	<u>(423,815)</u>	<u>22,222,701</u>
Governmental activities capital assets, net	<u>\$ 56,716,778</u>	<u>\$ 2,230,029</u>	<u>\$ (423,815)</u>	<u>\$ 58,522,992</u>
	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Business-Type Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 6,050,000	\$ -	\$ -	\$ 6,050,000
Machinery, equipment, and furnishings	66,454	17,200	-	83,654
Infrastructure	<u>7,971,268</u>	<u>76,776</u>	<u>-</u>	<u>8,048,044</u>
Total capital assets, being depreciated	14,087,722	93,976	-	14,181,698
Less accumulated depreciation for:				
Buildings and improvements	(4,748,072)	(142,342)	-	(4,890,414)
Machinery, equipment, and furnishings	(36,471)	(7,883)	-	(44,354)
Infrastructure	<u>(4,153,875)</u>	<u>(177,633)</u>	<u>-</u>	<u>(4,331,508)</u>
Total accumulated depreciation	<u>(8,938,418)</u>	<u>(327,858)</u>	<u>-</u>	<u>(9,266,276)</u>
Total capital assets, being depreciated, net	5,149,304	(233,882)	-	4,915,422
Capital assets, not being depreciated:				
Construction in progress	136,536	229,358	(76,776)	289,118
Land	<u>340,400</u>	<u>-</u>	<u>-</u>	<u>340,400</u>
Total capital assets, not being depreciated	<u>476,936</u>	<u>229,358</u>	<u>(76,776)</u>	<u>629,518</u>
Business-type activities capital assets, net	<u>\$ 5,626,240</u>	<u>\$ (4,524)</u>	<u>\$ (76,776)</u>	<u>\$ 5,544,940</u>

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

Governmental Activities:	
General government	\$ 130,712
Public safety	182,554
Highway and streets	1,300,976
Conservation	<u>15,486</u>
Total depreciation expense - governmental activities	<u>\$ 1,629,728</u>
Business-Type Activities:	
Water fund	\$ 144,862
Sewer fund	<u>182,996</u>
Total depreciation expense - business-type activities	<u>\$ 327,858</u>

10. Accounts Payable

Accounts payable represent additional 2010 expenditures paid after June 30, 2010.

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, 2010 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 2011 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:

	Serial Maturities <u>Through</u>	Interest Rate(s) %	Amount Outstanding as of <u>June 30, 2010</u>
<u>Governmental Activities:</u>			
Open Space Land Acquisition	01/15/23	4.250 - 4.90%	\$ 1,300,000
Downtown TIF Improvements	01/15/23	4.250 - 4.90%	<u>975,000</u>
Total Governmental Activities:			<u>\$ 2,275,000</u>

	Serial Maturities <u>Through</u>	Interest Rate(s) %	Amount Outstanding as of <u>June 30, 2010</u>
<u>Business-Type Activities:</u>			
Creighton Street Pump/Outfall	08/15/21	3.700%	\$ 948,480
Total Business-Type Activities:			<u>\$ 948,480</u>

B. Future Debt Service

The annual payments to retire all general obligation long-term debt outstanding as of June 30, 2010 are as follows:

	<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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		175,000	72,713	247,713
2016 - 2020		875,000	247,715	1,122,715
2021 - 2023		<u>525,000</u>	<u>51,101</u>	<u>576,101</u>
Total	\$	<u>2,275,000</u>	<u>736,755</u>	<u>3,011,755</u>
	<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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		79,040	23,421	102,461
2016 - 2020		395,200	73,192	468,392
2021 - 2023		<u>158,080</u>	<u>8,783</u>	<u>166,863</u>
Total	\$	<u>948,480</u>	<u>228,357</u>	<u>1,176,837</u>

C. Changes in General Long-Term Liabilities

During the year ended June 30, 2010, the following changes occurred in long-term liabilities:

	Total Balance 07/01/09	Additions	Reductions	Total Balance 6/30/10	Current Portion	Equals Long-Term Portion 6/30/10
<u>Governmental Activities</u>						
Bonds payable	\$ 2,450,000	\$ -	\$ (175,000)	\$ 2,275,000	\$ (175,000)	\$ 2,100,000
Other:						
Landfill postclosure care cost	416,000	73,199	-	489,199	(32,613)	456,586
Compensated absences	203,613	7,635	-	211,248	(21,125)	190,123
Net OPEB obligation	37,844	56,674	-	94,518	-	94,518
Totals	<u>\$ 3,107,457</u>	<u>\$ 137,508</u>	<u>\$ (175,000)</u>	<u>\$ 3,069,965</u>	<u>\$ (228,738)</u>	<u>\$ 2,841,227</u>
	Total Balance 07/01/09	Additions	Reductions	Total Balance 6/30/10	Current Portion	Equals Long-Term Portion 6/30/10
<u>Business-Type Activities</u>						
Bonds payable	\$ 1,142,521	\$ -	\$ (194,041)	\$ 948,480	\$ (79,040)	\$ 869,440
Other:						
Compensated absences	14,015	1,391	-	15,406	(1,541)	13,865
Net OPEB obligation	3,288	5,096	-	8,384	-	8,384
Totals	<u>\$ 1,159,824</u>	<u>\$ 6,487</u>	<u>\$ (194,041)</u>	<u>\$ 972,270</u>	<u>\$ (80,581)</u>	<u>\$ 891,689</u>

14. Landfill Closure and Postclosure Care Costs

This liability reported is based on what it would cost to perform postclosure care in 2010. 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, 2010:

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	\$ (29,347)
Derred revenue, net of allowance	1,817,550
Due from trustees	(304,904)
BTLA liability	5,286
Allocation of TIF revenue	858,879
Misc expenditure allocations to enterprise funds	<u>(27,864)</u>
Tax Rate Setting Balance	<u>\$ 2,319,600</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 poten-

tial 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**

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, 2010, there were 5 retiree subscribers, including eligible spouses and dependents, and 45 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 2010 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, 2010, 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)	\$ 79,760
Interest on net OPEB obligation	-
Adjustment to ARC	-
Annual OPEB cost	<u>79,760</u>
Contributions made	<u>(17,990)</u>
Increase in net OPEB obligation	61,770
Net OPEB obligation - beginning of year	<u>41,132</u>
Net OPEB obligation - end of year	<u>\$ 102,902</u>

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>
2010	\$ 79,760	-29.0%	\$ 102,902
2009	\$ 55,867	26.4%	\$ 41,132

E. Funded Status and Funding Progress

The funded status of the plan as of July 1, 2009, the date of the most recent valuation was as follows:

Actuarial accrued liability (AAL)	\$	568,594
Actuarial value of plan assets		<u>-</u>
Unfunded actuarial accrued liability (UAAL)		<u>568,594</u>
Funded ratio (actuarial value of plan assets/AAL)		<u>0.0%</u>
Covered payroll (active plan members)	\$	<u>2,935,728</u>
UAAL as a percentage of covered payroll		<u>19.4%</u>

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, 2009 actuarial valuation the projected unit credit cost method was used. The value of assets was not determined as the Town has not advance funded its obligation. The assumptions included a 2% 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 5% 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 13.66% for police and 17.28% for fire. The Town's contributions to the System for the years ended June 30, 2010, 2009, and 2008 were \$ 315,446, \$ 258,349 and \$ 259,611, 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, 2010, was \$ 2,884,468. Contribution requirements for the year ended June 30, 2010, were as follows:

State of New Hampshire	\$ 37,038
Town of Newmarket	315,446
Employees' contributions	<u>186,574</u>
Total	<u>\$ 539,058</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.

**TOWN OF NEWMARKET, NEW HAMPSHIRE
SCHEDULE OF FUNDING PROGRESS
REQUIRED SUPPLEMENTARY INFORMATION**

June 30, 2010
(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%
07/01/09	\$ -	\$ 568,594	\$ 568,594	0.0%	\$ 2,935,728	19%

See Independent Auditors' Report.