

TOWN OF NEWMARKET, NEW HAMPSHIRE

Annual Financial Statements

For the Year Ended June 30, 2011

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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, 2011, 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, 2011, 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

Additional Offices:

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

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.

Melanson, Heath + Company P.C.

Nashua, New Hampshire
March 19, 2012

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, 2011.

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, 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, 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 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 \$ 69,507,284 (i.e., net assets), a change of \$ (768,107) in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$ 5,633,088, a change of \$ 1,838,081 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$ 126,022, a change of \$ 155,369 in comparison to the prior year.
- Total long-term debt (i.e., bonds payable) at the close of the current fiscal year was \$ 2,969,440, a change of \$ (254,040) 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>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Current and other assets	\$ 12,770,377	\$ 13,917,880	\$ 2,286,737	\$ 3,068,860	\$ 15,057,114	\$ 16,986,740
Capital assets	<u>58,473,438</u>	<u>58,949,850</u>	<u>6,621,782</u>	<u>5,544,940</u>	<u>65,095,220</u>	<u>64,494,790</u>
Total assets	<u>71,243,815</u>	<u>72,867,730</u>	<u>8,908,519</u>	<u>8,613,800</u>	<u>80,152,334</u>	<u>81,481,530</u>
Long-term liabilities outstanding	2,725,904	3,069,965	818,439	972,270	3,544,343	4,042,235
Other liabilities	<u>7,177,988</u>	<u>8,095,593</u>	<u>(77,281)</u>	<u>(931,689)</u>	<u>7,100,707</u>	<u>7,163,904</u>
Total liabilities	<u>9,903,892</u>	<u>11,165,558</u>	<u>741,158</u>	<u>40,581</u>	<u>10,645,050</u>	<u>11,206,139</u>
Net assets:						
Invested in capital assets, net	57,352,006	56,336,359	5,752,342	5,477,334	63,104,348	61,813,693
Restricted	1,112,475	2,795,100	-	-	1,112,475	2,795,100
Unrestricted	<u>2,875,442</u>	<u>2,570,713</u>	<u>2,415,019</u>	<u>3,095,885</u>	<u>5,290,461</u>	<u>5,666,598</u>
Total net assets	<u>\$ 61,339,923</u>	<u>\$ 61,702,172</u>	<u>\$ 8,167,361</u>	<u>\$ 8,573,219</u>	<u>\$ 69,507,284</u>	<u>\$ 70,275,391</u>

CHANGES IN NET ASSETS

	<u>Governmental</u> <u>Activities</u>		<u>Business-Type</u> <u>Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Revenues:						
Program revenues:						
Charges for services	\$ 724,082	\$ 775,565	\$ 2,019,182	\$ 1,845,383	\$ 2,743,264	\$ 2,620,948
Operating grants and contributions	31,143	27,026	451,641	7,470	482,784	34,496
Capital grants and contributions	584,350	233,702	-	-	584,350	233,702
General revenues:	<u>5,501,686</u>	<u>7,005,146</u>	<u>2,454</u>	<u>5,158</u>	<u>5,504,140</u>	<u>7,010,304</u>
Total revenues	6,841,261	8,041,439	2,473,277	1,858,011	9,314,538	9,899,450
Expenses:						
General government	2,898,693	2,705,564	-	-	2,898,693	2,705,564
Public safety	2,033,700	1,821,821	-	-	2,033,700	1,821,821
Highway and streets	2,126,285	2,500,011	-	-	2,126,285	2,500,011
Welfare	110,474	161,776	-	-	110,474	161,776
Library and recreation	720,003	729,997	-	-	720,003	729,997
Conservation	6,178	26,931	-	-	6,178	26,931
Economic development	1,250	1,255	-	-	1,250	1,255
Interest expense	94,615	58,846	-	-	94,615	58,846
Miscellaneous	16,975	(56,958)	-	-	16,975	(56,958)
Water services	-	-	698,917	804,912	698,917	804,912
Waste water services	-	-	924,623	886,215	924,623	886,215
Solid waste services	-	-	460,413	408,219	460,413	408,219
Total expenses	8,008,173	7,949,243	2,083,953	2,099,346	10,092,126	10,048,589
Change in net assets before transfers	(1,166,912)	92,196	389,324	(241,335)	(777,588)	(149,139)
Transfers in (out)	795,182	(239,400)	(795,182)	239,400	-	-
Permanent fund contributions	9,481	1,050	-	-	9,481	1,050
Change in net assets	(362,249)	(146,154)	(405,858)	(1,935)	(768,107)	(148,089)
Net assets - beginning of	<u>61,702,172</u>	<u>61,848,326</u>	<u>8,573,219</u>	<u>8,575,154</u>	<u>70,275,391</u>	<u>70,423,480</u>
Net assets - end of year	\$ <u>61,339,923</u>	\$ <u>61,702,172</u>	\$ <u>8,167,361</u>	\$ <u>8,573,219</u>	\$ <u>69,507,284</u>	\$ <u>70,275,391</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 \$ 69,507,284, a change of \$ (768,107) from the prior year.

The largest portion of net assets, \$ 63,104,348, 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 \$ 1,112,475 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$ 5,290,461 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 \$ (362,249). Key elements of this change are as follows:

General fund operations, as discussed further in Section D	\$ 590,437
Depreciation expense in excess of principal debt service	(1,484,000)
Other GAAP accruals	<u>568,301</u>
Total	<u>\$ (325,262)</u>

Business-type activities. Business-type activities for the year resulted in an overall operating loss of \$ (31,173). Key elements of this change are as follows:

Water operations	\$ 118,264
Wastewater operations	65,671
Solid waste operations	(232,629)
Parking operations	<u>17,521</u>
Total	<u>\$ (31,173)</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, unassigned 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 \$ 5,633,088, a change of \$ 1,838,081 in comparison to the prior year. Key elements of this change are as follows:

General fund operations, as discussed further in Section D	\$ 590,437
Downtown Business District operating results	(2,916,767)
Main Street Enhancements operating results	3,936,976
Nonmajor fund activity:	
Special revenue operating results	(20,061)
Capital projects operating results	259,863
Permanent trust fund operating results	<u>(12,367)</u>
Total	<u>\$ 1,838,081</u>

In fiscal year 2011, the Town implemented *Governmental Accounting Standards Board Statement #54 Fund Balance Reporting and Governmental Fund Type Definitions*. In general, amounts previously reported as undesignated fund balance, are now reported as unassigned fund balance. Full definitions of all fund balance classifications can be found in the notes to the financial statements. Additionally, amounts previously reported in capital reserve funds, are now required to be presented as committed fund balance in the general fund.

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$ 126,022, while total fund balance was \$ 3,579,032. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Refer to the table below:

<u>General Fund</u>	<u>6/30/11</u>	<u>6/30/10</u>	<u>Change</u>	<u>% of Total General Fund Expenditures</u>
Unassigned fund balance	\$ 126,022	\$ (29,347)	\$ 155,369	2.1%
Total fund balance ¹	3,579,032	2,988,595	590,437	58.2%

¹Now includes capital reserve funds. Prior period balances have been revised to conform to current presentation.

The total fund balance of the general fund changed by \$ 590,437 during the current fiscal year. Key factors in this change are as follows:

Revenues in excess of budget	\$ 1,243,560
Expenditures less than budget	174,817
Use of fund balance as a funding source	(1,370,000)
Tax collections of prior years plus current year tax levies in excess of current year tax assessment	267,145
Change in capital reserves	278,789
Other	<u>(3,874)</u>
Total	<u>\$ 590,437</u>

Included in the total general fund balance are the Town's capital reserve accounts with the following balances:

	<u>6/30/11</u>	<u>6/30/10</u>	<u>Change</u>
Capital reserves	\$ <u>1,928,986</u>	\$ <u>1,650,197</u>	\$ <u>278,789</u>
Total	\$ <u><u>1,928,986</u></u>	\$ <u><u>1,650,197</u></u>	\$ <u><u>278,789</u></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 \$ 1,534,145. 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 \$ 65,095,220 (net of accumulated depreciation), a change of \$ 600,430 from the prior year. This investment in capital assets includes land, buildings and system, improvements, and machinery and equipment.

Major capital asset events consisted of increases to construction in progress and included the following:

Governmental:	
New Village ARRA	\$ 515,661
Main Street Enhancements	\$ 178,668
Business-Type:	
New Village ARRA - Water	\$ 595,708
Water Meters	\$ 375,116
New Village ARRA - Sewer	\$ 194,717

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 \$ 2,969,440, 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, 2011

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
ASSETS			
Current:			
Cash and short-term investments	\$ 9,461,106	\$ 585,889	\$ 10,046,995
Restricted cash	1,825,757	1,081,543	2,907,300
Receivables, net of allowance for uncollectibles:			
Property taxes	20,071	-	20,071
User fees	1,058,241	448,662	1,506,903
Intergovernmental	-	15,513	15,513
Other assets	3,115	-	3,115
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	402,087	-	402,087
Intergovernmental	-	155,130	155,130
Capital assets:			
Land and construction in progress	23,254,727	1,975,016	25,229,743
Other assets, net of accumulated depreciation	<u>35,218,711</u>	<u>4,646,766</u>	<u>39,865,477</u>
TOTAL ASSETS	71,243,815	8,908,519	80,152,334
LIABILITIES			
Current:			
Vouchers payable	211,784	87,214	298,998
Accrued liabilities	95,477	16,013	111,490
Due to school district	20,000	-	20,000
Internal activity	279,524	(261,166)	18,358
Other current liabilities	39,448	-	39,448
Taxes collected in advance	6,299,060	-	6,299,060
Current portion of long-term liabilities:			
Bonds payable	175,000	79,040	254,040
Other liabilities	57,695	1,618	59,313
Noncurrent:			
Bonds payable, net of current portion	1,925,000	790,400	2,715,400
Other liabilities, net of current portion	<u>800,904</u>	<u>28,039</u>	<u>828,943</u>
TOTAL LIABILITIES	9,903,892	741,158	10,645,050
NET ASSETS			
Invested in capital assets, net of related debt	57,352,006	5,752,342	63,104,348
Restricted for:			
Grants	537,640	-	537,640
Permanent funds:			
Nonexpendable	472,860	-	472,860
Expendable	101,975	-	101,975
Unrestricted	<u>2,875,442</u>	<u>2,415,019</u>	<u>5,290,461</u>
TOTAL NET ASSETS	\$ <u>61,339,923</u>	\$ <u>8,167,361</u>	\$ <u>69,507,284</u>

See notes to financial statements.

TOWN OF NEWMARKET, NEW HAMPSHIRE

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2011

	<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>
Governmental Activities:							
General government	\$ 2,898,693	\$ 176,253	\$ -	\$ 584,350	\$ (2,138,080)	\$ -	\$ (2,138,090)
Public safety	2,033,700	377,090	-	-	(1,656,610)	-	(1,656,610)
Highway and streets	2,126,285	-	31,143	-	(2,095,142)	-	(2,095,142)
Welfare	110,474	-	-	-	(110,474)	-	(110,474)
Library and recreation	720,003	167,712	-	-	(552,291)	-	(552,291)
Conservation	6,178	-	-	-	(6,178)	-	(6,178)
Economic development	1,250	3,027	-	-	1,777	-	1,777
Interest expense	94,615	-	-	-	(94,615)	-	(94,615)
Miscellaneous	16,975	-	-	-	(16,975)	-	(16,975)
Total Governmental Activities	8,008,173	724,082	31,143	584,350	(6,668,598)	-	(6,668,598)
Business-Type Activities:							
Water services	698,917	817,181	444,746	-	-	563,010	563,010
Waste water services	924,623	956,696	6,895	-	-	38,968	38,968
Solid waste services	460,413	227,784	-	-	-	(232,629)	(232,629)
Parking services	-	17,521	-	-	-	17,521	17,521
Total Business-Type Activities	2,083,953	2,019,182	451,641	-	-	386,870	386,870
Total	\$ 10,092,126	\$ 2,743,264	\$ 482,784	\$ 584,350	(6,668,598)	386,870	(6,281,728)
General Revenues, Interfund Transfers, and Contributions:							
Taxes					2,458,015	-	2,458,015
Motor vehicle permits					1,111,762	-	1,111,762
Penalties, interest, and other taxes					144,597	-	144,597
Grants and contributions not restricted to specific programs					657,366	-	657,366
Investment income					50,738	2,454	53,192
Miscellaneous					1,079,208	-	1,079,208
Interfund					795,182	(795,182)	-
Permanent fund contributions					9,481	-	9,481
Total general revenues, interfund transfers, and contributions					6,306,349	(792,728)	5,513,621
Change in Net Assets					(362,249)	(405,858)	(768,107)
Net Assets:							
Beginning of year, as restated					61,702,172	8,573,219	70,275,391
End of year					\$ 61,339,923	\$ 8,167,361	\$ 69,507,284

See notes to financial statements.

TOWN OF NEWMARKET, NEW HAMPSHIRE

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2011

ASSETS	General	Downtown Business District	Main Street Enhancements	Nonmajor Governmental Funds	Total Governmental Funds
Cash and short-term investments	\$ 6,973,879	\$ 579,870	\$ 197,447	\$ 1,708,869	\$ 9,460,065
Restricted cash	1,825,757	-	-	-	1,825,757
Receivables:					
Property taxes	468,461	-	-	-	468,461
User fees	1,139,364	-	-	9,269	1,148,633
Other	3,115	-	-	-	3,115
Due from other funds	-	994,670	-	258,757	1,253,427
Advance to other funds	1,360,000	-	-	-	1,360,000
TOTAL ASSETS	\$ 11,770,576	\$ 1,574,540	\$ 197,447	\$ 1,976,895	\$ 15,519,458
LIABILITIES AND FUND BALANCES					
Liabilities:					
Vouchers payable	\$ 155,591	\$ -	\$ -	\$ 56,193	\$ 211,784
Accrued liabilities	51,923	-	-	-	51,923
Due to school district	20,000	-	-	-	20,000
Due to other funds	1,265,708	-	239,631	26,571	1,531,910
Advance from other funds	-	-	-	1,360,000	1,360,000
Deferred revenues	372,047	-	-	198	372,245
Taxes collected in advance	6,299,060	-	-	-	6,299,060
Other liabilities	27,215	-	-	12,233	39,448
TOTAL LIABILITIES	8,191,544	-	239,631	1,455,195	9,886,370
Fund Balances:					
Nonspendable	1,360,000	-	-	472,860	1,832,860
Restricted	158,919	1,056,116	-	585,391	1,800,426
Committed	1,928,986	518,424	(42,184)	869,022	3,274,248
Assigned	5,105	-	-	54,224	59,329
Unassigned	126,022	-	-	(1,459,797)	(1,333,775)
TOTAL FUND BALANCES	3,579,032	1,574,540	(42,184)	521,700	5,633,088
TOTAL LIABILITIES AND FUND BALANCES	\$ 11,770,576	\$ 1,574,540	\$ 197,447	\$ 1,976,895	\$ 15,519,458

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, 2011

Total governmental fund balances	\$	5,633,088
<ul style="list-style-type: none"> • Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 		58,473,438
<ul style="list-style-type: none"> • Revenues are reported on the accrual basis of accounting and are not deferred until collection. 		235,550
<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. 		(43,554)
<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. 		(2,958,599)
Net assets of governmental activities	\$	<u>61,339,923</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, 2011

	<u>General</u>	<u>Downtown Business District</u>	<u>Main Street Enhancements</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Property taxes	\$ 4,063,534	\$ 135,786	\$ -	\$ 72,741	\$ 4,272,061
Penalties, interest, and other taxes	144,597	-	-	-	144,597
Charges for services	276,369	-	-	252,409	528,778
Intergovernmental	690,284	-	(1,775)	584,350	1,272,859
Licenses and permits	1,335,371	-	-	781	1,336,152
Investment income	8,987	3,252	294	38,205	50,738
Contributions	-	-	-	9,481	9,481
Miscellaneous	<u>1,075,393</u>	<u>-</u>	<u>-</u>	<u>3,815</u>	<u>1,079,208</u>
Total Revenues	7,594,535	139,038	(1,481)	961,782	8,693,874
Expenditures:					
Current:					
General government	2,796,941	52	-	11,216	2,808,209
Public safety	1,719,257	-	-	104,718	1,823,975
Highway and streets	1,136,958	-	-	-	1,136,958
Welfare	107,429	-	-	-	107,429
Library and recreation	64,025	-	-	686,697	750,722
Conservation	499	-	-	5,679	6,178
Economic development	1,250	-	-	-	1,250
Debt service	158,550	118,913	-	-	277,463
Capital outlay	<u>161,600</u>	<u>-</u>	<u>178,668</u>	<u>398,523</u>	<u>738,791</u>
Total Expenditures	6,146,509	118,985	178,668	1,206,833	7,650,975
Excess (deficiency) of revenues over expenditures	1,448,026	20,073	(180,149)	(245,051)	1,042,899
Other Financing Sources (Uses):					
Transfers in	26,153	-	4,117,125	513,138	4,656,416
Transfers out	<u>(883,742)</u>	<u>(2,936,840)</u>	<u>-</u>	<u>(40,652)</u>	<u>(3,861,234)</u>
Total Other Financing Sources (Uses)	(857,589)	(2,936,840)	4,117,125	472,486	795,182
Excess (deficiency) of revenues and other sources over expenditures and other uses	590,437	(2,916,767)	3,936,976	227,435	1,838,081
Fund Equity, at Beginning of Year, as restated	2,988,595	4,491,307	(3,979,160)	294,265	3,795,007
Fund Equity, at End of Year	\$ 3,579,032	\$ 1,574,540	\$ (42,184)	\$ 521,700	\$ 5,633,088

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, 2011

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 1,838,081						
<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: <table style="width: 100%; margin-left: 40px;"> <tr> <td style="width: 70%;">Capital outlay purchases, net of disposals</td> <td style="width: 30%; text-align: right;">1,182,588</td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">(1,659,000)</td> </tr> </table> • 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. (1,843,132) • 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 style="width: 100%; margin-left: 40px;"> <tr> <td style="width: 70%;">Repayments of debt</td> <td style="width: 30%; text-align: right;">175,000</td> </tr> </table> • In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. 7,847 • 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>(63,633)</u> 		Capital outlay purchases, net of disposals	1,182,588	Depreciation	(1,659,000)	Repayments of debt	175,000
Capital outlay purchases, net of disposals	1,182,588						
Depreciation	(1,659,000)						
Repayments of debt	175,000						
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ <u>(362,249)</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, 2011

	<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	\$ 3,796,389	\$ 3,796,389	\$ 3,796,389	\$ -
Licenses, permits, and fees	1,256,562	1,256,562	1,290,676	34,114
Intergovernmental	615,466	615,466	633,707	18,241
Charges for services	211,630	211,630	276,369	64,739
Investment income	20,000	20,000	7,038	(12,962)
Penalties, interest, and other taxes	97,836	97,836	144,597	46,761
Miscellaneous	12,000	12,000	1,075,393	1,063,393
Transfers in	18,000	18,000	47,274	29,274
Use of fund balance	<u>1,370,000</u>	<u>1,370,000</u>	<u>1,370,000</u>	<u>-</u>
Total Revenues and Other Sources	7,397,883	7,397,883	8,641,443	1,243,560
Expenditures and Other Uses:				
General government	2,844,549	2,844,549	2,834,859	9,690
Public safety	1,710,340	1,710,340	1,657,085	53,255
Highway and streets	1,247,928	1,247,928	1,136,958	110,970
Welfare	187,150	187,150	107,429	79,721
Library and recreation	64,025	64,025	64,025	-
Conservation	1,070	1,070	499	571
Economic development	4,000	4,000	1,250	2,750
Debt service	158,550	158,550	158,550	-
Transfers out	<u>1,180,271</u>	<u>1,180,271</u>	<u>1,262,411</u>	<u>(82,140)</u>
Total Expenditures and Other Uses	<u>7,397,883</u>	<u>7,397,883</u>	<u>7,223,068</u>	<u>174,817</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ <u>-</u>	\$ <u>-</u>	\$ <u>1,418,377</u>	\$ <u>1,418,377</u>

See notes to financial statements.

TOWN OF NEWMARKET, NEW HAMPSHIRE

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS

JUNE 30, 2011

	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	\$ 281,448	\$ 12,101	\$ 238,860	\$ 55,382	\$ 585,889	\$ 1,041
Restricted cash	844,767	438,778	-	-	1,081,543	-
Receivables, net of allowance for uncollectibles:						
User fees, net of allowance for uncollectibles	183,371	238,385	28,906	-	448,662	-
Due from other governments	-	15,513	-	-	15,513	-
Due from other funds	63,041	97,277	-	118,837	278,955	-
Total current assets	1,172,625	800,052	263,866	174,019	2,410,562	1,041
Noncurrent:						
Receivables, net of allowance for uncollectibles:						
Due from other governments	-	155,130	-	-	155,130	-
Capital assets, net of accumulated depreciation	3,488,361	3,135,421	-	-	6,621,782	-
Total noncurrent assets	3,488,361	3,290,551	-	-	6,778,912	-
TOTAL ASSETS	4,658,888	4,090,603	263,866	174,019	9,187,474	1,041
LIABILITIES						
Current:						
Accounts payable	30,480	29,188	27,538	-	87,214	-
Accrued liabilities	-	18,013	-	-	18,013	-
Due to other funds	-	-	17,789	-	17,789	1,041
Current portion of long-term liabilities:						
Bonds payable	-	79,040	-	-	79,040	-
Other liabilities	358	1,260	-	-	1,618	-
Total current liabilities	30,838	125,509	45,327	-	201,674	1,041
Noncurrent:						
Bonds payable, net of current portion	-	790,400	-	-	790,400	-
Other liabilities, net of current portion	5,656	22,383	-	-	28,039	-
Total noncurrent liabilities	5,656	812,783	-	-	818,439	-
TOTAL LIABILITIES	36,484	938,282	45,327	-	1,020,113	1,041
NET ASSETS						
Invested in capital assets, net of related debt	3,488,361	2,265,981	-	-	5,752,342	-
Unrestricted	1,138,131	888,330	218,539	174,019	2,415,019	-
TOTAL NET ASSETS	\$ 4,622,492	\$ 3,152,311	\$ 218,539	\$ 174,019	\$ 8,167,361	\$ -

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, 2011

	Business-Type Activities Enterprise Funds				Total
	Water Fund	Wastewater Fund	Solid Waste Fund	Parking Fund	
Operating Revenues:					
Charges for services	\$ 817,181	\$ 956,696	\$ 227,784	\$ 17,521	\$ 2,019,182
Total Operating Revenues	817,181	956,696	227,784	17,521	2,019,182
Operating Expenses:					
Operating expenses	557,363	749,769	460,413	-	1,767,545
Depreciation	141,554	141,256	-	-	282,810
Total Operating Expenses	698,917	891,025	460,413	-	2,050,355
Operating Income (Loss)	118,264	65,671	(232,629)	17,521	(31,173)
Nonoperating Revenues (Expenses):					
Intergovernmental	444,746	6,895	-	-	451,641
Investment income	1,377	643	352	82	2,454
Interest expense	-	(33,598)	-	-	(33,598)
Total Nonoperating Revenues (Expenses), Net	446,123	(26,060)	352	82	420,497
Income (Loss) Before Transfers	564,387	39,611	(232,277)	17,603	389,324
Other financing sources and uses:					
Transfers in	-	-	238,488	-	238,488
Transfers out	(1,033,670)	-	-	-	(1,033,670)
Change in Net Assets	(469,283)	39,611	6,211	17,603	(405,858)
Net Assets at Beginning of Year	5,091,775	3,112,700	212,328	156,416	8,573,219
Net Assets at End of Year	\$ 4,622,492	\$ 3,152,311	\$ 218,539	\$ 174,019	\$ 8,167,361

See notes to financial statements.

TOWN OF NEWMARKET, NEW HAMPSHIRE

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2011

	Business-Type Activities Enterprise Funds				Total
	Water Fund	Waste Water Fund	Solid Waste Fund	Parking Fund	
<u>Cash Flows From Operating Activities:</u>					
Receipts from customers and users	\$ 825,956	\$ 932,029	\$ 200,878	\$ 17,521	\$ 1,976,384
Payments to vendors and employees	<u>(691,545)</u>	<u>(766,321)</u>	<u>(472,573)</u>	<u>-</u>	<u>(1,930,439)</u>
Net Cash Provided By (Used For) Operating Activities	134,411	165,708	(271,695)	17,521	45,945
<u>Cash Flows From Noncapital Financing Activities:</u>					
Interfund borrowing	993,122	(29,309)	33,206	(17,521)	979,498
Operating transfers in (out)	<u>(988,339)</u>	<u>(82,318)</u>	<u>238,488</u>	<u>-</u>	<u>(832,169)</u>
Net Cash (Used For) Noncapital Financing Activities	4,783	(111,627)	271,694	(17,521)	147,329
<u>Cash Flows From Capital and Related Financing Activities:</u>					
Acquisition and construction of capital assets, net of disposals	(1,155,866)	(203,786)	-	-	(1,359,652)
Payments from State	444,746	22,408	-	-	467,154
Principal payments on bonds and notes	-	(79,040)	-	-	(79,040)
Change in restricted cash	-	-	-	-	-
Interest expense	<u>-</u>	<u>(33,598)</u>	<u>-</u>	<u>-</u>	<u>(33,598)</u>
Net Cash (Used For) Capital and Related Financing Activities	(711,120)	(294,016)	-	-	(1,005,136)
<u>Cash Flows From Investing Activities:</u>					
Investment income	<u>1,377</u>	<u>643</u>	<u>352</u>	<u>82</u>	<u>2,454</u>
Net Cash (Used For) Investing Activities	<u>1,377</u>	<u>643</u>	<u>352</u>	<u>82</u>	<u>2,454</u>
Net Change in Cash and Short-Term Investments	(570,549)	(239,292)	351	82	(809,408)
Cash and Short-Term Investments, Beginning of Year	<u>851,995</u>	<u>251,393</u>	<u>236,609</u>	<u>55,300</u>	<u>1,395,297</u>
Cash and Short-Term Investments, End of Year	<u>\$ 281,446</u>	<u>\$ 12,101</u>	<u>\$ 236,960</u>	<u>\$ 55,382</u>	<u>\$ 585,889</u>
<u>Reconciliation of Operating Income to Net Cash Provided by (Used For) Operating Activities:</u>					
Operating income (loss)	\$ 118,264	\$ 65,671	\$ (232,629)	\$ 17,521	\$ (31,173)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation	141,554	141,256	-	-	282,810
Changes in assets and liabilities:					
User fees	8,775	(24,667)	(26,906)	-	(42,798)
Accounts payable	(135,309)	(19,758)	(12,160)	-	(167,227)
Accrued liabilities	956	4,140	-	-	5,096
Other liabilities	<u>171</u>	<u>(934)</u>	<u>-</u>	<u>-</u>	<u>(763)</u>
Net Cash Provided By (Used For) Operating Activities	<u>\$ 134,411</u>	<u>\$ 165,708</u>	<u>\$ (271,695)</u>	<u>\$ 17,521</u>	<u>\$ 45,945</u>

See notes to financial statements.

TOWN OF NEWMARKET, NEW HAMPSHIRE

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2011

	Private Purpose Trust Funds	Agency Funds
<u>ASSETS</u>		
Cash and short term investments	\$ -	\$ 1,043,417
Investments	579,870	559,015
Due from other funds	<u>-</u>	<u>18,358</u>
Total Assets	579,870	1,620,790
<u>LIABILITIES</u>		
Escrow deposits	<u>-</u>	<u>1,620,790</u>
Total Liabilities	<u>-</u>	<u>1,620,790</u>
<u>NET ASSETS</u>		
Total net assets held in trust	\$ <u>579,870</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, 2011

	<u>Private Purpose Trust Funds</u>
Additions:	
Contributions	\$ 1,350
Investment income (loss)	<u>115,042</u>
Total additions	116,392
Deductions:	
Other	<u>20,095</u>
Total deductions	<u>20,095</u>
Net increase (decrease)	96,297
Net assets:	
Beginning of year	<u>483,573</u>
End of year	<u>\$ 579,870</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 2011, 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.
- *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

Fund equity at the governmental fund financial reporting level is classified as "fund balance". Fund equity for all other reporting is classified as "net assets".

Fund Balance - Generally, fund balance represents the difference between the current assets and current liabilities. The Town reserves

those portions of fund balance that are legally segregated for a specific future use or which do not represent available, spendable resources and therefore, are not available for appropriation or expenditure. Unassigned fund balance indicates that portion of fund balance that is available for appropriation in future periods.

The Town's fund balance classification policies and procedures are as follows:

- 1) Nonspendable funds are either unspendable in the current form (i.e., inventory or prepaid items) or can never be spent (i.e., perpetual care).
- 2) Restricted funds are used solely for the purpose in which the fund was established. In the case of special revenue funds, these funds are created by statute or otherwise have external constraints on how the funds can be expended.
- 3) Committed funds are reported and expended as a result of motions passed by the highest decision making authority in the government (i.e., the Town Council).
- 4) Assigned funds are used for specific purposes as established by management. These funds, which include encumbrances, have been assigned for specific goods and services ordered but not yet paid for. This account also includes fund balance voted to be used in the subsequent fiscal year.
- 5) Unassigned funds are available to be spent in future periods.

When an expenditure is incurred that would qualify for payment from multiple fund balance types, the Town uses the following order to liquidate liabilities: restricted, committed, assigned, and unassigned.

Net Assets - Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. All other net assets are reported as unrestricted.

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)	\$ 7,594,535	\$ 6,146,509
Other financing sources/uses (GAAP basis)	<u>26,153</u>	<u>883,742</u>
Subtotal (GAAP Basis)	7,620,688	7,030,251
Adjust tax revenue to accrual basis	(267,145)	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(7,745)
Add end-of-year appropriation carryforwards from expenditures	-	5,105
To record timing difference	(125,403)	(126,637)
To reverse the effect of non-budgeted State contributions for retirement	(56,577)	(56,577)
To eliminate capital reserve activity	99,880	378,669
Recognize use of fund balance as funding source	<u>1,370,000</u>	<u>-</u>
Budgetary basis	<u>\$ 8,641,443</u>	<u>\$ 7,223,066</u>

D. Deficit Fund Equity

The following funds had deficits as of June 30, 2011:

Governmental Funds	
Main Street Enhancements	\$ 42,184
CDBG grant	37,935
Public Works and Fire Department Complex	1,360,000
Water ARRA projects	61,862
Private Purpose Funds:	
Robert Wilfred LaBonte	472
Eric Schuster	193
Warran Sawyer Memorial Fund	<u>392</u>
	<u>\$ 1,503,038</u>

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, 2011, \$13,049 of the Town's bank balance of \$ 15,208,993 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 \$ 5,179,147 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>Not Rated</u>
				<u>Aaa</u>	<u>Aa</u>	<u>A</u>	
Corporate bonds	\$ 401,306		\$ -	\$ 219,011	\$ 51,261	\$ 129,619	\$ 1,415
Corporate equities	518,456	N/A	518,456	-	-	-	-
Mutual funds	219,123	N/A	219,123	-	-	-	-
Total investments	<u>\$ 1,138,885</u>		<u>\$ 737,579</u>	<u>\$ 219,011</u>	<u>\$ 51,261</u>	<u>\$ 129,619</u>	<u>\$ 1,415</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 \$ 1,138,885, 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>Fair Value</u>	<u>Investment Maturities (in Years)</u>				<u>N/A</u>
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>	
Debt Related Securities:						
Corporate bonds	\$ 401,306	\$ 51,914	\$ 263,614	\$ 85,778	\$ -	\$ -
Total	\$ 401,306	\$ 51,914	\$ 263,614	\$ 85,778	\$ -	\$ -

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, 2011 consist of the following:

Real Estate		
2010		\$ 13,446
Unredeemed Taxes		
2010	242,345	
2009	171,421	
2008	<u>1,715</u>	
		415,481
Land Use		7,414
Yield Tax		456
Elderly Lien		<u>31,664</u>
Total		<u>\$ 468,461</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	\$ 46,303	\$ -
Ambulance and departmental	90,392	-
Water services	-	8,051
Waste water services	-	23,746

7. Intergovernmental Receivables

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2011.

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, 2011 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>
Major Funds:				
General Fund	\$ -	\$ 1,265,708	\$ 1,360,000	\$ -
Downtown Business District	994,670	-	-	-
Main Street Enhancement	-	239,631	-	-
Nonmajor Funds:				
Special Revenue Funds	-	26,571	-	-
Capital Project Funds	<u>258,757</u>	<u>-</u>	<u>-</u>	<u>1,360,000</u>
Total Governmental Funds	1,253,427	1,531,910	1,360,000	1,360,000
Enterprise Funds:				
Water Enterprise Fund	63,041	-	-	-
Waste Water Enterprise Fund	97,277	-	-	-
Solid Waste Enterprise Fund	-	17,789	-	-
Parking Enterprise Fund	<u>118,637</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Enterprise Funds	278,955	17,789	-	-
Internal Service Funds	-	1,041	-	-
Agency Funds	<u>18,358</u>	<u>-</u>	<u>-</u>	<u>-</u>
Grand Total	<u>\$ 1,550,740</u>	<u>\$ 1,550,740</u>	<u>\$ 1,360,000</u>	<u>\$ 1,360,000</u>

9. Capital Assets

Capital asset activity for the year ended June 30, 2011 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 4,107,527	\$ 59,310	\$ (7,000)	\$ 4,159,837
Machinery, equipment, and furnishings	4,881,668	102,958	-	4,984,626
Infrastructure	50,991,699	279,480	-	51,271,179
	<u>59,980,894</u>	<u>441,748</u>	<u>(7,000)</u>	<u>60,415,642</u>
Total capital assets, being depreciated				
Less accumulated depreciation for:				
Buildings and improvements	(960,772)	(103,142)	-	(1,063,914)
Machinery, equipment, and furnishings	(3,201,550)	(281,044)	-	(3,482,594)
Infrastructure	(19,375,609)	(1,274,814)	-	(20,650,423)
	<u>(23,537,931)</u>	<u>(1,659,000)</u>	<u>-</u>	<u>(25,196,931)</u>
Total accumulated depreciation				
Total capital assets, being depreciated, net	36,442,963	(1,217,252)	(7,000)	35,218,711
Capital assets, not being depreciated:				
Land	5,773,083	8,233	-	5,781,316
Construction in progress	16,733,804	793,917	(54,310)	17,473,411
	<u>22,506,887</u>	<u>802,150</u>	<u>(54,310)</u>	<u>23,254,727</u>
Total capital assets, not being depreciated				
Governmental activities capital assets, net	<u>\$ 58,949,850</u>	<u>\$ (415,102)</u>	<u>\$ (61,310)</u>	<u>\$ 58,473,438</u>

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-Type Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 6,050,000	\$ -	\$ -	\$ 6,050,000
Machinery, equipment, and furnishings	83,654	14,154	-	97,808
Infrastructure	8,048,044	-	-	8,048,044
	<u>14,181,698</u>	<u>14,154</u>	<u>-</u>	<u>14,195,852</u>
Total capital assets, being depreciated				
Less accumulated depreciation for:				
Buildings and improvements	(4,890,414)	(95,000)	-	(4,985,414)
Machinery, equipment, and furnishings	(44,354)	(11,994)	-	(56,348)
Infrastructure	(4,331,508)	(175,816)	-	(4,507,324)
	<u>(9,266,276)</u>	<u>(282,810)</u>	<u>-</u>	<u>(9,549,086)</u>
Total accumulated depreciation				
Total capital assets, being depreciated, net	4,915,422	(268,656)	-	4,646,766
Capital assets, not being depreciated:				
Land	340,400	-	-	340,400
Construction in progress	289,118	1,345,498	-	1,634,616
	<u>629,518</u>	<u>1,345,498</u>	<u>-</u>	<u>1,975,016</u>
Total capital assets, not being depreciated				
Business-type activities capital assets, net	<u>\$ 5,544,940</u>	<u>\$ 1,076,842</u>	<u>\$ -</u>	<u>\$ 6,621,782</u>

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

Governmental Activities:	
General government	\$ 66,134
Public safety	254,274
Public works	1,319,731
Culture and recreation	<u>18,861</u>
Total depreciation expense - governmental activities	<u>\$ 1,659,000</u>
Business-Type Activities:	
Water	\$ 141,554
Waste water	<u>141,256</u>
Total depreciation expense - business-type activities	<u>\$ 282,810</u>

10. Accounts Payable

Accounts payable represent 2011 expenditures paid after June 30, 2011.

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, 2011 receivable balances, except property taxes that are accrued for subsequent 60 day collections.

12. Taxes Collected In Advance

This balance consists of tax collections for the 2012 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 Through	Interest Rate(s) %	Amount Outstanding as of 6/30/11
<u>Governmental Activities:</u>			
Open Space Land Acquisition	01/15/23	4.25-4.9%	\$ 1,200,000
Downtown Tif Improvements	01/15/23	4.25-4.9%	900,000
Total Governmental Activities:			<u>\$ 2,100,000</u>

	Serial Maturities Through	Interest Rate(s) %	Amount Outstanding as of 6/30/11
<u>Business-Type Activities:</u>			
Creighton Street Pump/Outfall	01/01/22	3.70%	\$ 869,440
Total Business-Type Activities:			<u>\$ 869,440</u>

B. Future Debt Service

The annual payments to retire all general obligation long-term debt outstanding as of June 30, 2011 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	175,000	65,188	240,188
2017 - 2021	875,000	207,990	1,082,990
2022 - 2026	<u>350,000</u>	<u>25,638</u>	<u>375,638</u>
Total	<u>\$ 2,100,000</u>	<u>\$ 634,292</u>	<u>\$ 2,734,292</u>

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	79,040	20,494	99,534
2017 - 2021	395,200	58,553	453,753
2022 - 2026	<u>79,040</u>	<u>2,928</u>	<u>81,968</u>
Total	<u>\$ 869,440</u>	<u>\$ 193,225</u>	<u>\$ 1,062,665</u>

C. Changes in General Long-Term Liabilities

During the year ended June 30, 2011, the following changes occurred in long-term liabilities:

	Total Balance <u>7/1/10</u>	Additions	Reductions	Total Balance <u>6/30/11</u>	Less Current Portion	Equals Long-Term Portion <u>6/30/11</u>
<u>Governmental Activities</u>						
Bonds payable	\$ 2,275,000	\$ -	\$ (175,000)	\$ 2,100,000	\$ (175,000)	\$ 1,925,000
Other:						
Landfill closure	489,199	-	(32,613)	456,586	(32,613)	423,973
Compensated absences	211,248	39,573	-	250,821	(25,082)	225,739
Net OPEB obligation	94,518	56,674	-	151,192	-	151,192
Totals	\$ <u>3,069,965</u>	\$ <u>96,247</u>	\$ <u>(207,613)</u>	\$ <u>2,958,599</u>	\$ <u>(232,695)</u>	\$ <u>2,725,904</u>
<u>Business-Type Activities</u>						
Bonds payable	\$ 948,480	\$ -	\$ (79,040)	\$ 869,440	\$ (79,040)	\$ 790,400
Other:						
Compensated absences	15,406	771	-	16,177	(1,618)	14,559
Net OPEB obligation	8,384	5,096	-	13,480	-	13,480
Totals	\$ <u>972,270</u>	\$ <u>5,867</u>	\$ <u>(79,040)</u>	\$ <u>899,097</u>	\$ <u>(80,658)</u>	\$ <u>818,439</u>

14. Landfill Closure and Postclosure Care Costs

This liability reported is based on what it would cost to perform postclosure care in 2011. 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. General Fund Unassigned Fund Balance

The unassigned general fund balance reported on the balance sheet is stated in accordance with generally accepted accounting principles (GAAP), which differs in respect to how unassigned 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 unassigned fund balance:

GAAP basis balance	\$ 126,022
Deferred revenue, net of allowance	321,309
Reclass of tax deeded property	<u>33,614</u>
Tax rate setting balance	<u>\$ 480,945</u>

17. Commitments and Contingencies

Outstanding Legal Issues - There are several pending legal issues 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.

**18. Post-Employment Healthcare 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, 2011, 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 2011 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, 2011, 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	-
	<hr/>
Annual OPEB cost	79,760
Contributions made	<u>(17,990)</u>
	<hr/>
Increase in net OPEB obligation	61,770
Net OPEB obligation - beginning of year	<u>102,902</u>
Net OPEB obligation - end of year	<u><u>\$ 164,672</u></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>
2011	\$ 79,760	23%	\$ 164,672
2010	\$ 79,760	23%	\$ 102,902

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><u>\$ 568,594</u></u>
Funded ratio (actuarial value of plan assets/AAL)	<u><u>0%</u></u>
Covered payroll (active plan members)	<u><u>\$ 2,935,728</u></u>
UAAL as a percentage of covered payroll	<u><u>19%</u></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%.

19. 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 54 Regional Drive, Concord, New Hampshire 03301-8507.

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 9.16% for employees, 14.63% for police and 18.52% for fire. The Town's contributions to the System for the years ended June 30, 2011, 2010, and 2009 were \$ 284,756, \$ 315,446 and \$ 258,349, 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, 2011, was \$ 2,823,134. Contribution requirements for the year ended June 30, 2011, were as follows:

State of New Hampshire	\$ 55,627
Town of Newmarket	284,756
Employees' Contributions	<u>281,195</u>
Total	<u>\$ 621,578</u>

20. 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.

21. Beginning Fund Balance Reclassification

The District's major governmental funds for fiscal year 2011, as defined by GASB Statement 34 and GASB Statement 54, have changed from the previous fiscal year. Accordingly, the following reconciliation is provided:

	Fund Equity 6/30/10 (as previously <u>reported</u>)	GASB 34 <u>Reclassification</u>	GASB 54 <u>Reclassification</u>	Fund Equity 6/30/10 (as restated)
General fund	\$ 1,338,398	\$ -	\$ 1,650,197	\$ 2,988,595
Black Bear Business Park	\$ 339,909	\$ (339,909)	\$ -	\$ -
Nonmajor funds	\$ 1,604,553	\$ 339,909	\$ 1,650,197	\$ 3,594,659

The GASB 34 reclassification was due to reclassifying the Black Bear Business Park, a prior year major fund, to the nonmajor funds. The GASB 54 reclassification was due to reclassifying the Capital Reserve Funds from the nonmajor funds into the General Fund per the new accounting pronouncement, GASB 54. Accordingly, the following table is provided to reflect a bridge of the ending balances of the current year under GASB 54:

	<u>Non Spendable</u>	<u>Restricted</u>	<u>Committed</u>	<u>Assigned</u>	<u>Unassigned</u>	<u>Total</u>
General Fund						
Reserve for:						
Encumbrance	\$ -	\$ -	\$ -	\$ 5,105	\$ -	\$ 5,105
Advance	1,360,000	-	-	-	-	1,360,000
Impact fees	-	158,919	-	-	-	158,919
Capital Reserve	-	-	1,928,986	-	-	1,928,986
Undesignated	-	-	-	-	126,022	126,022
sub total	<u>1,360,000</u>	<u>158,919</u>	<u>1,928,986</u>	<u>5,105</u>	<u>126,022</u>	<u>3,579,032</u>
Major						
Capital Projects	-	1,056,116	476,240	-	-	1,532,356
sub total	<u>-</u>	<u>1,056,116</u>	<u>476,240</u>	<u>-</u>	<u>-</u>	<u>1,532,356</u>
Non Major						
Special Revenue	-	483,416	-	54,224	-	537,640
Capital Projects	-	-	869,022	-	(1,459,797)	(590,775)
Permanent Funds	472,860	101,975	-	-	-	574,835
sub total	<u>472,860</u>	<u>585,391</u>	<u>869,022</u>	<u>54,224</u>	<u>(1,459,797)</u>	<u>521,700</u>
Grand Total	\$ <u>1,832,860</u>	\$ <u>1,800,426</u>	\$ <u>3,274,248</u>	\$ <u>59,329</u>	\$ <u>(1,333,775)</u>	\$ <u>5,633,088</u>

22. Beginning Fund Balance Net Assets Restatement

The beginning (July 1, 2010) fund balances of the Town have been restated as follows:

	<u>Governmental Activities</u>
As previously reported	\$ 61,275,314
Prior year additions of capital assets	<u>426,858</u>
As restated	\$ <u>61,702,172</u>

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

June 30, 2011

(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	12.5%
07/01/09	\$ -	\$ 568,594	\$ 568,594	0.0%	\$ 2,935,728	19.4%

See Independent Auditors' Report.